2022

Achieving Financial Sustainability

2022 Annual Financial Report

for the year ended December 31, 2022

City of Toronto, Ontario, Canada

TORONTO

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TORONTO

Our Deputy Mayor's message

I am pleased to share with you the City of Toronto's 2022 Annual Financial Report.

We entered 2022 still very much focused on mitigating the effects of the pandemic, but as the year progressed, we saw renewal, recovery, and a return to many aspects of pre-pandemic life.

Toronto Public Health and its Team Toronto partners continued their work to expand COVID-19 vaccination opportunities in the early weeks of the year – and redoubled their efforts to break down barriers and ensure equitable vaccine access for the communities and neighbourhoods disproportionately impacted by COVID-19. By October, Team Toronto reached two critical milestones in the fight against COVID-19 – more than 7.5 million COVID-19 vaccinations had been administered and 90 per cent of people aged 12 and older had received two doses of a vaccine.

This allowed the City to focus on other major priorities, one being the safety of Toronto residents. In January, the City announced the SafeTO Implementation Plan, which focuses on prevention through collaboration with the community, government and community safety organizations. Actions in the first year of the plan included the establishment of a Toronto Office to Prevent Gun Violence, the creation of a multi-sector data centre for the purpose of informing real-time policy development and service planning, and better support for victims and communities impacted by violence.

Another important pillar to ensure that the safety and mental health needs of residents were being met was the launch of the Community Crisis Support Service pilots. These pilots operate 24/7, provide case management support – including follow up support, primary health care, referrals, counselling, housing support and other individualized supports – and feature mobile multidisciplinary teams of trained crisis support specialists. The City partnered with the Toronto Police Service and Findhelp|211 Central to triage and dispatch calls to the mobile teams and connect callers to follow-up supports.

In March, the City announced that major in-person festivals and events would return to Toronto's streets, public spaces and parks. The St. Patrick's Parade, Doors Open Toronto, Pride Toronto, Toronto Caribbean Carnival, and many other events once again took place. Residents and visitors came out to celebrate and enjoy themselves – and Toronto's hospitality and tourism industry began its recovery. In May, Toronto was the Host City for the 2022 JUNO Awards – an opportunity to showcase Toronto and many of its venues and artists, as well as its vibrant music scene.

Sustainability, the environment and climate were top of mind this year. For the second year, the City was awarded Social Bond of the Year – Local Authority/Municipality at the 2022 Environmental Finance Bond Awards. This award recognizes the City's leadership in the green, social and sustainability bond and loan market and was given for the issuance of the City's second Social Bond last year. The City has created an Accountability and Management Framework to help shape the implementation of the TransformTO Net Zero climate action strategy. The Framework aims to ensure meaningful engagement with Toronto's diverse communities and key stakeholders to provide oversight, ensure clear accountability, facilitate ongoing communication, and guide the effective and equitable implementation of Toronto's climate strategy. The City also furthered its goal of sustainability by partnering with Natural Resources Canada to launch the Deep Retrofit Challenge, a program that aims to accelerate the reduction of greenhouse gas (GHG) emissions from existing buildings in Toronto. The City also opened applications for its PollinateTO Grants and Neighbourhood Climate Action Champions program to support local communities in building stronger ecosystems and taking climate action.

Housing continues to be a priority for the City, with 919 affordable rental homes approved through the 2021 Open Door Affordable Rental Housing Call for Applications. The City added more than 1,000 new shelter spaces and hired more outreach counsellors to support people experiencing homelessness in finding and keeping permanent housing. City Council also worked to make garden suites a new housing option and continue moving the needle on important supportive housing options.

These initiatives are part of the more than 150 services the City delivered throughout 2022. We are committed to the continued delivery of the services that Toronto residents and businesses depend on – while demonstrating the responsible fiscal management that allows us to deliver them.

JMcKelvie

August 28, 2023
Deputy Mayor Jennifer McKelvie

Financial highlights

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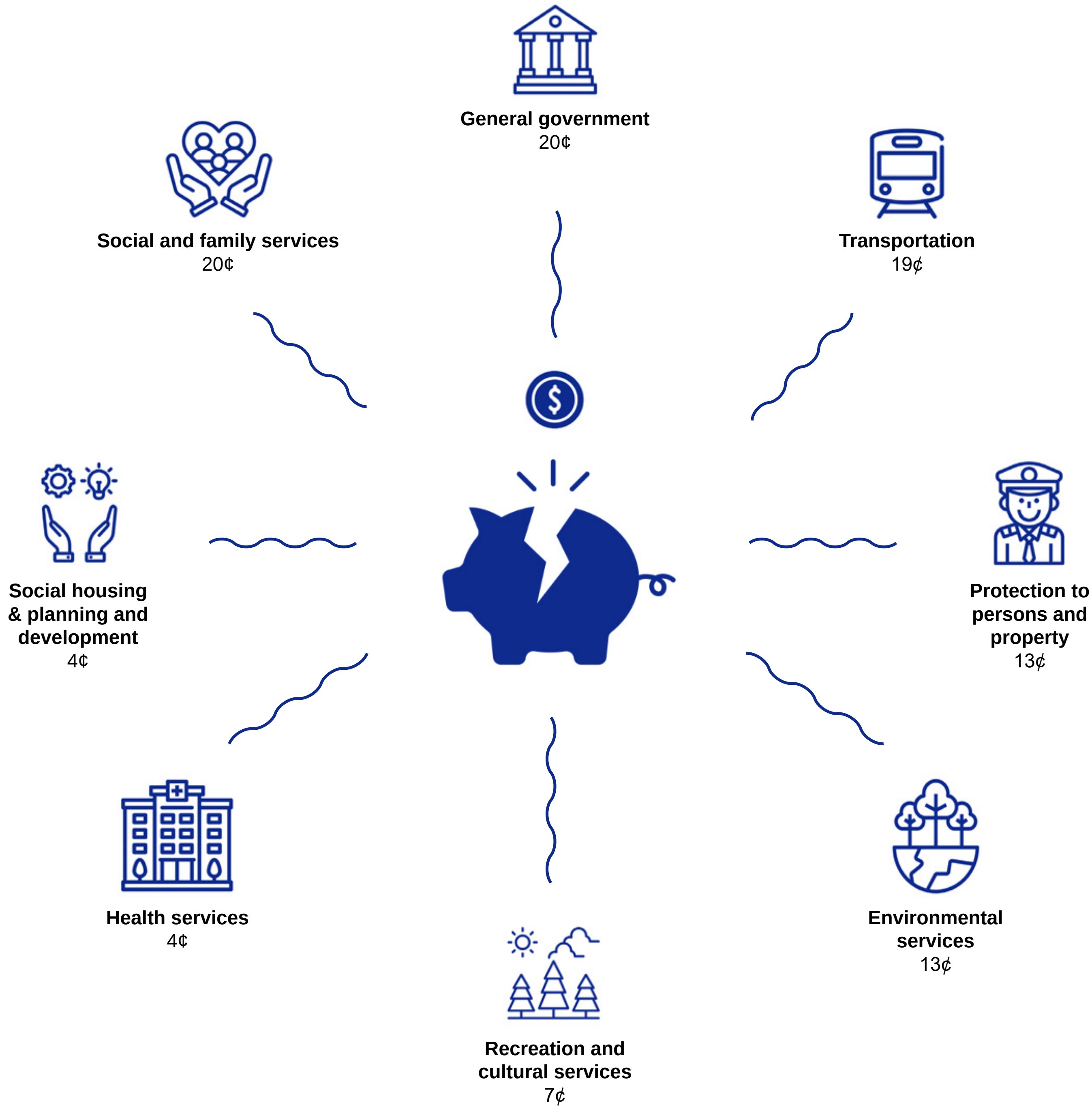
How the money is invested

Every dollar that we spend goes to support:



Our 2022 operating budget was $14.99 billion*, covering crucial programs, services, and infrastructure. The largest expenditures include public transit, social services (affordable housing and child care services), protection to persons and property (emergency services such as police and fire services), and general government (such as debt and corporate charges to support operations). We recognized a cash budget-based shortfall in 2022 (2022 Year-end Operating Variance Report) which could affect our ability to support services in the future. As a result, we will need to closely monitor our financial activities in 2023 and future years.

*This excludes the capital investments made by the City of Toronto in intergovernmental priorities. Capital investments are to build assets or extend the useful life of existing assets; an example of a capital expenditure is the construction of a new community centre.

How we reconcile our budget

On an annual basis, we prepare a balanced budget, which results in neither a surplus nor a deficit. It incorporates our expectations of expenditures and sources of funding required to provide planned services for the current year. Once prepared, we present the financial information to City Council to share details of our planned operating and capital activities and receive their approval for property tax rate and user fee increases for the year.

Components of the budget consider how the City plans to pay for its future cash requirements. To support this perspective, we present the budget using a methodology known as "cash basis", where we budget for the cash inflows that will be used to pay for expenses. Key components of the budget include:

- Funding sources: receipt of provincial and federal government grants, issuance of long-term debt, collection of property taxes and user fees, and use of the City's reserves and discretionary reserve funds (mainly from the Capital Financing reserves, the Vehicle & Equipment Replacement reserves and the Land Acquisition reserve funds).
- Estimated expenditures: recognition of amounts used to sustain daily operations and support key initiatives, including restoring pre-pandemic public transit ridership figures, increasing access to and enhancing continuity of service in the child care sector and long-term care homes sector, strengthening partnerships with Black-mandated and Indigenous-led organizations, maintaining strong COVID-19 infection prevention and control measures, and investing in infrastructure to deliver uninterrupted services to residents and businesses.

The budget, therefore, is a key accountability document that we use to help plan and finance our annual commitments to Torontonians.

In contrast, we use the year-end financial statements, another key accountability document, to provide key historical financial information to the public. Specifically, the financial statements not only capture our actual revenues when they are earned and our expenses when they are incurred, but also disclose what existing resources we have now and what long-term obligations and future commitments we will have to settle with external individuals and organizations in future years. As the financial statements provide a long-term perspective of our financial condition in addition to current year performance, we are required to use a presentation approach known as "accrual accounting", which is established by the Chartered Professional Accountants of Canada (CPA Canada) and the Public Sector Accounting Board (PSAB) as part of Public Sector Accounting Standards (PSAS).

Unlike the cash basis used for budgeting, accrual accounting requires that financial transactions be recorded and reported when they occur, regardless of when cash is ultimately collected or paid. In addition, in presenting the financial statements, we are also required to consider the long-term financial impacts arising from our investments and commitments, such as how our infrastructure assets change over time, as well as what obligations will need to be settled in the future, such as our long-term debt.

We have prepared the table below to summarize our Council approved balanced budgets for:

- Operating expenses,
- Capital expenses,
- Non-levy programs (programs fully supported by user fees from the Toronto Water, Solid Waste Management Services and Toronto Parking Authority), and
- Consolidated entities (i.e., Agencies and Corporations).

Given that the cash and accrual accounting methodologies offer different perspectives regarding how some transactions are recognized and when they are recognized, we have also included a reconciliation to the City's budgets presented in the Consolidated Statement of Operations and Accumulated Surplus, under the accrual accounting principles.

In reconciling the cash-based budgets to the budgets presented in the City's financial statements, we must eliminate cash inflows and outflows that are not considered as revenues and expenses under PSAS. As a result, the budget in our financial statements:

- Does not recognize contributions to or withdrawals from our reserves and discretionary reserve funds, receipt of proceeds from the issuance and principal repayments of our long-term debt, recovery of costs from our internal programs, and miscellaneous re-classifications between revenues and expenses (done to correct the presentation of balances, such as the re-classification of the tax write-off balance, the provision of waste management rebates, and the fees collected from residents for child care operators); and
- Recognizes tangible capital assets (TCAs) and the associated amortization (to reflect the reduction of an asset's value over the period in which it is used).

(in millions of dollars, unless otherwise stated) Annual Financial Report 2022 • City of Toronto

Once the budget information is converted from the cash basis to the accrual accounting basis, we normally see an accounting surplus or deficit. As noted above, this is due to the accrual accounting method which capitalizes eligible capital expenditures to tangible capital assets, recognizes the debt proceeds as liabilities, and recognizes financial transactions when they occur, regardless of when cash is ultimately collected or paid. These required adjustments lead to a difference between the Council approved balanced budget and the budgets reported in the financial statements, and ultimately recognize an accounting surplus or deficit.

The below table summarizes how the Council-approved balanced budget information that is originally prepared on the cash basis is adjusted to the budget presented in the financial statements under the accrual accounting basis:

	Approved by Council					
	Operating	Capital	Non-levy	Consolidated entities	Adjustments	Total adjusted budget
Revenues						
Property and taxation from other governments	$ 5,032	$ -	$ -	$ -	$ (124)	$ 4,908
Government transfers	4,111	734	-	(4)	92	4,933
User charges	1,426	1,269	1,967	(54)	(1,167)	3,441
Municipal Land Transfer Tax	944	-	-	-	-	944
Other revenue sources	1,468	2,966	-	(16)	(3,648)	770
Rent and concessions	61	-	-	417	-	478
Development charges	-	551	-	-	-	551
Investment income	219	-	-	-	(30)	189
Total revenues	**13,261**	**5,520**	**1,967**	**343**	**(4,877)**	**16,214**
Expenses						
Transportation	2,755	2,152	181	(29)	(637)	4,422
Social and family services	3,115	479	-	-	(221)	3,373
Protection to persons and property	1,975	129	-	-	(7)	2,097
Recreation and cultural services	1005	396	-	(36)	(120)	1,245
Environmental services	172	1,533	1,786	-	(1,848)	1,643
General government	3,071	514	-	-	(2,129)	1,456
Social housing	463	161	-	410	225	1,259
Health services	653	32	-	-	(22)	663
Planning and development	52	124	-	8	10	194
Total expenses	**13,261**	**5,520**	**1,967**	**353**	**(4,749)**	**16,352**
Annual surplus (deficit)	**$ -**	**$ -**	**$ -**	**$ (10)**	**$ (128)**	**$ (138)**

Management's discussion & analysis

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Introduction

The City is pleased to submit the annual financial report for the City of Toronto (City) for the year ended December 31, 2022. The annual financial report provides an overview of the City's 2022 financial and operating performance, climate-related disclosures aligned with the Task Force for Climate-Related Financial Disclosures' (TCFD) recommendations, and supplementary financial information. This annual financial report is intended to provide you with a deep understanding of how the City executed its priorities for the 2022 year and outline how we are positioned to continue providing services into the future.

The Canadian Constitutional framework sets out that Provinces have exclusive control over municipalities and the rules that govern them. Provincial regulations and legislation define the City's powers, the most significant of these instruments being the City of Toronto Act, 2006 (COTA). As required by this Act, the City has prepared the annual financial statements in accordance with public sector accounting standards as established by the Public Sector Accounting Board.

The annual financial report contains the following financial statements:

- **The City's Consolidated Financial Statements**, which include the financial position and results of operations of the City and its consolidated entities;
- **The Sinking Fund Financial Statements**, which reflect how we used and invested our sinking funds for the purposes of managing repayment obligations associated with our long-term debt; and
- **The Consolidated Trust Funds' Financial Statements**, which consist of various trust funds administered by the City of Toronto on behalf of others.

Prior to presenting our audited, consolidated financial statements, we will be sharing our annual highlights and analysis of our financial position and performance in 2022, as well as a detailed review of our investments and debt portfolio, property tax calculation, ratio analysis with benchmarks to other municipalities, and the overall financial sustainability of the City in future years.

(in millions of dollars, unless otherwise stated)

Our financial position and performance

Quick recap: key accounting terms

The annual financial report and financial statements refer to various accounting terms. The terms that we commonly reference throughout our document and their associated definitions include the following:

- **Financial assets**: resources, either cash or readily convertible to cash, such as accounts receivable and investments. These resources are used to pay for operations, such as salaries, and settle ongoing obligations to external individuals and organizations.
- **Liabilities**: obligations, such as accounts payable and long-term debt, to external individuals and organizations that we need to settle in future years.
- **Net financial assets/net debt**: a key financial indicator that reflects whether we have sufficient resources on hand or will need to rely on additional revenues in the future to successfully settle our current liabilities. When there are more financial assets than liabilities, we recognize a "net financial assets" balance, but when there are more liabilities than financial assets, we recognize a "net debt" balance.
- **Non-financial assets**: resources, such as Tangible Capital Assets (TCAs) and inventories, which are used or directly consumed to provide services and programs. TCAs are a significant economic resource and a key investment in the delivery of our services to residents. They include diverse items such as roads, bridges, buildings, vehicles, equipment, land, water and wastewater infrastructure, and computer hardware and software. We monitor the usage and consumption of these assets in the delivery of services to identify asset management and replacement needs.
- **Revenues**: amounts recognized into earnings upon the provision of a good and/or service or resulting from a specified event (e.g., issuance of a building permit). Common sources of revenue include property taxes, provincial and federal grants and user fees.
- **Expenses**: costs incurred to maintain City operations, as well as support service delivery to residents and businesses. Common examples of expenses include the cost of snow removal and garbage collection, operating costs of emergency and temporary shelters for vulnerable residents, and the cost of public health nurses and other medical personnel, as well as various facilities which were rented to provide residents with access to vaccination clinics throughout the city.
- **Annual surplus**: accrual accounting-based balance that results when revenues exceed expenses in a given year. For financial statement purposes, this balance helps us to determine whether we were able to collect and recognize sufficient revenues used to support operations and service delivery.
    - **Is this the same as a budgeted surplus**? No, the budgeted surplus and accounting surplus are each determined using a different set of principles. Specifically, the City's year end budget surplus represents the difference between actual cash brought in and cash flowing out of the organization, whereas the accounting surplus is the difference between revenues earned and expenses incurred based on accrual accounting principles, regardless of when cash is received or disbursed.

Our balance sheet: what do we owe or own?

Our Statement of Financial Position (balance sheet) provides an overview of all resources that we own, as well as the obligations that are owed to others at the end of the City's reporting period; the City's fiscal year runs between January 1 and December 31. Key financial statement line items that are featured in the balance sheet, and year-over-year changes, are as follows:

	2022	2021	Increase (decrease)	Per cent change
Total financial assets	$ 16,702	$ 14,941	$ 1,761	11.8%
Total liabilities	25,258	23,320	1,938	8.3%
Net debt	(8,556)	(8,379)	(177)	2.1%
Total non-financial assets	$ 40,809	$ 38,805	$ 2,004	5.2%

- **Financial assets** increased mainly due to the growth in investments and increases in accounts and taxes receivables. We have become more liquid since the pandemic, which means that we have been maintaining larger proportions of assets that are cash or cash equivalents. By having a larger cash and cash equivalents balance, we were able to secure access to resources that can be quickly deployed to respond to emergency payment requests for essential frontline services. The City's increased liquidity comes from deliberate decisions including the deferral of major initiatives and capital projects to ensure that we have cash available to pay for cost increases and a rise in pandemic specific support requirements. The City's increased financial assets do not represent extra cash; these amounts are received for specific requirements or are maintained to meet unexpected needs.

(in millions of dollars, unless otherwise stated)

Our balance sheet: what do we owe or own? (cont.)

- **Liabilities** increased because of our efforts to navigate the gradual return to normal operations following the easing of COVID-19 restrictions. Moreover, ongoing capital projects for transit, affordable housing and site remediation for the City's Port Lands flood protection project resulted in higher estimated financial obligations at year end. Furthermore, the increases in deferred revenue were primarily attributed to development charges collected during the year to support future-growth capital projects, which were partially offset by revenue recognized due to eligible development activities that occurred throughout the year. Finally, long-term debt has increased to raise money for the acquisition of capital assets to continue to replace/improve our infrastructure and maintain/strengthen our service delivery to residents and businesses.

- **Net debt** increased on an overall basis due to the City recognizing more financial liabilities than assets in the current year. This continues to signify that we will need to identify future sources of revenue/cash inflows to settle our current liabilities; this value is extremely important when considering the City's financial sustainability.

- **Non-financial assets** have increased this year, due to our continuing commitment to invest in TCAs, which is critical to our safe and effective service delivery. During the year, we continued with road and bridge rehabilitation and improvements, water treatment facility-related renovations, affordable housing developments and construction/repair of new and existing buildings to accommodate the needs of a growing population, combat climate change and ensure the continuity of services. It is important to note that our asset consumption ratio has been increasing over the past years, highlighting our ongoing utilization of infrastructure assets to provide essential services for our residents and businesses. However, it also signifies the need for timely asset replacement or renewal, considering the aging and depreciation of our assets. In order to maintain service capacity and preserve asset conditions, we require ongoing maintenance for our increasingly aging infrastructure. We are facing mounting financial pressures related to maintaining our extensive inventory of assets due to increased capital requirements, population growth and heightened service demand.

Our income statement: How much did we make, and what did we spend it on?

Our Statement of Operations (income statement) is a summary of all the revenues that we earned, as well as expenses that we incurred to provide City services and support recovery from the pandemic. The below table highlights the key balances, as well as changes:

		2022		2021		Increase (decrease)	Per cent change
Total revenues	$	15,682	$	15,241	$	441	2.9%
Total expenses		13,855		13,243		612	4.6%
Annual accounting surplus	$	1,827	$	1,998	$	(171)	(8.6%)

- **Revenues** increased primarily due to the lifting of COVID-19 restrictions, which resulted in a boost in transit ridership and a rise in demand for use of our facilities and programs. Further, in 2022 we experienced an increase in land sales (expropriation of City-owned lands by Metrolinx for transit purposes) and an increase in property taxes as part of annual rate hikes. However, we faced a reduction of critical government transfers which were needed to cover our 2022 operating costs, as we are still recovering from increased costs due to the pandemic. In 2022, government grants received supported 32 per cent of our operating costs (2021 – 35 per cent). Although revenues have increased since 2021, it is below pre-pandemic levels especially for transit ridership.

- **Expenses** have risen primarily due to the recovery of operations following the COVID-19 pandemic in 2022; as we resumed full services, we incurred additional costs associated with providing services for our residents and businesses while still dealing with pandemic expenses. In addition, the prevailing supply chain challenges have led to increased costs across the board. Despite our control over resource utilization through service plans, the actual costs are dictated by external market conditions, heightening costs of operations. These operational increases are partially offset by the reduction of public health services relating to mass vaccination clinics.

- **Annual surplus** reported on this statement is an accounting measure; it is calculated as the difference between revenues recognized and expenses incurred, presented using the accrual basis of accounting. The annual accounting surplus over the years does not mean that our cash flow increased over prior years or that we do not require continuing support to maintain our current operations and provide much needed critical services to Toronto's residents and businesses.

(in millions of dollars, unless otherwise stated)

Our investments and debt portfolio

Managing our investments

Our overall cash requirements are dynamic and dependent on daily operations, as well as planned long-term activities. To accommodate our cash needs, we monitor and review our working capital and in particular, our investments portfolio, to ensure that we have, or will have, sufficient resources on hand to finance our short-term and long-term expenditures. In 2022, due to continued increases in interest and inflation rates and geopolitical disturbances, Canadian and global stock and bond markets experienced a short-term temporary decline in overall performance. As a result, we recognize the importance of minimizing our exposure to market volatility and therefore, take prudent measures to diversify the types of investments that we acquire.

We held investments of $6.4 billion as at December 31, 2022, which is reflected on our balance sheet. This balance excludes our sinking fund investments, which are discussed in the Sinking Fund Financial Statements section, as they are held specifically for future long-term debt repayment. Our investments increased by $2.7 billion or 74.0 per cent compared to the previous period. The significant increase is mainly driven by our large investments in money market instruments, which are the short-term investments internally managed by the city. As 2022 was a challenging year for financial markets due to concerns and uncertainty regarding inflation, monetary policy, geopolitical tensions and the possibility of an impending recession, we followed a diversification strategy to weather difficult economic environments by holding a larger short-term investment portfolio, ensuring that we had access to cash when required.

The investment portfolio that we hold to finance our daily operations and future commitments consists of both short-term and long-term assets. Key figures associated with each of our portfolios are summarized in the table below, which excludes the investments not directly managed by the City's Capital Markets group, such as the investments held by agencies and corporations:

- **Short-term investment portfolio**: We held a greater amount of investments in this portfolio to allow us to have more resources that could be easily converted to cash and used to support our essential services and pandemic-related efforts.
- **Long-term investment portfolio**: These investments were not immediately required, and we maintained a diversified asset mix in accordance with our investment policy to lower the overall risk based on a prudent investor standard. These investments were managed by external investment managers that are overseen by the Toronto Investment Board.

	2022		
Investment portfolio type	**Average balance**	**Investment income**	**Rate of return**
Short-term	$ 6,903	$ 178	2.6%
Long-term	3,682	(86)	(2.3%)
Total	**$ 10,585**	**$ 92**	**0.9%**

	2021		
Investment portfolio type	**Average balance**	**Investment income**	**Rate of return**
Short-term	$ 5,239	$ 38	0.7%
Long-term	3,696	69	1.9%
Total	**$ 8,934**	**$ 107**	**1.2%**

As demonstrated in the table above, our investment portfolio had an average total balance of $10.6 billion during the year. When excluding unrealized gains and losses from the total return, the booked investment income was $92 million during 2022, earning a 0.9 per cent annualized rate of return on capital.

Our short-term investment portfolio is currently at a higher level compared to the prior year. With rising interest rates and difficult economic environments in 2022, the increase in short-term investments portfolio provided a higher investment income. However, losses were realized in the fixed income portion of our long-term investment portfolio because of the sharp interest rate increases in 2022.

Overview of our long-term debt

In 2022, our long-term debt balance increased by $713 million or 9 per cent, to $8.9 billion. The increase was mainly because of the issuance of additional debentures of $1.3 billion, net of the repayment made of $465 million and applicable accounting adjustments. We continued to sustain our long-term borrowing activities to support our investments in critical capital infrastructure intended to strengthen our affordable housing program, the quality and reliability of transit services, and the key capital climate action projects. We also issued long-term debt to construct, improve, or extend the useful life of bridges, roads, libraries, fire/ambulance stations, community centres, and other major infrastructure assets. Debt was issued conservatively to support our investments in critical infrastructure aimed at strengthening our ability to deliver services.

In addition to our conventional debenture program, we also offered the following:

- **Green debenture program**: We used the proceeds from green debentures to help finance key capital climate projects that improve our ability to respond to and address climate-related risks and help us meet our environmental objectives. This includes climate change mitigation and adaptation, greenhouse gas abatement and avoidance, waste management, and control and avoidance of various pollutants. In 2022, $300 million out of the total $1.3 billion we issued relates to the green debentures program.
- **Social debenture program**: This program helps advance positive social action and sustainability in our city. Examples of capital projects financed using social debentures include investments in the affordable housing program, and access to basic infrastructure and essential services. In 2022, $235 million out of the total $1.3 billion issued was related to the social debentures program.

We have a series of City-issued long-term debt scheduled to mature between 2023 and 2052. Highlights of the repayment schedule, including the highest required repayments for the earliest year (2023) and the lowest required repayments for the latest year (2052) are presented in the figure below, which excludes the long-term debt not issued directly by the City, such as amounts issued by the agencies and corporations.

To sustain our long-term borrowing programs, it will be extremely important that we monitor our exposure to financing risks. Specifically, we maintain a separate set of investments known as sinking funds to help us prepare for future debt repayments. The duration of our sinking fund investments is aligned with the repayment periods of our long-term debt, which allows us to better manage the interest rate risk associated with the portfolio. In 2022, our sinking funds had an average balance of $2 billion and generated a rate of return of 0.9 per cent.

Our credit ratings

The success of our long-term borrowing program is partially dependent on the quality of our credit rating.

A credit rating is a financial indicator that is determined by independent external organizations known as credit rating agencies. Like a resident's personal credit score, a credit rating reflects the ability of municipal governments to fulfill their financial commitments, including repaying their investors. To increase the likelihood of obtaining the market's support for our debentures and keeping overall borrowing costs low, it is important for the city to receive and maintain strong credit ratings. These ratings are usually reviewed on an annual basis by each credit rating agency.

Credit rating agencies use varying methodologies when determining credit ratings. We are evaluated by S&P Global (S&P), DBRS Limited (DBRS), and Moody's Investors Service (Moody's). We rely on credit ratings from multiple credit rating agencies to increase the reliability of the information.

Assessments conducted by these external entities consider both financial and non-financial information. The credit rating agencies examine the overall operating and economic environment, quality of governance and management strategies, financial management practices, budgetary performance, current year's financial performance, and future fiscal outlook. Upon completion of the comprehensive assessments, entities receive an official credit rating.

S&P	DBRS	Moody's
AA	**AA**	**Aa1**

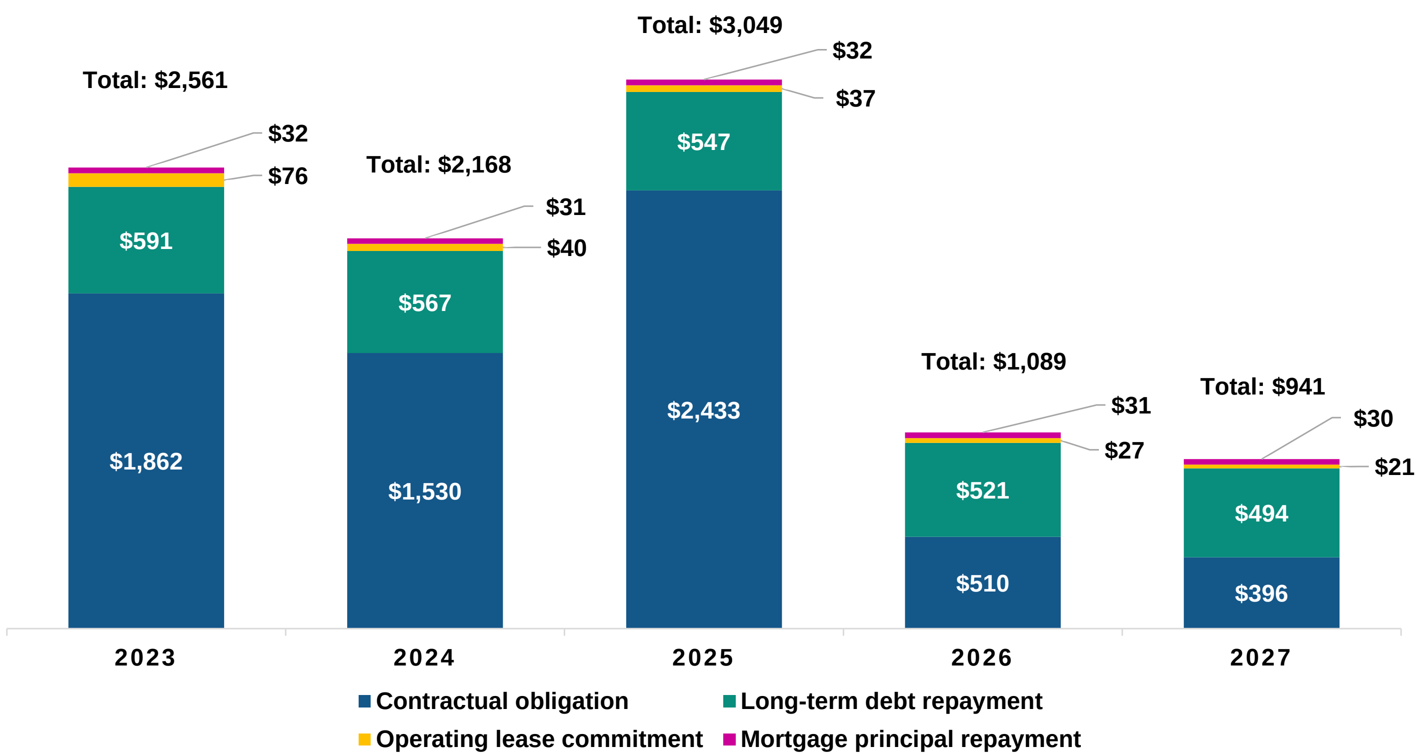
In 2022, the credit rating agencies reaffirmed our credit ratings and acknowledged that we were able to sustain our financial performance during the COVID-19 pandemic, mainly due to the continuous financial support secured from senior levels of government, prudent financial management practices, and Toronto's deep and diversified economy. Our current credit ratings are AA with a stable outlook from S&P and DBRS, and Aa1 with a stable outlook from Moody's, which indicates superior credit quality subject to very low credit risk. Our credit quality differs from the highest credit rating AAA only to a small degree, demonstrating that currently, the City has very strong capacity to meet financial obligations.

Our upcoming cash requirements

Anticipating and preparing for future cash requirements is a key part of our financial management practices. In addition to the repayment of our long-term debt, we also need to consider the settlement of our other financial commitments, which include the following items:

- Our contractual obligations represent amounts that we owe to others for goods, services and planned capital activities that will be received or completed in future years. These financial commitments are made to allow us to deliver services to residents and businesses. In 2025, our contractual obligations will be higher than other years, requiring that we pay $1.5 billion to support the provincial government's efforts in expanding the GO rail network across the region (i.e., SmartTrack program).

- Our operating leases and mortgages are commitments made for facilities, equipment, and eligible expenditures under the capital repair program, ultimately to support our service delivery.



As shown on the graph above, our annual cash requirements are variable in nature and are subject to change based on operational needs or changes in the external environment, therefore it is extremely important that we manage our cash use priorities. As we contribute the property taxes collected to fulfill these future commitments to deliver uninterrupted services, we run the risk of not having adequate cash to manage programs. The City will need to consider various options to manage cash resources, such as deferring planned capital expenditures, or scaling back on operations and service levels with requests for financial support from senior levels of government as a last resource.

(in millions of dollars, unless otherwise stated)

A closer look at our finances

How we're doing in comparison to our past and peers

Ratios help evaluate the overall financial condition of the City by comparing our financial performance to the previous year, over a five-year average, and benchmarking against average performance of our Canadian municipal counterparts. It must be recognized that each municipality varies in complexity and size, operates under different economic constraints, and manages its assets, liabilities, revenues, expenses and cash surpluses/deficits differently. Below are some key financial ratios:

Key financial ratios	**Our ratio**			**Municipal benchmarking ratio**		
Financial Sustainability	**2022**	**2021**	**5-year average**	**Minimum**	**Maximum**	**Average**
Financial assets as a percentage of our liabilities	66.1%	64.0%	62.1%	56.4%	182.3%	119.7%
Net-debt to total revenues	(54.6%)	(55.0%)	(57.3%)	(95.5%)	81.9%	15.0%
Annual surplus as a % of revenues	11.7%	13.1%	11.6%	3.6%	22.5%	15.7%

Financial assets as a percentage of our liabilities

This ratio looks at our City's financial health and shows whether we have sufficient financial assets on hand to meet our obligations to external entities. Generally, it is considered favourable when municipalities report having more financial assets than liabilities (i.e., over 100 per cent).

Our ratio shows we have fewer financial assets than liabilities. Despite deliberate efforts, we are using up our cash resources faster than cash coming in, as we are trying to maintain service levels and infrastructure investments.

Compared against our 2021 results and 5-year average, our ratio experienced a small improvement of 2.1 per cent and 4.0 per cent respectively. We are using intentional, prudent, financial management practices, where cash or cash-like assets are held to allow us to respond to financial pressures caused by the pandemic, as well as support our capital investment requirements.

Given the complexity and size of our City as well as different medium-term and long-term financing decisions, we are actively managing our cash balance to meet our cash flow obligations.

Compared to our municipal counterparts, our ratio is on the lower end of the range.

Net-debt to total revenues

The ratio of net debt to total revenues is a key measure of sustainability, since net debt reflects the future revenue that is required to pay for past transactions and events. A lower net debt-to-revenue ratio generally indicates higher sustainability.

Compared against our 2021 results and 5-year average, our ratio has remained consistent with small changes of 0.4 per cent and 2.7 per cent respectively. Our rising liabilities are a result of increases to accounts payable, deferred revenues, long term debt, and future employee benefits. Although our total revenues have increased, our revenues have only risen minimally since the pandemic while our reliance on government transfers have grown. Revenue streams such as property taxes and municipal land transfer taxes have increased over the past several years, however it is unknown whether the City will continue to receive similar levels of financial assistance from other levels of government in the long-term.

Compared to our municipal counterparts, our ratio is on the lower end of the range.

Annual surplus as a % of revenues

This ratio measures the extent to which total revenues raised cover total expenses.

Compared against our 2021 results and 5-year average, our ratio experienced a decrease of 1.4 per cent and an increase of 0.1 per cent respectively.

The amount of annual surplus has decreased as revenues grew at a slower rate than expenses. Revenue support from senior orders of government, which increased during the pandemic years, is gradually returning to pre-pandemic amounts, even though the City continues to experience expenses from the pandemic in addition to increasing supports for vulnerable citizens, housing and public safety.

Compared to our municipal counterparts, our annual surplus as a percentage of revenue is relatively lower than the average ratio.

(in millions of dollars, unless otherwise stated)

How we're doing in comparison to our past and peers (cont.)

Key financial ratios	Our ratio			Municipal benchmarking ratio		
Financial Flexibility	**2022**	**2021**	**5-year average**	**Minimum**	**Maximum**	**Average**
Total Asset Consumption Ratio	36.0%	35.6%	35.4%	23.4%	38.7%	33.0%
This ratio assesses how much of our assets' lifespan has been utilized, highlighting the relative age of our overall tangible capital asset balance. Based on the Ministry of Municipal Affairs and Housing, a ratio of 25 per cent or under considers assets to be relatively new; 26 to 50 per cent to be moderately new; 51 to 75 percent to be moderately old and over 75 per cent to be old.	Our ratio of 36.0 per cent indicates that our assets are moderately new, reflecting a high NBV compared to historical cost and a low asset consumption. We currently have a mixture of infrastructure that has gone into service in recent years, as well as assets that may need to be rehabilitated or replaced as they have been in service for a long period of time. Investment in critical infrastructure is required to ensure we are not using old, potentially unreliable assets to service the community. As a result, we use this ratio as an indicator that we must continue to monitor our assets and replace them as they are depreciating. Compared against our 2021 results and 5-year average, our ratio has been stable. Compared to our municipal counterparts with an average consumption ratio of 33.0 per cent, our ratio is at the higher end of the range.					
Long-term debt as proceeds to asset acquisitions	34.6%	31.3%	31.3%	0.0%	58.9%	15.1%
This ratio represents how much of our TCAs are funded using additional long-term debt. Generally, the lower the ratio, the better, as this means TCAs were purchased through other financing measures, such as cash on hand, and generated revenue.	Our ratio of 34.6 per cent shows our moderately strong ability to purchase tangible assets using our own funds. Compared against our 2021 results and 5-year average, our ratio experienced an overall increase of 3.3 per cent, which shows a decline in our ability to effectively use our own funds to pay for replacement or new infrastructure over the past five years. Compared to our municipal counterparts, our ratio is higher than average.					
Debt service charges as % of total revenues	5.4%	5.6%	5.1%	0.0%	7.9%	4.2%
This ratio represents the percentage of revenues that must be used to pay for debt servicing. Generally, ratios that are less than 5 per cent indicate a stronger than average ability to effectively pay down existing principal and interest on debt.	Debt service charges represent the amount of principal and interest that we pay each year for the City's long-term debt. We only issue debt for TCAs and only where other sources of funding are not available. As debt service costs increase, it reduces the amount of revenue we have available to provide services. Our ratio is 5.4 per cent which shows we have kept our debt service at a reasonable level while maintaining the services provided to our residents and businesses. Compared against our 2021 results and 5-year average, our ratio has been stable. Compared against our municipal counterparts, our ratio is on the lower end of the range.					

(in millions of dollars, unless otherwise stated)

How we're doing in comparison to our past and peers (cont.)

Key financial ratios	Our ratio			Municipal benchmarking ratio		
Financial Vulnerability	**2022**	**2021**	**5-year average**	**Minimum**	**Maximum**	**Average**
Accounts receivable turnover	6.1	6.5	6.8 – includes pandemic years (2018-2022) 8.8 – only pre-pandemic years (2015-2019)	1.6	13.7	7.6
Property taxes as a % of total revenues	31.7%	31.3%	31.7%	31.7%	51.5%	42.9%
Government transfers as a % of total revenues	28.5%	30.7%	27.6% – includes pandemic years (2018-2022) 23.6% – only pre-pandemic years (2015-2019)	1.4%	41.2%	18.8%

Accounts receivable turnover

This ratio illustrates how quickly municipalities collect their accounts receivable from external individuals and organizations during the year. It is favourable when municipalities report a higher rate of turnover (e.g., greater than 1), as this shows that effective collection policies and processes are in place.

Over the past three years, our collection activities have slowed down when we compare our turnover ratios to the years not impacted by the pandemic (i.e., 2015 to 2019). During the past two years we had to operate differently to prioritize critical frontline services for residents and businesses affected by the pandemic. In addition, we recognized the impact that the pandemic had on individuals and organizations that are considered customers of the city. This resulted in slower than usual collection of amounts that were owed to us.

Compared to our municipal counterparts, our accounts receivable turnover is consistent with the average ratio.

Property taxes as a % of total revenues

This ratio represents the portion of our revenues that are related to property taxes, which is the largest source of revenue for us. A higher ratio indicates the reliance and dependence on property taxes to fund our operations and services to residents and businesses.

Our 31.7 per cent current ratio shows a moderate reliance on property taxes and the presence of other sources of revenue. Compared against our 2021 results and 5-year average, our ratio has been consistent reflecting City Council's priority to maintaining housing affordability in Toronto.

Compared to our municipal counterparts, our ratio is the lowest.

Government transfers as a % of total revenues

This ratio represents the portion of our revenues from government transfers made by senior levels of government, which is another large source of revenue for us. A higher ratio indicates the reliance on government transfers to fund services provided to residents and businesses.

Our ratio is 28.5 per cent which shows a moderate reliance on government transfers to sustain our operations and services.

Compared against our 2021 results and 5-year average, our ratio experienced a decrease of 2.2 per cent and an increase of 0.9 per cent respectively. Before the COVID-19 pandemic, our reliance on government transfers was low in relation to other revenue sources (average 23.6 per cent in the 5-year period preceding the pandemic) with transfers received intended to support well established City programs. Due to the pandemic, we relied on the Province of Ontario and Government of Canada to support our increased operating pressures as our own source revenues declined and we enhanced services to residents and businesses. We received government grants to support financial pressures caused by a significant reduction in transit ridership figures and increased public health initiatives.

Compared against our municipal counterparts, our ratio is on the higher end of the range.

(in millions of dollars, unless otherwise stated) Annual Financial Report 2022 • City of Toronto

How we're doing in comparison to our past and peers (cont.)

Key financial ratios	Our ratio			Municipal benchmarking ratio		
Financial Vulnerability	**2022**	**2021**	**5-year average**	**Minimum**	**Maximum**	**Average**
Government transfers as a % of total expenses This ratio represents the portion of our total expense that are funded by government transfers. A higher ratio indicates that reliance on government transfers to fund operations and services provided to residents and businesses.	32.2%	35.4%	31.2% – includes pandemic years (2018-2022) 26.4% – only pre-pandemic years (2015-2019)	1.5%	50.1%	22.5%

Our ratio is 32.2 per cent which shows a moderate reliance on government transfers to fund operating activities.

Compared against our 2021 results, our ratio experienced a decrease of 3.2 per cent and has been stable compared to the 5-year average. In 2022, we received less government transfers to pay for our operating activities while continuing to face financial pressures as we responded to the pandemic and inflation hikes. This includes but is not limited to increases in public health protocols and initiatives, provision of emergency shelter services to address public health guidelines and displaced individuals, sustained reduction of ridership figures, and other recovery and support efforts for residents and businesses. As a result, there is a continual need for more government transfers in the future to support our regular lines of businesses, such as social and family services, transportation and health services.

Compared against our municipal counterparts, our ratio is on the higher end of the range.

Our property taxes

With a diverse mix of revenue streams, we continue to provide a robust range of services and programs to our residents and businesses. The largest source of revenue is from property taxes, which accounts for approximately 31.7 per cent of our total revenue. City Council continues to monitor property tax increases, consider and approve comprehensive tax policy intended to enhance competitiveness and affordability in the City.

The amount of property taxes payable by a property is determined by multiplying the current value 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 in the City of Toronto for a property class consists of a municipal tax rate that we use to support our operational requirements, an education tax rate required by the province for education funding and the City Building Fund, a dedicated levy for the expansion of transit infrastructure and affordable housing.

Assessed value	X	Property tax rate	=	Property taxes
Current Value Assessment (CVA) – fully phased-in January 1, 2016 value		Consists of a City tax, Education tax and City Building fund tax		Total property taxes

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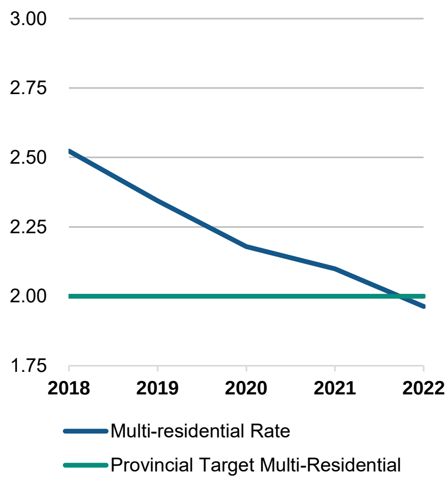
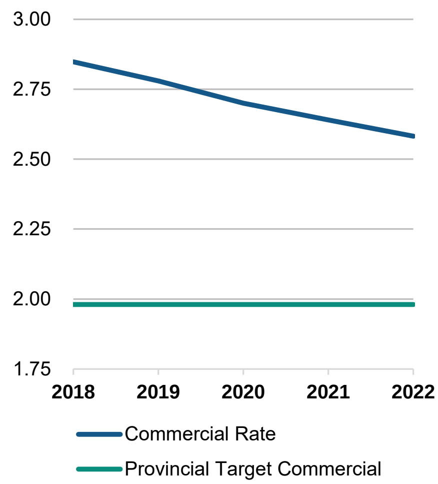
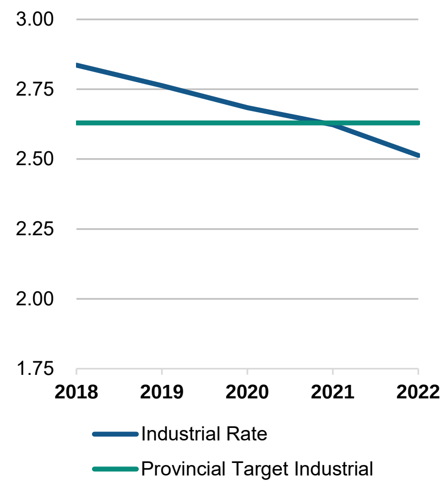
In 2005, Council adopted a policy under the ‘Enhancing Toronto’s Business Climate’ initiative to reduce the tax ratios for the commercial, industrial and multi-residential tax classes to 2.5 times the residential tax rate by 2020. The purpose of this was to correct tax burden imbalances. The freeze of municipal tax burdens for multiple residential property tax class since 2017 has ultimately shifted the tax burden to the rest of the tax classes. As a result, commercial and industrial are on track to meet their revised target dates in 2023 and 2024 respectively.

The table and charts below show our tax ratios by property type (multi-residential, commercial and industrial) along with the Provincial threshold ratio.







Multi-residential rates remain below the City’s target of 2.5 times the residential rate, as well as the provincial threshold. Industrial and commercial tax classes continue to exceed the City’s target of 2.5 times. Tax ratios are trending downwards, which is in line with the City’s ‘Enhancing Toronto’s Business Climate’ initiative and are either below or moving towards the provincial average. Rate reductions are achieved by limiting tax increases on the multi-residential, commercial and industrial classes, actively shifting the tax burden away from these classes onto the residential class.

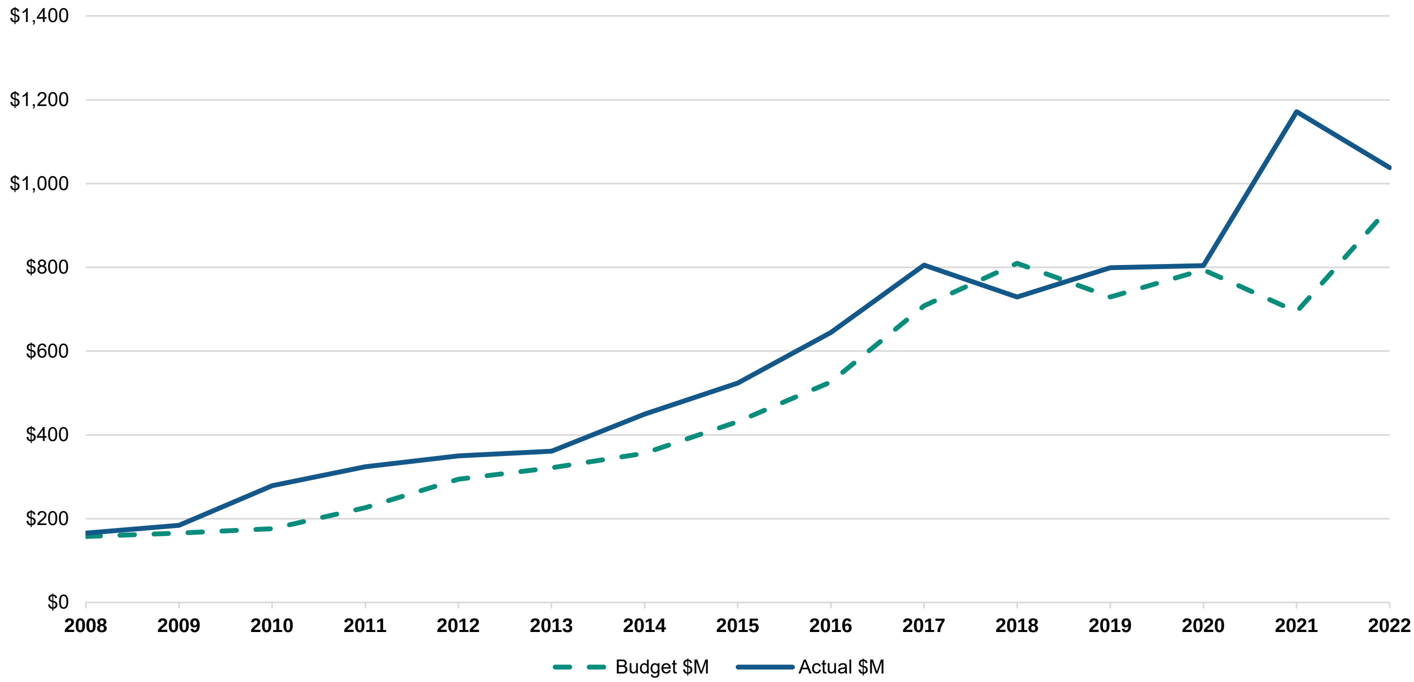
	2022 taxation year	**Provincial threshold ratios**
Multi-residential	1.963498	2.000000
Commercial	2.581835	1.980000
Industrial	2.513009	2.630000

Using the 2022 average assessment value of $697,185 for tax purposes, a household in Toronto paid the following property taxes:

	2022 tax rate		**2022 property rate (unrounded)**
Municipal purposes	0.472052%	$	3,291
Education purposes	0.153000%		1,067
City building fund	0.006881%		48
Total	**0.631933%**	**$**	**4,406**

Toronto is the only Ontario municipality with the legislative authority to levy taxes other than property taxes. The Municipal Land Transfer Tax (MLTT) was implemented in 2008 and represents one of our largest sources of revenue. In 2022, we collected $1.04 billion of municipal land transfer tax revenue. The MLTT represents 6.6 per cent of the total revenue collected in 2022. MLTT allows us to continue providing and expanding services that our community relies on, limiting the direct burden on property taxes.

However, MLTT revenues are directly dependent on Toronto's real estate activity, which creates some revenue uncertainty and volatility. In 2022, the housing market experienced lower home sales due to the high inflation rate, low housing supply, interest rate hike, and the quantitative tightening policy lead by the Bank of Canada. Specifically, the number of home sales in Greater Toronto decreased by 38 per cent in 2022 to 75,063 from 2021 home sales of 121,712. As a result, 2022 actuals were $133.6 million or 11.4 per cent lower than prior year's MLTT revenues. To better manage the impact of any annual volatility, we introduced a MLTT volatility strategy which directs a portion of MLTT revenue to capital and capital reserves.



Vacant Home Tax

The City of Toronto introduced the Vacant Home Tax (VHT) in 2022 to increase the supply of housing by discouraging owners from leaving their residential properties unoccupied. The VHT becomes payable in 2023 for residential properties that were vacant or unoccupied for 183 or more days during the 2022 taxation year.

The Vacant Home Tax is an annual tax that is being levied on vacant Toronto residences. A tax of 1 per cent of the Current Value Assessment (CVA) will be applied on all residential properties that are declared, deemed or determined vacant for more than six months during the previous year. For instance, if a home with a CVA of $1 million is considered vacant in 2022, the tax amount billed would be $10,000 (1 per cent x $1,000,000) and is payable, and considered City earned revenue, in 2023. Owners of properties subject to the tax were issued a Vacant Home Tax Notice at the end of March 2023 and payment was due in three instalments in May, June and July 2023.

The mandatory declaration form to declare the residential property's occupancy status must be filed by the homeowner or someone acting on their behalf, using their 21-digit assessment roll number and the customer number from the property tax bill or property tax account statement. The deadline to file the mandatory declaration form was February 28th, 2023.

A residential property can be "declared" vacant by the homeowner through their declaration of occupancy status. It will be deemed vacant if the owner fails to make the annual declaration by the deadline. A residential property that has been selected for audit, or on review for a Notice of Complaint or appeal can be "determined" to be vacant upon completion of the review. A fine of $250 to $10,000 will be issued for failure to declare or making a false declaration. A Notice of Complaint can be filed if there is an error in the submitted declaration.

Although all homeowners are required to submit a declaration of occupancy status, the tax does not apply to:

- properties that are the principal residence of the owner
- properties that are the principal residence of a permitted occupant or tenant
- properties that qualify for an exemption

An estimate of the VHT earned in 2023 was established as part of the 2023 annual budget process, with net revenues collected allocated towards housing investments to further support housing supply.

Financial sustainability

Over the past few years, the City has faced financial hardships. We expect these hardships to continue, as we recover from the additional support provided to citizens throughout the pandemic, and as we continue to maintain our services and infrastructure to meet the expectations of a world class city. We are aware that we need to monitor our financial situation and make decisions that will make us financial sustainable for the future. In 2023, we published the City's Long-Term Financial Plan (LTFP), which provides a framework for longer-term financial decision-making, including strategies and key actions to facilitate multi-year, integrated, strategic decision-making. The LTFP notes a $46.5 billion financial challenge over the next 10 years and the need for a new fiscal framework with the Federal and Provincial governments – otherwise the City will need to explore a combination of reduced services and service levels and capital infrastructure investments that are critical to both the national economy as well as shared priorities, coupled with significant property tax increases.

Economic factors

Like other businesses in Toronto and around the world, our financial position and outlook have been greatly impacted by various economic factors, including the inflation rate, interest rate, and overall market conditions. As changes to these economic factors can result in significant financial impacts, it will be important for us to continue monitoring the economic climate and environment. Overall, the current economic conditions present challenges for our current and future financial position.

- **Inflation rate (reduced purchasing power):** Inflation has increased drastically over the past year from 3.4 per cent in 2021 to 6.8 percent in 2022 due to the aftermath of the pandemic and the turbulent geopolitical environment. The increase in inflation affected residents, businesses, and our purchasing power. For us, this meant that we needed to pay higher costs for inputs such as building materials, oil and gas and contracted services, which reduced our spending capacity for critical supplies and materials.

- **Interest rate (fluctuating borrowing costs):** Higher costs threaten our ability to maintain operations and current service levels. Like inflation rates, interest rates have risen from historically low levels of 0.25 per cent in 2021 to 4.25 per cent at the end of 2022. We finance our capital expenditures using long-term debt, so when interest rates continuously increased during the year, this affected how we prioritized investments in new and existing infrastructure.

- **Investments (temporary changes in market conditions):** In 2022, we observed a general downturn in global market conditions for equity-based investments, such as shares in publicly traded companies, due to the rising interest rate environment, as well as predictions regarding a general economic slowdown or recession. External factors, therefore, led to changes in the valuation of our sinking funds.

Sinking funds represent investments that we hold in preparation for our debt repayments. We make contributions to sinking funds with the assumption that they will grow over the term of the debt and will be used to pay back the debt upon maturity. However, the market value of our sinking funds does fluctuate over time – when the market value of our investments for the current year are higher than the previous year, we recognize an unrealized gain. The inverse is also possible, meaning that we can recognize an unrealized loss when the market value of our investments for the current year is lower than the previous year.

In 2022, we observed an unrealized loss of $388 million in our sinking funds. These losses were attributable to the global economic downturn experienced in 2022 and were temporary in nature. In the first quarter of 2023, market conditions have improved, which allowed us to largely overcome the unrealized losses that we observed during year-end. We will continue to monitor the value of our investments to ensure that adequate liquid resources are available to support the settlement of debt maturities.

Financial ratios & operational impact

Our current financial situation is illustrated by our financial ratios and emphasized by changes in our service delivery capacity. Financial ratios are important indicators of our financial performance and financial health. They allow us to compare our results year over year, and with other municipalities, to gain valuable insights about our operations. We have analyzed four financial ratios to obtain a better understanding of our financial performance and the impact on our financial sustainability.

Our Total Asset Consumption Ratio is 36.0 per cent whereas the average for other municipalities is 33.0 per cent. This indicates we have older assets compared to other municipalities. We will need to continue to execute on our capital infrastructure not only to ensure our ratio does not worsen, but also to ensure Toronto remains a world class city. The services and support we provide make Toronto a more affordable and attractive place to live and work.

We use debt to purchase new TCAs, which can have an impact on our financial sustainability. The Long-Term Debt as a Percentage of Asset Acquisitions ratio has seen a 3.3 per cent increase in 2022 compared to 2021 and an 5.3 per cent increase over the past 5 years. To keep up with our growing population and demand on services, investment in infrastructure will be required, however this will come at the cost of taking on further debt. More debt means higher debt service costs and higher debt repayment costs.

Financial ratios & operational impact (cont.)

We will need to monitor our debt levels, since we have a threshold in place where debt service costs cannot exceed 15 per cent of property tax revenues. In 2022, debt costs were 7.5 per cent of property tax revenues, however due to the rising cost of debt and timing of debt repayment, we will need to monitor our debt on a regular basis to ensure the threshold is not exceeded.

Over the past year, we have seen a decrease in support from senior levels of government, as the Government Transfers as a Percentage of Revenue ratio has decreased by 2.2 per cent since 2021 and by 4.2 per cent when comparing to pre-pandemic levels in 2019. Although support from senior levels of government has decreased, the reliance on our services has increased. Throughout 2022, we made affordable housing and transit a priority (as seen in our Operational Accomplishments section), both of which come with high price tags. We are expecting the need for affordable housing to be even greater in the future, as there has been an influx of asylum seekers and a lack of available housing options. This will continue to strain our limited resources. In addition, revenue generating services such as TTC ridership were only at 60 per cent of pre-pandemic levels in 2022 (318.8 million rides in 2022 compared to 531.3 million rides pre-pandemic), making it difficult to sustain operations with self-generated revenue, and therefore requiring us to provide more operating subsidies to the TTC.

Finally, we have seen a negative trend in our Accounts Receivable (AR) Turnover ratio which shows that our collections are slowing. The average collection for other municipalities in 2022 was 7.6 (6.9 in 2021), whereas our ratio decreased to 6.1 in 2022 from 6.5 in 2021. This ratio indicates that our customers are facing similar financial burdens as collections have slowed. Slower collections ultimately will have an impact on our cash flow. Overall, we will need support to remain financially viable, ensure service levels are maintained, and focus on our strategic priorities.

Our financial sustainability will continue to be challenging; therefore we are monitoring our financial position carefully. Without support, we will be in a difficult situation because our resources are finite and yet the need for our services continues to rapidly increase. Research by Ernst and Young was performed and published, which outlines the challenges and opportunities that we will face over the next ten years. The City's historical Long Term Financial Plans can be found on our website.

Climate considerations

Over the past year, we observed a number of extraordinary climate events affecting municipalities in Canada. Experts agree that overall, our climate is changing, and that Toronto should expect more extreme weather including longer heat waves, more hot days, and more intense rainfalls in the years to come. However, the considerable variability in weather on a weekly or yearly scale makes it difficult to predict when and where a specific event will occur and how intense it will be.

Recent extreme weather events across Canada illustrate the range and scale of impacts that arise from these types of events under current conditions. For example, Hurricane Fiona caused more than 25 deaths, displaced 13,000 people, and costed more than $3 billion in damages for municipalities in the Atlantic provinces.

Without intervention, the damage associated with extreme climate events is expected to have significant impacts on now just our finances and operations, but also the livelihoods of our residents and businesses. To better prepare for our changing future, we recognize the need for an enterprise risk management model. Over the next several years, we will be identifying our climate-related risks and quantifying their expected financial impacts to determine what type of climate adaptation and resiliency activities will be required.

Summary

Our financial position and performance are under pressure. As we continue to deliver services to residents and businesses, we will need to evaluate how we can anticipate, mitigate and address various financial, operational and climate-related risks that are expected to have large-scale impacts. However, our capacity to fulfill our mandate to the public is limited by the financial resources that we have.

While we are actively managing our money through our investment strategy, our portfolio was negatively impacted due to global stock and bond market turbulence, resulting from interest and inflation rate increases, and geopolitical disturbances. We are also facing sustained impacts of the pandemic such as operating transit with 75.0 per cent of pre-pandemic ridership revenue and increasing shelter beds by 50 per cent. These activities and their associated costs will need to be sustained in the future. As we struggle to recover, we continue to rely on government grants to address pandemic-related expenses across programs. Declining government transfers have created a COVID-19 funding shortfall, requiring us to postpone several capital projects, reconsider how current services are being delivered, redirect certain discretionary reserves and make greater than anticipated draws on other reserves committed to specific uses. Balancing our cash requirements with delayed capital projects and the use of reserves is risky and unsustainable.

Operational highlights

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Our City Manager's message

I am pleased to share the City of Toronto's 2022 Annual Financial Report. This report provides details about the City's financial performance, progress and achievements.

In 2022, the City continued to respond to the enormous and unprecedented challenges brought on by the ongoing COVID-19 pandemic. As vaccine doses arrived in Toronto, staff continued to deliver a multi-phased immunization campaign. This included opening mass clinics to provide doses quickly and efficiently to high numbers of eligible residents as well as pop-up and mobile vaccine clinics to reach high priority neighbourhoods and highly impacted residents. The success of our COVID-19 vaccination strategy and accompanying education campaign was made possible by the tremendous efforts of staff, many redeployed from their normal work functions to form Team Toronto.

Amid our pandemic response, we continued to rapidly evolve, modernize and digitize service delivery to improve equitable access. We launched an improved 311 Toronto service, making it easier and more convenient to use and providing residents with the option to interact with the City using convenient web and mobile platforms – providing residents with choice and ease when connecting with the City. We also continued to re-open our in-person services providing more opportunities for Torontonians to access the services they need.

We took important and meaningful steps toward equity, inclusion and reconciliation within the organization and in our service delivery to residents of Toronto. Toronto's Confronting Anti-Black Racism (CABR) Advisory Committee met for the first time to set key priorities in the CABR action plan. We enhanced the Toronto for All Learning program with a new curriculum, resources and courses to help City staff continue their understanding and further reconciliation, equity and human rights.

City staff also answered the call in October to support Toronto's municipal election. More than 2,400 City staff spanned the city, staffing voting locations and playing a key role in supporting democracy. I continue to be in awe of how dedicated and engaged the Toronto Public Service truly is.

I am tremendously proud to work side by side with the dedicated people of the Toronto Public Service. Together we weathered an unimaginable pandemic by following through with incredible vaccination and recovery efforts – while still advancing the goals of the City. By doing so, we have demonstrated that the Toronto Public Service can be counted on to show up and deliver and I'm certain that Toronto will emerge stronger than ever in 2023.

August 28, 2023
City Manager Paul Johnson

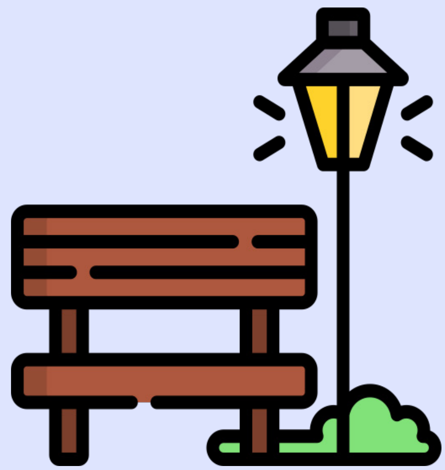
Our accomplishments

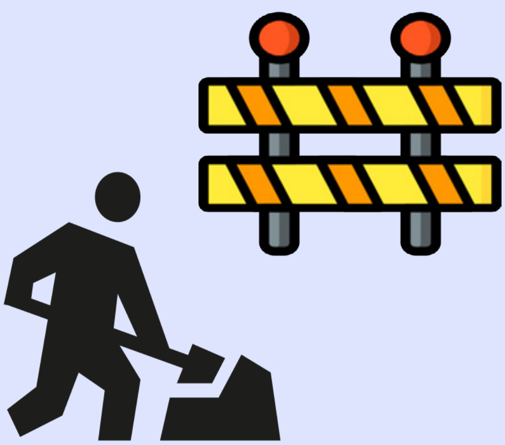
Shelter services accomplishments

59 new permanent modular homes were opened at 540 Cedarvale Ave. with support services for individuals experiencing or at risk of being unhoused.

Two new shelters were opened in 2022 including the first shelter dedicated to 2SLGBTQ+ individuals. The new shelters provide approximately 83 beds combined.

During the year, we moved 30 per cent or 4,385 unhoused individuals into permanent housing.



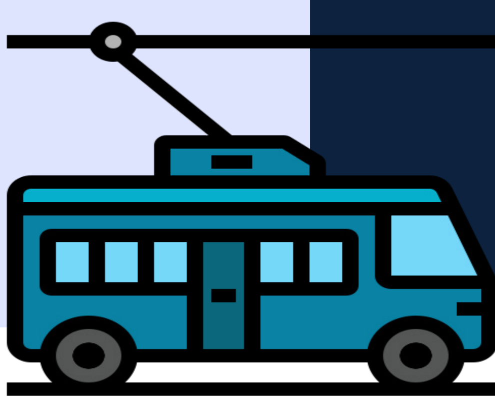


Keep Toronto moving

We filled 179,837 potholes which were caused by poor weather conditions. This is a 49 per cent increase from 2021.

Bike Share Toronto has expanded its services to 20 of Toronto's 25 wards and now offers access to 6,850 bikes and 525 stations across 200 km of the city.

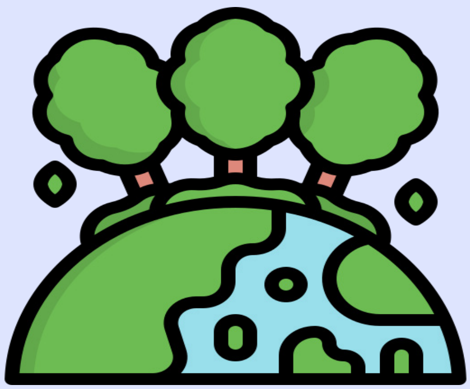
One-Person Train Operation (OPTO) became fully functional on the entirety of Line 1 Yonge-University. OPTO allows the train Operator to safely drive the train and operate the doors while monitoring screens from inside the front cab.



TTC ridership was 318.8 million rides in 2022 which is an average ridership rate of 60 per cent of pre-COVID levels.

In March 2022, the Ontario Line subway expansion project began at Exhibition Station.

Our accomplishments (cont.)



Tackling climate change and building resilience

More than 100 electric vehicle charging stations have been installed in Green P parking lots around the city.

100 per cent of the actions in the TransformTO Short-term Implementation Plan (2022 to 2025) are underway or complete. The plan aims to reduce greenhouse gas emissions in the short term by 2030. Some action items include: 100 per cent of new buildings are designed and built to be near zero greenhouse gas emissions, expanding biking and pedestrian infrastructure, increasing existing bus and streetcar service levels, and evaluating the impact of embodied carbon in construction.

To date, the City has eliminated approximately 180 kilotonnes of GHG emissions, a 40 per cent reduction from 1990 levels.

Investing in people and neighbourhoods

Childcare

In March 2022, the Canada-Wide Early Learning and Child Care (CWELCC) system began ($10 per day licensed child care).

Eligible families benefited from 30,700 Child Care Fee Subsidies, which support 33 per cent of Toronto's low-income children (newborn to 12 years) based on the Statistics Canada 2016 Census.

There has been a 2.4 per cent increase in labour participation rates for mothers with children under the age of six due to the reduced childcare fees.

Refugees

We provided shelter to approximately 5,180 refugee and asylum seekers and provided temporary accommodations and wrap-around supports to more than 200 households fleeing Ukraine.

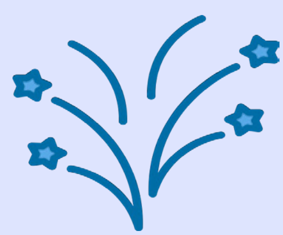
Public Health

In 2022, a vaccination milestone was met as 7 million COVID-19 vaccine doses were administered and 90 per cent of people ages 12 and older have received at least two doses of the vaccine.

Other

After two summers without festivals, we resumed celebrations of major festivals and events in 2022. Tourism helps us generate $6.5 billion from visitor spending and has $10.3 billion in total economic impact for Toronto.

In 2022, we launched the 311 Toronto Mobile app to make it easier and more convenient for residents, businesses and visitors to connect with the us anywhere, anytime and on any smart device.



Our 2021 financial statements received an award

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Canadian Award for Financial Reporting to the City for its annual financial report for the fiscal year ended December 31, 2021. 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.

The Canadian Award for Financial Reporting recognizes municipalities that publish an easily readable and efficiently organized annual financial report and 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 City's financial picture, enhance an understanding of financial reporting, and address the needs of any reader of the City's financial statements.

A Canadian Award for Financial Reporting is valid for a period of one year only. We believe our current report continues to conform to the Canadian Award for Financial Reporting program requirements, and we will be submitting it to GFOA to determine its eligibility for another award.

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, 2021

Christopher P. Morrill

Executive Director/CEO

What we are proud about

What makes Toronto great? Here are examples of some of our achievements that make us proud, and why it's important that we continue to provide high calibre, affordable services through modern infrastructure:

Overall

Our rank: 8th

Considered one of the top 10 cities to live in around the world based on five perspectives: stability, healthcare, culture & environment, education and infrastructure.

Our rank: 11th

Recognized as one of the most digitalized cities among 30 global cities based on the 2022 Digital Cities Index (DCI).

Human Capital

Our rank: 1st

Named as one of Canada's best diversity employers for its exceptional workplace diversity and inclusiveness programs.

Our rank: 3rd

Considered to be one of the best cities among 50 of the largest markets in the U.S. and Canada that attracts and develops tech talents.

Economy

Our rank: 1st

Recognized as the Champion by the Women Business Enterprises Canada Council (WBE Canada) for its achievements in supplier diversity.

Our rank: 17th

The Toronto-Waterloo startup ecosystem has been recognized as one of the top 40 global startup ecosystems.

Our rank: 23rd

Recognized as one of the top 119 financial centres around the world based on the 2022 Global Financial Centres Index.

Sustainability

Our rank: A list

Recognized as an A List city for our transparency, bold climate actions and commitments in the fight against climate change.

Our rank: 1st

Awarded Social Bond of the Year for the Local Authority/ Municipality category for our Social Debenture Programme.

Our rank: 7th

Assessed as one of the top global cities that is proactively preparing for a sustainable future.

Our climate-related disclosures

What this section contains

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Introduction

Climate-related information has become increasingly important for private and public sector decision makers. In response to increasing demands from investors, lenders, insurers, regulators, policy makers and other stakeholders, the Financial Stability Board (FSB) established the Task Force on Climate-related Financial Disclosures (TCFD) to develop voluntary and consistent climate-related disclosures for organizations to use. By providing reliable, consistent and comparable information about municipal climate-related risks and opportunities, City decision makers will be more informed in resource allocation processes relevant to residents and businesses.

We have provided climate-related financial disclosures in previous years. In efforts to share risks and opportunities that are specific to 2022, we have not repeated detailed information included in previous Annual Financial Reports (AFR). Details regarding progress achieved prior to 2022 can be found in our previous reports on the City's website.

Given the fast-moving challenges associated with climate change, the disclosures included in this report also contain future information on our climate-related initiatives and projects. Forward-looking information is subject to risks, uncertainties, changes in circumstances and assumptions that are difficult to predict and are often beyond our control. These disclosures are not guarantees of future results, occurrences, performance or condition.

Disclosures to date

TCFD's reporting framework revolves around four key pillars – governance, strategy, risk management, and metrics and targets.

Governance

Disclose the organization's governance around climate-related risks and opportunities

Toronto City Council has oversight over the TransformTO plan which governs greenhouse gas (GHG) reduction. The Infrastructure and Environment Committee of City Council has oversight of management plans, with all major plans being endorsed by City Council. There is currently a decentralized approach to climate projects, with plans disclosed in budget documents indicating whether projects support climate resiliency and/or GHG reduction.

Adopted in late 2021, our TransformTO Net Zero Strategy focuses on greenhouse gas (GHG) mitigation via a set of short-term actions and longer-term interim goals and a final target of net zero GHG emissions by 2040. In May 2022, City Council adopted an Accountability and Management Framework (Framework) to help shape the implementation of the TransformTO Net Zero climate action strategy. The Framework identifies how our diverse communities and key stakeholders can provide oversight, ensure clear accountability, facilitate ongoing communication, and guide the effective and equitable implementation of our climate strategy. The Framework recognizes that collaborative action by the public, private and non-profit sectors will be necessary for future success.

Three new groups have been created through the Framework:

- A Climate Advisory Group (CAG) comprising of 26 members with diverse backgrounds and representing all sectors of the city, provides advice on our TransformTO Net Zero Strategy implementation. CAG meeting materials are available online at www.toronto.ca/transformto.
- A Net Zero Climate Leadership Table comprising of cross-corporate advisors that provide leadership and coordination on implementing climate action across our operations to meet community-wide and lead-by-example targets of our Net Zero Strategy.
- A Joint TransformTO Implementation Committee (JTIC) comprising of management and unionized staff, as well as labour unions, will help reach Council-directed corporate climate targets and to lead by example.

After year end, Council endorsed a Carbon Accountability system that institutionalizes progress in reducing GHG emissions, which placed us as a climate governance leader through enhanced transparency and accountability. The new Carbon Accountability System supports city-wide actions that reduce GHG emissions in the community and from our own operations (corporate emissions).

In efforts to link financial and operational decisions about policies, programs and projects, the "Carbon Budget" was established. Toronto's first carbon budget will set the baseline and an upper limit of emittable tonnes of carbon in the city between now and 2040. In addition, the Carbon Budget aims to identify, support, monitor and report activities and their associated GHG emissions that are consistent with our adopted GHG targets and global science-based pathways to achieve the Paris Agreement 1.5°C goal. The concept of a carbon budget is analogous to a household or organizational budget whereby tonnes of greenhouse gases are managed in a similar way to how dollars are managed – all to stay within budget through sustainable decision-making. Further details on the Carbon Accountability system can be found in our Carbon Accountability Report.

Strategy

Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial reporting.

In 2022, we began a process to understand how climate change could affect the delivery of our core services as part of a larger financial planning process. We know that climate change will impose additional costs related to upgrading and adapting physical infrastructure to withstand extreme weather events. Major infrastructure assets such as roads, bridges, water drainage and buildings will unquestionably require a higher level of investment in the future due to increased frequency and intensity of such events. Aside from physical assets, our operations and therefore our service delivery will also be affected by climate change. To start to quantitatively measure this impact, we initiated focused work at the end of 2022 looking at operational impacts of heatwaves and flooding within the city's boundary. This work is ongoing and will help inform future financial planning processes.

In terms of opportunities, in 2022 we issued $300 million in green bonds, bearing interest at 4.40 per cent. The proceeds from this issuance were used to finance approved green capital projects that help to address climate change. This is the fifth time we have issued a green bond since our initial green bond offering in 2018. A copy of our fourth edition of the Green Bond newsletter can be accessed for more details.

Finally, to support our staff's understanding of the impact of their everyday work on climate, we created the Climate Lens program starting in 2022, to address capacity-building issues regarding the identification of GHG reduction actions and physical climate risks. The Climate Lens program provides internal resources, tools and support so that we can apply a 'climate lens' for purposes of conducting a GHG impact assessment and/or a physical climate risk assessment for our initiatives (including projects, programs, or plans). Capital and operating budget processes also use a set of climate lens questions to determine whether budget projects contribute to our goals of reducing GHGs and increasing climate resilience, and to prompt staff to provide further information where available (e.g., estimated GHG reduction from the project). Ultimately, this allows us to see how the initiative will impact GHG emissions and the climate risks faced (or addressed) by the initiative.

Risk management

Disclose how the organization identifies, assesses, and manages climate-related risks.

We currently have a decentralized/localized physical risk management framework. Climate-related risks management is identified on a case-by-case basis. To introduce corporate risk-related processes, we implemented the Climate Lens framework – allowing us to standardize capital budget decisions and prioritize projects that consider GHG emissions and climate risks that may impact the longevity of our assets, such as infrastructure. However, greater work in risk management will be required in the future to evaluate the effectiveness of our risk mitigation activities, including the measurement of costs that we incurred to address our risks in comparison to realized benefits.

As outlined in TransformTO, incremental action is not enough to put us on our net-zero trajectory. There is a need for rapid and scaled-up investment and action in existing and new community-facing programs, accelerated policy implementation, enhanced coordination, and dedicated grants from senior levels of government to meet our climate ambition.

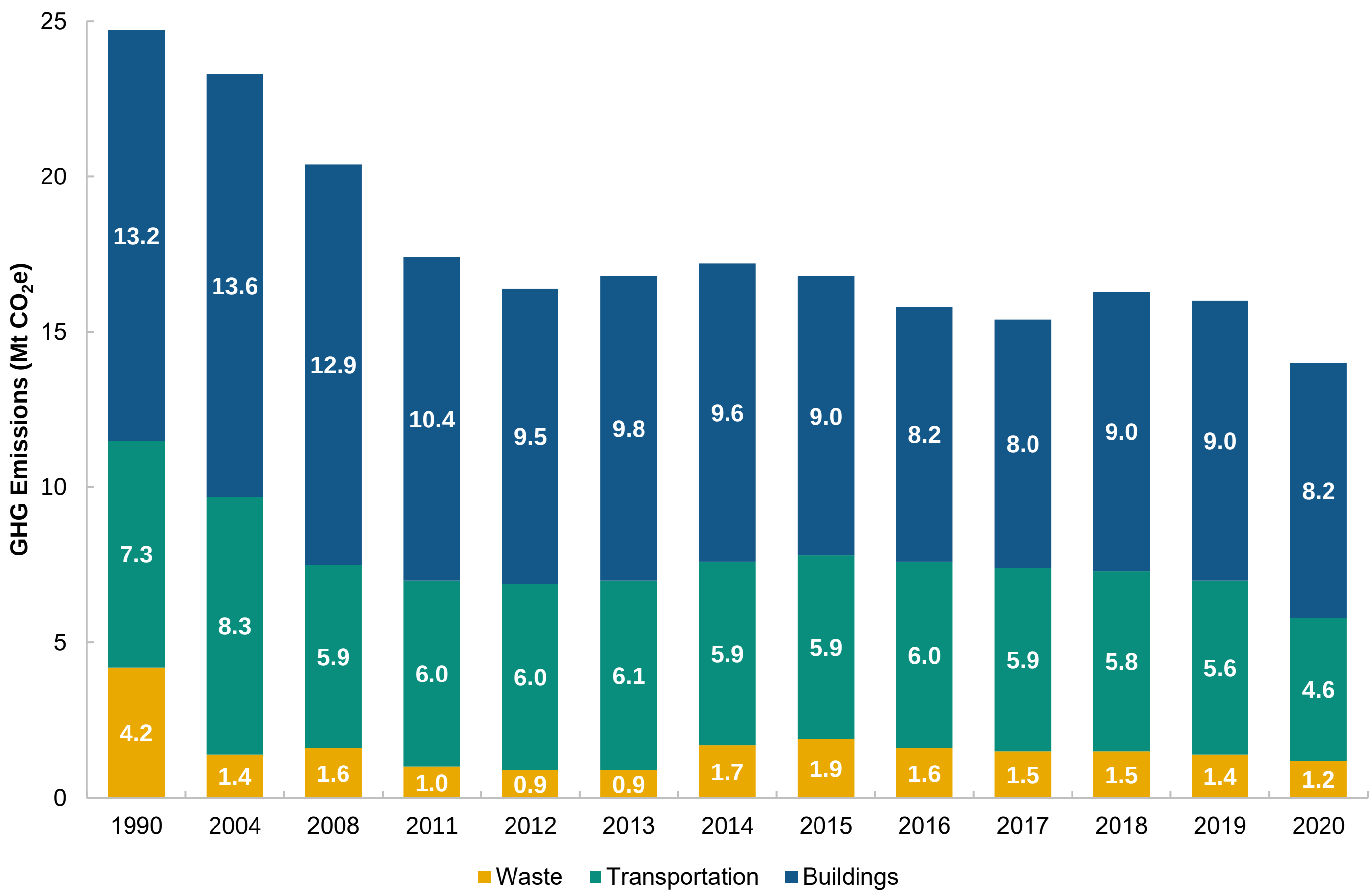
Metrics and targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities.

A relevant metric for our operations for climate-related risks is measuring GHG emissions in our community. We have engaged KPMG to identify any gaps with our current practice of calculating and reporting GHG emissions. We aim to address these gaps to complete an audit of corporate and community GHG emissions in the future. According to the latest GHG inventory (2020), our overall community emissions have been reduced by 43 per cent from 1990 levels. While 2020 is an anomaly year due to the COVID-19 pandemic, emissions are expected to approach pre-pandemic levels in subsequent years. Ambitious climate actions and programs are still required from us to stay on track if its next interim target of 45 per cent GHG emissions reduction by 2025, from 1990 levels, is to be achieved. Further, these efforts will need to be scaled up to reach 65 per cent reduction by 2030 and net zero by 2040.

Figure 1 below shows our overall city-wide GHG inventory, which includes Scope 1 and 2 emissions, plus Scope 3 emissions from four of five City-owned landfills outside Toronto, plus emissions from trucks hauling waste outside the city boundary. Building sector emissions, primarily from natural gas used for space and water heating, continue to be the largest source of community-wide emissions. Transportation sector emissions continue to be the second-largest source of community-wide emissions, with most of those emissions coming from gasoline used in passenger cars and trucks. Waste sector emissions are mainly driven by landfill emissions, which decreased in 2020.

Figure 1 – GHG emissions by sector (1990 – 2020)

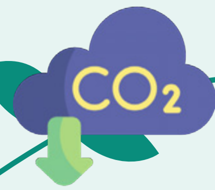


Corporate emissions from our operations (e.g., buildings, fleets) represent 5 per cent of total community emissions. While there are corporate plans and investments underway to green our operations, municipal government only has direct control over a small fraction of total emissions. This underscores the role of residents, business and civil society, and the supports needed from all levels of government, to enable adoption of sustainable practices towards decarbonization which will be the main driver of bringing the other 95 per cent of Toronto's community-wide emissions to net-zero.

Based on the TransformTO 2022 Annual Report, we do not yet know how much financial investment will be required to achieve our 2025 and 2030 GHG reduction targets and ultimately achieving our net zero target by 2040. Technical modelling estimates suggest that over the next thirty years, the total investment required by the entire community – including our government, the business community, other levels of government, and individual residents – is $145 billion, or annual investments between $4-9 billion over the next 17 years.

Key achievements in 2022

We are taking a lead by reducing GHG emissions from City of Toronto operations. This has resulted in ongoing work to decarbonize our own buildings, vehicles, waste, procurement, decision-making processes, and other practices along the path to net zero.



We have continued to work to implement innovative programs that focus on helping residents live sustainably and that reduce climate-related risk. The following highlights demonstrate these successes and the many achievements made in partnership with communities and stakeholders across Toronto.

We have many challenges ahead to address the declared “climate emergency”. We participate annually in CDP Disclosures and for the 2022 year we were once again identified as part of the “A List” for our climate-related disclosures.

Buildings

Toronto Green Standard (TGS)

The Toronto Green Standard (TGS) is Toronto's sustainable design and performance requirements for new private and city-owned development, and helps ensure new construction is aligned with our net zero emission targets. Our standards (i.e., TGS Version 4), effective from May 2022, set energy and emissions caps for new builds beyond Ontario Building Code standards. This is a critical component of our commitment to achieve net zero emissions from new buildings by 2028, allowing us to reach our goal ahead of the targeted completion year of 2030.

The North East Scarborough Community Centre project

This project will be our first net zero energy and emissions community recreation facility – construction work has begun and will be completed by the end of 2024. The innovative building design eliminates fossil fuel use, reduces energy consumption, and uses renewable energy sources such as solar panels. Going forward, all new community recreation facility builds will be net zero.

Home Energy Loan Program (HELP)

The Home Energy Loan Program (HELP) continued to offer low-interest financing to support homeowners in overcoming the high, upfront cost barrier for home energy retrofits. HELP received over 1,200 applications for the enhanced program, a significant increase of 580 per cent over 2021. This supports our TransformTO climate action strategy and net-zero emissions target.

Energy

Turning waste into Renewable Natural Gas (RNG)

In collaboration with Enbridge Gas Inc., we have installed equipment at the Dufferin Solid Waste Management Services Facility to create RNG from Green Bin organics. This RNG will be blended with natural gas to power our facilities and vehicles, resulting in reduced GHG emissions.

Fossil gas displacement and energy transfer

We promote wastewater energy transfer technology to heat and cool buildings with renewable energy from the sewer system. In 2022, we facilitated the decarbonization of 90 per cent of University Health Network's campus by enabling the use of energy from city sewers. Large developments such as the Wastewater Energy Program, have the potential for reducing 200,000 tonnes of carbon dioxide equivalent (CO_2e) emissions annually by displacing natural gas used to heat buildings.

Transportation

Sustainable City of Toronto Fleet Plan

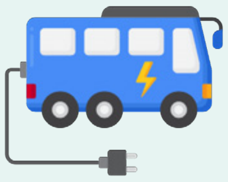
Our target is to transition more than 10,000 of our fleet vehicles and equipment to zero emissions – key milestones include: 20 per cent of the fleet by 2025; 50 per cent of the fleet by 2030; and achieve net zero by 2040.

Electric Vehicle (EV) Strategy

To ensure that we are on track to achieve net zero by 2040, we have set goals for 2030 in key sectors. This includes a target that, by 2030, 30 per cent of all registered vehicles will be electric, as well as providing the public with ample access to EV charging stations. Toronto Parking Authority is aiming to install more than 650 public EV charging stations at on-street and off-street parking locations by the end of 2024; to date, there are 47 on-street charging stations and 117 charging stations in Green P off-street parking facilities. Information on all initiatives to support EV uptake is available online at Toronto.ca/EV.

Green Bus Program

We have committed to procuring only zero-emissions propulsion technology to become fossil-fuel free starting from 2024 – we are forecasted to achieve our 2040 target three years ahead of schedule (i.e., by 2037). Currently, we have a large zero-emission bus fleet, including 60 battery electric buses and 255 hybrid-electric buses. The transition to battery electric buses is providing many benefits, including annual fuel savings of $40,000 per bus and an estimated 25 per cent in reduced maintenance costs, while also resulting in reduced noise and improved air quality for our communities.

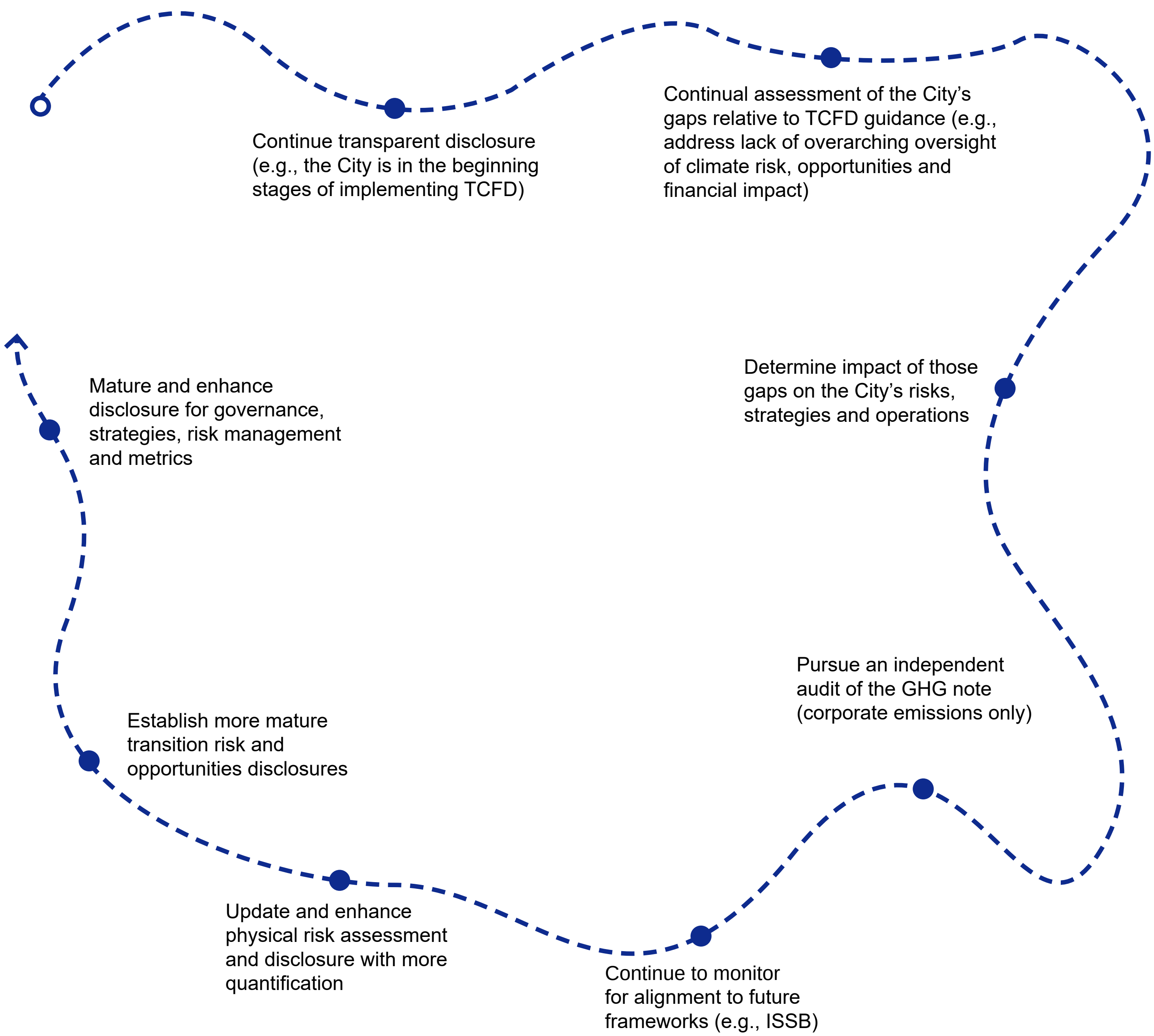


Future Accomplishments

Throughout 2022, we also worked to ensure appropriate accountability and management frameworks are in place to enable successful implementation. Going forward, implementation continues to be a community-wide effort, with work underway corporate-wide to continue to promote greater transparency and to strengthen our climate-related disclosures and decision-making processes. Accelerated action and partnerships across society, and including all levels of government, is required to achieve our collective targets and realize the benefits of reducing emissions and other climate-related actions. To demonstrate our commitment to addressing various sustainability-related risks, we need to assess overall risk and measure the success of strategies to achieve targets and risk mitigation.

Figure 2 below is a roadmap outlining what we aim to accomplish in the future. Currently, work is underway to establish a governance structure for physical risk and complete a corporate-wide physical risk vulnerability assessment.

Figure 2 – Roadmap



Our consolidated financial statements

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Management's report

The management of the City of Toronto (City) 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. The consolidated financial statements include certain amounts based on estimates and judgments. Such amounts have been determined on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly in all material respects.

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 (Council), reviews and recommends the approval of the consolidated financial statements before they are submitted to Council.

The 2022 consolidated financial statements have been audited by the City of Toronto's external auditors, KPMG LLP. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the City of Toronto's consolidated financial statements.

Toronto, Canada
July 26, 2023

Paul Johnson
City Manager

Andrew Flynn
Controller

Independent auditors' report

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

Opinion

We have audited the consolidated financial statements of the City of Toronto (the City), which comprise:

- the consolidated statement of financial position as at December 31, 2022
- 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 notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the City as at December 31, 2022, and its consolidated results of operations, its consolidated changes in net debt and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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 **"Auditors' Responsibilities for the Audit of the Financial Statements"** section of our auditors' report.

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

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 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 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 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.

Auditors' 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 auditors' 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 the 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 City's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Auditors' Responsibilities for the Audit of the Financial Statements (Cont.)

- 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 auditors' 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 auditors' 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the City to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants
Vaughan, Canada
July 26, 2023

(in millions of dollars, unless otherwise stated)

Consolidated statement of financial position

As at December 31, 2022 with comparatives to 2021

		2022		2021
Financial assets				
Cash and cash equivalents	$	4,637	$	6,642
Accounts and taxes receivable (Note 2)		3,033		2,076
Loans receivable (Note 3)		186		194
Other assets (Note 4)		44		44
Investments (Note 5)		6,422		3,691
Investments in Government Business Enterprises (Note 6)		2,380		2,294
Total financial assets		**16,702**		**14,941**
Liabilities				
Bank indebtedness (Note 7)		118		99
Accounts payable and accrued liabilities (Note 8)		3,810		3,408
Deferred revenue (Note 9)		6,464		5,823
Provisions for property and liability claims (Note 10)		495		480
Environmental and contaminated site liabilities (Note 11)		403		468
Mortgages payable (Note 12)		440		389
Long-term debt (Note 13)		8,859		8,146
Employee benefit liabilities (Note 14)		4,669		4,507
Total liabilities		**25,258**		**23,320**
Net debt		**(8,556)**		**(8,379)**
Non-financial assets				
Prepaid expenses		142		150
Inventories (Note 15)		325		269
Tangible capital assets (Note 16, Schedule 1)		40,342		38,386
Total non-financial assets		**40,809**		**38,805**
Accumulated surplus (Note 17)	$	**32,253**	$	**30,426**

Contingent assets and liabilities (Note 18)

Contractual rights and obligations (Note 19)

The accompanying notes and appendices are an integral part of these consolidated financial statements.

(in millions of dollars, unless otherwise stated)

Consolidated statement of operations and accumulated surplus

For the year ended December 31, 2022 with comparatives to 2021

	2022 Budget (Note 20)*	2022 Actual*	2021 Actual
Revenue			
Property and taxation from other governments (Note 21)	$ 4,908	$ 4,974	$ 4,767
Government transfers (Note 22)	4,933	4,463	4,682
User charges	3,441	3,224	2,798
Municipal land transfer tax	944	1,038	1,172
Rent and concessions	478	513	477
Development charges	551	344	365
Investment income	189	131	147
Government business enterprises earnings (Note 6)	-	197	146
Other revenue sources (Note 23)	770	798	687
Total revenue	**16,214**	**15,682**	**15,241**
Expenses			
Transportation	4,422	3,836	3,648
Social and family services	3,373	3,080	2,658
Protection to persons and property	2,097	2,104	1,985
Recreation and cultural services	1,245	1,009	969
Environmental services	1,643	1,060	1,148
General government	1,456	1,075	1,066
Social housing	1,259	998	950
Health services	663	642	687
Planning and development	194	51	132
Total expenses (Note 24)	**16,352**	**13,855**	**13,243**
Annual surplus (deficit)	**(138)**	**1,827**	**1,998**
Accumulated surplus, beginning of year	30,426	30,426	28,428
Accumulated surplus, end of year	**$ 30,288**	**$ 32,253**	**$ 30,426**

*The City's budget is initially prepared using a modified cash basis, and then modified to reflect accrual accounting principles that are required under Public Sector Accounting Standards. Please refer to Note 20 for further details. Actuals reflect accrual accounting principles.

Segmented information is presented in Appendices 2 and 3.

The accompanying notes and appendices are an integral part of these consolidated financial statements.

(in millions of dollars, unless otherwise stated)

Consolidated statement of change in net debt

For the year ended December 31, 2022 with comparatives to 2021

	2022 Budget (Note 20)	2022 Actual	2021 Actual (Note 25)
Annual surplus (deficit)	**$ (138)**	**$ 1,827**	**$ 1,998**
Acquisition of tangible capital assets	(3,693)	(3,693)	(3,423)
Amortization of tangible capital assets	1,645	1,645	1,554
Gain on disposal of tangible capital assets	-	(153)	(9)
Donated tangible capital assets	-	(8)	(18)
Proceeds on disposal of tangible capital assets	-	253	38
Change due to tangible capital assets	(2,048)	(1,956)	(1,858)
Change in prepaid expenses	-	8	21
Change in inventories	-	(56)	65
(Increase) decrease in net debt	**(2,186)**	**(177)**	**226**
Net debt, beginning of year	(8,379)	(8,379)	(8,605)
Net debt, end of year	**$ (10,565)**	**$ (8,556)**	**$ (8,379)**

The accompanying notes and appendices are an integral part of these consolidated financial statements.

(in millions of dollars, unless otherwise stated)

Consolidated statement of cash flows

For the year ended December 31, 2022 with comparatives to 2021

	2022	2021 (Note 25)
Cash flows provided by (used in):		
Operating activities		
Annual surplus	$ 1,827	$ 1,998
Add (deduct) items not involving cash:		
Government business enterprise earnings from operations	(197)	(146)
Amortization of tangible capital assets	1,645	1,554
Gain on disposal of tangible capital assets	(153)	(9)
Donated tangible capital assets	(8)	(18)
	3,114	3,379
Changes in non-cash assets and liabilities:		
Accounts and taxes receivable	(957)	522
Accounts payable and accrued liabilities	402	(872)
Deferred revenue	641	607
Provision for property and liability claims	15	24
Environmental and contaminated sites liabilities	(65)	75
Employee benefit liabilities	162	206
Prepaid expenses	8	21
Inventories	(56)	65
Cash provided by operating activities	**3,264**	**4,027**
Capital activities		
Acquisition/construction of tangible capital assets	(3,693)	(3,423)
Proceeds on disposal of tangible capital assets	253	38
Cash used in capital activities	**(3,440)**	**(3,385)**
Financing activities		
Net change in bank indebtedness	19	30
Principal repayments on mortgages payable	(31)	(49)
Issuance of long-term debt	1,279	1,070
Principal repayments on long-term debt	(465)	(471)
Interest earned on sinking funds	(19)	(18)
Cash provided by financing activities	**$ 783**	**$ 562**

(in millions of dollars, unless otherwise stated) Annual Financial Report 2022 • City of Toronto

Consolidated statement of cash flows (cont.)

For the year ended December 31, 2022 with comparatives to 2021

		2022		2021 (Note 25)
Investing activities				
Net change in other assets	$	-	$	6
Net change in loans receivable		8		(7)
Proceeds from the sale and maturities of investments		8,981		5,698
Purchase of investments		(11,712)		(5,704)
Dividends and distributions from government business enterprises		111		90
Cash (applied to) provided by investing activities		**(2,612)**		**83**
Net (decrease) increase in cash and cash equivalents during the year		**(2,005)**		**1,287**
Cash and cash equivalents, beginning of year		6,642		5,355
Cash and cash equivalents, end of year	**$**	**4,637**	**$**	**6,642**
Supplementary information:				
Cash paid for interest on long-term debt	$	365	$	364
Cash received for interest on investments	$	147	$	238

The accompanying notes and appendices are an integral part of these consolidated financial statements.

Notes to consolidated financial statements

For the year ended December 31, 2022

The City of Toronto (City) is the provincial capital of Ontario and the largest city in Canada. Although the City 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.

The impact of the COVID-19 pandemic, including government and regulatory responses to the pandemic, continues to affect the Canadian economy and the City's operations.

1. Significant accounting policies:

a. Basis of presentation

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

b. Principles of consolidation

The Statements reflect the assets, liabilities, revenues and expenses of City Divisions, including the Toronto Police Services Board, and controlled organizations considered to be financially significant to the City's financial results. In addition, the City proportionately consolidates two entities held in partnership. The Toronto Waterfront Revitalization Corporation is a 33.3 per cent partnership with each of the Canadian and Ontario Governments, and the Toronto PanAm Sports Centre is a 50 per cent partnership with the University of Toronto.

The City's 100 per cent 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 intercompany transactions and balances are not eliminated. Intercompany gains and losses are, however, eliminated on assets remaining within the government reporting entities at the reporting date.

c. Consolidated entities

Agencies and corporations

- Board of Governors of Exhibition Place
- Board of Management of the Toronto Zoo
- Build Toronto Inc. (BTI)
- City of Toronto Economic Development Corporation c.o.b. Toronto Port Lands Company (TPLC)
- CreateTO
- Lakeshore Arena Corporation
- TO Live
- Toronto Atmospheric Fund (TAF)
- Toronto Community Housing Corporation (TCHC)
- Toronto Public Library Board (TPLB)
- Toronto Seniors Housing Corporation (TSHC)
- Toronto Transit Commission (TTC)
- Toronto Pan Am Sports Centre Inc. (TPASC) (50 per cent proportionately)
- Toronto Waterfront Revitalization Corporation (TWRC) (33.33 per cent proportionately)

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

d. Trust funds

Trust funds administered by the City are not included in these consolidated financial statements, with the exception of certain investments held on behalf of TAF.

e. Use of Estimates and Measurement Uncertainty

The preparation of these 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 Statement date, 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.

The pandemic has caused fluctuating markets that directly impact the discount rates used for these estimates. The impact of the COVID-19 pandemic, including government and regulatory responses to the pandemic, continues to affect the Canadian economy and the City's operations.

f. Assets

Assets are economic resources controlled by the City as a result of past transactions or events and from which future economic benefits are expected to be obtained. For the year ended December 31, 2022, all material assets have been disclosed and reported within the City's Statements.

g. 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.

h. Receivables and revenues

Loans Receivable are recorded at the lower of amortized cost and the net recoverable value, when the 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. When the terms associated with a loan are considered to be concessionary such that all or a part of the loan is considered to be a grant, the City will expense the grant portion of the transaction in the Consolidated Statement of Operations and Accumulated Surplus at the time the loan is made.

Revenues are accounted for in the period in which the transactions or events occurred and the City expects to obtain future economic benefits.

Taxation revenues and associated receivables are recognized when they meet the definition of an asset, are authorized, and the taxable event occurs. Additional property tax revenue can be added throughout the year, after the return of the annual assessment roll used for invoicing 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 invoiced 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 account for changes in collectability of the City's taxation receivables is reflected in the City's Consolidated Statement of Operations and Accumulated Surplus.

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

User Charges consist of transit fees, utility charges (water, wastewater and solid waste), licensing fees, and fees associated with City programs and facilities rentals. 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 in which the transfer is authorized by the transferring government and all eligibility criteria are met, except if there are stipulations that create an obligation that meets the definition of a liability. Once a liability is recognized, the transfer is recognized as revenue as the obligations related to these stipulations are met.

Development Charges are charges imposed on land development or redevelopment projects. Fees are set by 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 are established as deferred revenues. Once the City incurs growth-related capital expenditures on qualifying capital projects, the City recognizes revenue.

i. Investments

Investments consist mainly of government and corporate bonds, money market securities, and guaranteed investment certificates, as well as equity pooled funds. 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 Consolidated Statement of Operations and Accumulated Surplus. Further details can be found in Note 5.

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

Dividends are recognized as revenue when declared.

j. 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, represent revenues which have been collected, but for which the related services have not yet been provided. These liabilities are recorded as deferred revenues and are recognized as revenue in the year the related expenses are incurred or services are performed, as this is the time the eligibility criteria have been met and the amounts considered earned.

k. 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 in the Consolidated Statement of

Operations and Accumulated Surplus.

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.

l. Environmental and contaminated site liabilities

Liabilities related to the remediation of contaminated sites are recorded when all of the following conditions 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 in the Consolidated Statement of Operations and Accumulated Surplus.

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

The Ontario Environmental Protection Act (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 for 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 in the Consolidated Statement of Operations and Accumulated Surplus.

m. Derivative financial instruments

Financial derivatives (heating fuel swaps) are being used to help manage the TTC's exposure to fluctuating fuel prices by setting a fixed price for a future purchase of a fixed quantity of fuel. 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.

n. 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 as well as post-amalgamation retirees grandparented from their former area municipality. 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 plan benefits are recognized net of plan assets.

The costs of WSIB obligations are actuarially determined and recognized 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 using discount rates derived from the City's long-term borrowing rate.

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 recognized 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 rates derived from the City's long-term borrowing rate consistent with the duration of the benefit obligations.

The City accounts for its participation in the Ontario Municipal Employees Retirement System (OMERS), a multi-employer public sector pension fund, as a defined contribution 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.

The City continues to administer the Toronto Fire Department Superannuation and Benefit Fund as a defined benefit pension plan covering a closed group of employees hired prior to the establishment of the OMERS pension plan.

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o. 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.

i. Tangible capital assets

Tangible Capital Assets (TCA) are recorded at historical cost or estimated historical cost based on appraisals or other supportable 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. Qualifying costs are recognized as part of the City's Assets Under Construction balance until the underlying assets are ready for their intended use and/or are in service.

The City categorizes its TCA based on two major categories, General and Infrastructure:

- **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 police, fire and 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.

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

Lease arrangements, which transfer substantially all of the risks and benefits that are incidental to ownership, are recognized as a leased TCA and amortized over the lease term. All other forms of lease arrangements are considered to be operating expenses and recognized on the City's Consolidated Statement of Operations and Accumulated Surplus.

Cloud-based software costs are assessed to determine if they meet the definitions of an asset and TCA. In the event the transactions satisfy both of the definitions, the City recognizes all costs associated with preparing the software for its intended use as part of the Assets Under Construction balance. Once the software has been fully implemented and is operational, the City re-classifies the associated costs to TCAs. Ongoing support and maintenance costs are expensed.

The TCA capitalized 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	Useful life
General assets	
Land improvements	10 - 70 years
Buildings and building improvements	10 - 100 years
Machinery and equipment	4 - 75 years
Motor vehicles	5 - 20 years
Infrastructure assets	
Water and wastewater linear	20 - 100 years
Roads linear	4 - 100 years
Transit	3 - 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.

TCAs 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 Consolidated 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 TCAs and are not amortized. The valuation associated with these assets is not determinable. The City's collection includes historical buildings, artifacts, paintings and sculptures located at City sites and public display areas.

The City also has and manages various natural assets, including ravines and urban forests, that are used to mitigate and address climate-related risks, as well as provide services to residents and businesses. Currently, PSAS does not require the recognition of natural assets as assets in a public sector entity's financial statements. Separate disclosure, however, has been added for completeness purposes, as well as to demonstrate the City's ongoing commitments in maintaining its natural assets.

ii. Inventory

Inventory of materials and supplies, which are often consumed for purposes of providing goods and/or services to residents and businesses, is valued at the lower of cost and replacement cost. Inventory of land held for sale is valued at the lower of cost or net realizable value.

p. Reserves and reserve funds

The City has Reserves and Discretionary (i.e., Council-Directed) Reserve Funds, which are reported in the Accumulated Surplus balance on the Consolidated Statement of Financial Position. These historical balances were established in response to a policy, to assist with fiscal management, or demonstrate compliance with legislation.

q. 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 are recognized as incurred. Expenses paid in the current period attributable to future benefits received are classified as Prepaid Expenses in the City's Non-Financial Assets on the Statement of Financial Position.

r. Contractual rights and obligations

Contractual rights reflect future rights to economic resources arising from contracts and/or agreements that will result in both an asset and revenue in future fiscal periods.

Contractual obligations represent obligations, which will result in liabilities upon completion of agreed upon terms specified in contracts and/or agreements in future fiscal periods.

For further details regarding the City's contractual rights and obligations, including nature, extent and timing of these types of transactions, can be found in Note 19.

s. Contingent assets and liabilities

Contingent assets and contingent liabilities arise from circumstances when the City is uncertain whether it has an asset and/or liability on the date of the financial statements. The existence of the asset and/or liability is ultimately dependent upon the occurrence or non-occurrence of a future event that is outside of the entity's control.

For the year ended on December 31, 2022, all disclosures regarding the City's contingent assets and liabilities, including the nature, extent, and basis of estimates (if available), can be found in Note 18.

i. Loan and line of credit guarantees

The City provides loan guarantees for various cultural and community-based organizations, which are not consolidated as part of the City's Statements. As the guarantees represent potential financial commitments for the City, these amounts are considered contingent liabilities and not formally recognized as liabilities until the City considers it likely for the borrower to default on its obligation and the amount of the liability can be estimated. The City monitors the status of the organizations, loans, and lines of credit annually and in the event that payment by the City is likely to occur, a provision will be recognized in the Statements.

t. Related party transactions

A related party exists when one party has the ability to exercise control or shared control over the other. Related parties also include key management personnel, such as City Councillors and members of the City's Corporate Leadership Team (the City Manager, Deputy City Managers, Chief Financial Officer and Treasurer, Controller and Division Heads), as well as their close family members.

PS 2200 – Related Party Disclosure requires the City to disclose circumstances in which the entity enters into transactions with its related parties at a value different from that which would have been arrived at if the parties were unrelated (i.e., not at arm's length) and these transactions are considered to have a significant financial impact on the City's Statements. In the event qualifying transactions are identified, the City would disclose the nature of relationships with all involved parties, type of related party transaction, and amounts recognized in the Statements.

As of December 31, 2022, the City is not aware of any material related party transactions aside from those that have already been disclosed as part of Note 6, Investments in Government Business Enterprises.

u. Future accounting pronouncements

The City continues to assess the impact on its Statements of the following upcoming changes to PSAS.

The City has not adopted any new accounting standards for the year ended on December 31, 2022.

i. Standards applicable for fiscal years beginning on or after April 1, 2022 (in effect for the City for the year ending on December 31 2023):

PS 1201 – Financial Statement Presentation replaces PS 1200 – Financial Statement Presentation. This standard establishes general reporting principles and standards for the disclosure of information in government financial statements, and introduces a new Statement of Remeasurement Gains and Losses that is separate from the Statement of Operations. This statement reports the changes in the values of financial assets and financial liabilities arising from their remeasurement at current exchange rates and/or fair value, and the government's proportionate share of other comprehensive income arising from the results of government business enterprises and partnerships. The requirements in PS 2601 – Foreign Currency Translation, PS 3041 – Portfolio Investments, and PS 3450 – Financial Instruments, which must be adopted at the same time, can give rise to the presentation of gains and losses as remeasurement gains and losses. The requirements of these standards are explained further below.

PS 2601 – Foreign Currency Translation replaces PS 2600 – Foreign Currency Translation. The standard requires monetary assets and liabilities denominated in a foreign currency and non-monetary items denominated in a foreign currency that are reported at fair value, to be adjusted to reflect the exchange rates in effect at the financial statement date. Unrealized gains and losses arising from foreign currency changes are presented in the new Statement of Remeasurement Gains and Losses. However, the new standard also provides an election that will allow for the continued recognition of all exchange gains and losses directly in the Statement of Operations and Accumulated Surplus.

PS 3041 – Portfolio Investments replaces PS 3040 – Portfolio Investments. The standard provides revised guidance on accounting for, and presentation and disclosure of, portfolio investments to conform to PS 3450 – Financial Instruments. The distinction between temporary and portfolio investments has been removed in the new standard, and upon adoption, PS 3030 – Temporary Investments will no longer apply.

PS 3450 – Financial Instruments establishes accounting and reporting requirements for all types of financial instruments including derivatives. The standard requires fair value measurement of derivatives and portfolio investments in equity instruments that are quoted in an active market. All other financial instruments can be elected to be measured at cost, amortized cost or fair value. Unrealized gains and losses arising from changes in fair value are presented in the new Statement of Remeasurement Gains and Losses.

PS 3280 – Asset Retirement Obligations establishes the accounting and reporting requirements for legal obligations associated with the retirement of tangible capital assets controlled by a government or government organization. A liability for a retirement obligation can apply to tangible capital assets either in productive use or no longer in productive use. Upon adoption of this standard, PS 3270 Solid Waste Landfill Closure and Post-closure Liability will no longer apply.

ii. Standards applicable for fiscal years beginning on or after April 1, 2023 (in effect for the City for the year ending on December 31, 2024):

PS 3160 – Public Private Partnerships (P3s) identifies requirements on how to account for and disclose transactions in which public sector entities procure major infrastructure assets and/or services from private sector entities. Recognition of assets arising from P3 arrangements is ultimately dependent on whether public sector entities control the purpose and use of the assets, access to the future economic benefits and exposure to the risks associated with the assets, and significant residual interest in the asset, if any, at the end of the P3 term. Measurement of the asset and related liability will also be dependent on the overall model used to compensate the private sector entity.

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. Taxation revenue is excluded from the scope of this standard.

PSG-8 – Purchased intangibles provides guidelines on accounting and reporting for purchased intangibles. Concurrently, PS 1000 – Financial Statement Concepts has been amended to remove the prohibition in public sector financial statements against recognizing intangibles purchased in an exchange.

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2. Accounts and taxes receivable

	2022	2021
Federal and provincial government receivables	$ 1,702	$ 953
Property taxes receivables	462	381
Trade and other receivables	869	742
Total accounts and taxes receivable	**$ 3,033**	**$ 2,076**

Included in Federal and Provincial Government receivables are:

- Safe Restart Agreement (SRA) – $385 (2021 – $103): intended to support safe restart of the economy following the COVID-19 pandemic. $nil has been received since December 31, 2022;
- Provincial Operating Support – $235 (2021 – $nil): intended to support the City's increased costs related to the COVID-19 pandemic. $235 has been received since December 31, 2022;
- Provincial Gas Tax (PGT) – $139 (2021 – $139): $139 has been received since December 31, 2022;
- Provincial Transit Infrastructure Fund (PTIF) claims – $86 (2021 – $151): $nil has been received since December 31, 2022; and
- Interim Housing Assistance Program – $71 (2021 – $17): $71 has been received since December 31, 2022.

Federal and Provincial Government Receivables include a receivable of $218 (2021 – $239), which reflects the City's estimated reimbursement for various subway projects that were transferred to the Province in 2019.

3. Loans receivable

	2022	2021
TCHC promissory notes, loan agreements and receivables, bearing interest rates between 3.0% and 6.0% (2021 – 3.0% to 6.0%) per annum with maturity dates from 2023 to 2057 (2021 – 2022 to 2057)	$ 75	$ 76
BTI loan facility and vendor-take-back (VTB) mortgages, bearing an interest rate of 3.3% (2021 – 3.3% to 5.0%) per annum with maturity dates from 2023 to 2027 (2021 – 2022 to 2027)	30	32
Loans receivable from community housing organizations bearing interest rates between 0% and 5.0% (2021 – 0% to 5.0%) per annum, with maturity dates from 2023 to 2074 (2021 – 2022 to 2074)	41	46
Energy loans receivable from organizations to enable the implementation of green initiative projects across the City bearing interest rates between 0% and 3.7% (2021 – 0% to 3.7%) per annum, with maturity dates from 2023 to 2040 (2021 – 2022 to 2040)	29	30
Loan receivable from Maple Leaf Sports and Entertainment Ltd for the expansion of BMO Stadium bearing an interest rate of 4.2% (2021 – 4.2%) per annum with a maturity date of 2034	7	8
Other	4	2
Total loans receivable	**$ 186**	**$ 194**

4. Other assets

	2022	2021
TCHC equal contribution equity in revitalization projects and equal interest Co-Tenancy Agreements for construction	$ 10	$ 12
TCHC externally restricted assets under loan agreements for capital expenditures	5	6
Other	29	26
Total other assets	**$ 44**	**$ 44**

(in millions of dollars, unless otherwise stated) Annual Financial Report 2022 • City of Toronto

5. Investments

	2022				2021			
		Cost		Market value		Cost		Market value
Money market instruments	$	2,924	$	2,924	$	112	$	112
Government bonds		1,407		1,313		1,448		1,484
Corporate bonds		1,080		1,020		1,136		1,147
Equities		839		922		758		957
Foreign corporate bonds		60		57		39		39
Mortgages		23		22		118		117
Other		89		97		80		99
Total investments	**$**	**6,422**	**$**	**6,355**	**$**	**3,691**	**$**	**3,955**

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 $54 (2021 – $nil).

The weighted average yield on the cost of the bond investment portfolio during the year was 4.1 per cent (2021 – 3.2 per cent). Maturity dates on investments in the portfolio range from 2026 to 2044 (2021 – 2030 to 2049).

Included in the City's government bonds portfolio are City of Toronto debentures at coupon rates varying from 2.2 per cent to 4.7 per cent (2021 – 1.6 per cent to 4.7 per cent) with a carrying value of $27 (2021 – $31).

As at December 31, 2022, the City's investments measured at amortized cost exceed market value, representing a temporary decline in market value but no decline in the amortized cost value reported. There is no impairment due to the low-risk nature of the investments, the high credit ratings of the issuers, and the City's intention to hold these investments to their maturities.

The Toronto Investment Board manages the funds not immediately required by the City, as well as managing the City's investments in accordance with the City's investment standards and Council-approved investment policy.

6. Investments in government business enterprises (GBEs)

		2022		2021
Toronto Hydro Corporation	$	2,049	$	1,969
Toronto Parking Authority		331		325
Total investments in GBEs	**$**	**2,380**	**$**	**2,294**

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

		2022		2021
Balance – beginning of year	$	2,294	$	2,238
Income from operations (Appendix 1)		196		142
Dividends received (Appendix 1)		(85)		(70)
Distribution to City (Appendix 1)		(26)		(20)
Other (Appendix 1)		1		4
Balance – end of year (Appendix 1)	**$**	**2,380**	**$**	**2,294**

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

		2022		2021
Income from Operations (Appendix 1)	$	196	$	142
Other (Appendix 1)		1		4
GBE earnings	**$**	**197**	**$**	**146**

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

(in millions of dollars, unless otherwise stated)

6. Investments in GBEs (cont.)

Related party transactions between the City and its GBEs are as follows:

	2022	2021
Street-lighting, electricity, and maintenance services purchased by the City from Toronto Hydro Corporation	$ 271	$ 284
Property taxes paid to the City from Toronto Parking Authority	21	21
Rent expense paid to the City from Toronto Parking Authority	1	2
Property taxes paid to the City from Toronto Hydro Corporation	3	4
	$ 296	**$ 311**

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

	Due to others
2023	$ 251
2024	1
2025	-
2026	200
2027	-
Thereafter	2,295
	$ 2,747

Repayments relate to Toronto Hydro Corporation's long term debt series with interest rates ranging from 1.5 per cent to 5.5 per cent per annum and maturity dates ranging between 2023 to 2063, and Toronto Parking Authority's debt payable relating to the purchase of equipment upgrades, bearing an effective interest rate of 2.3 per cent per annum and maturing on June 30, 2025, with $0.7 (2021 – $0.6) due in 2023.

7. Bank indebtedness

The City has an unsecured demand revolving credit facility in the amount of $100 (2021 – $100) bearing interest at the bank prime rate with an effective rate during 2022 of 1.6 per cent (2021 – 2.5 per cent) per annum.

TCHC has a committed revolving credit facility of $200 (2021 – $200) that is available for short-term advances and letters of credit, with standby charges of 0.2 per cent. 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 1.1 per cent. Short-term drawings of $58 (2021 – $43) have been made in 2022. The entity is in compliance with all bank covenants.

TAF has a revolving line of credit with a Canadian chartered bank repayable on demand with interest rate calculated at the bank's prime rate plus 0.5 per cent per annum. The credit limit is the lesser of $3 or the standard margin value of TAF's fixed income investment portfolio. Security has been provided using TAF's fixed income investment portfolio.

	2022	2021
City, net outstanding cheques	$ 58	$ 56
TCHC	58	43
TAF	2	-
Total bank indebtedness	**$ 118**	**$ 99**

8. Accounts payable and accrued liabilities

	2022	2021
Trade payables and accruals	$ 3,192	$ 2,798
Tax appeal assessments on property taxes	363	383
Wages payable	255	227
Total accounts payable and accrued liabilities	**$ 3,810**	**$ 3,408**

(in millions of dollars, unless otherwise stated)

9. Deferred revenue

Deferred revenue includes balances received in the current and prior years that must be spent on growth related infrastructure, or specific goods and services, which will be delivered in future fiscal years. These amounts are not available for other purposes to ensure compliance with agreements, performance obligations or legislation.

	2022							
		Opening balance		Advance payments received		Recognized as revenue		Ending balance
Advance payments received according to Provincial legislation or agreements	$	3,732	$	3,820	$	(3,109)	$	4,443
Advance payments received according to third party agreements		1,310		970		(933)		1,347
Advance payments received according to Federal legislation or agreements		462		205		(332)		335
Advance payments received for goods and services		301		319		(309)		311
Other advance payments received		18		175		(165)		28
Total deferred revenue	**$**	**5,823**	**$**	**5,489**	**$**	**(4,848)**	**$**	**6,464**

The following balances are included in the above deferred revenue amounts. The Other balance includes advance payments received in support of various initiatives, including: Toronto-York Spadina Subway Extension, National Child Benefit Supplement, Federal Social Housing and other smaller initiatives.

The following table provides a summary of significant components included in the City's Deferred Revenue balance:

	2022							
		Opening balance		Advance payments received		Recognized as revenue		Ending balance
Development charges	$	2,263	$	868	$	(417)	$	2,714
Water/ wastewater capital payments		1,135		989		(913)		1,211
Parkland acquisitions/ development		796		213		(131)		878
Section 37/45 Planning Act		398		132		(13)		517
Building Code Act service improvement		183		45		(8)		220
Canada Community-Building Fund		335		-		(168)		167
Advance payments for building permits		142		119		(103)		158
Rapid Housing Initiative		87		204		(160)		131
Community and Social Services programs		17		2,108		(2,038)		87
Other		467		811		(897)		381
Total deferred revenue	**$**	**5,823**	**$**	**5,489**	**$**	**(4,848)**	**$**	**6,464**

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9. Deferred revenue (cont.)

The following table provides a summary of significant components included in the City's Deferred Revenue balance:

		2021						
		Opening balance		Advance payments received		Recognized as revenue		Ending balance
Advance payments received according to Provincial legislation or agreements	$	3,169	$	1,692	$	(1,129)	$	3,732
Advance payments received according to third party agreements		1,346		1,067		(1,103)		1,310
Advance payments received according to Federal legislation or agreements		412		1,483		(1,433)		462
Advance payments received for goods and services		253		316		(268)		301
Other advance payments received		36		313		(331)		18
Total deferred revenue	**$**	**5,216**	**$**	**4,871**	**$**	**(4,264)**	**$**	**5,823**

The following balances are included in the above deferred revenue amounts. The Other balance amount includes advanced payments received in support of various initiatives, including: Toronto-York Spadina Subway Extension, National Child Benefit Supplement, Federal Social Housing and other smaller initiatives.

The following table provides a summary of significant components included in the City's Deferred Revenue balance:

		2021						
		Opening balance		Advance payments received		Recognized as revenue		Ending balance
Development charges	$	1,678	$	929	$	(344)	$	2,263
Water/ wastewater capital payments		1,152		1,064		(1,081)		1,135
Parkland acquisitions/ development		890		170		(264)		796
Section 37/45 Planning Act		388		31		(21)		398
Canada Community-Building Fund		168		1,444		(1,277)		335
Building Code Act service improvement		152		38		(7)		183
Advance payments for building permits		124		114		(96)		142
Rapid Housing Initiative		205		38		(156)		87
Community and Social Services programs		26		35		(44)		17
Other		433		1,008		(974)		467
Total deferred revenue	**$**	**5,216**	**$**	**4,871**	**$**	**(4,264)**	**$**	**5,823**

10. Provision for property and liability claims

		2022		2021
Property and liability claims provision	$	357	$	341
TTC unsettled accident claims		138		139
Total provision for property and liability claims	**$**	**495**	**$**	**480**

The City's insurance program is administered through a combination of self-insurance and coverage with insurance carriers. The City maintains a corporate insurance reserve fund of $66 (2021 – $63) that can be used to finance payments for vehicle, property and liability insurance claim payments, as well as related legal and adjusting expenses

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11. Environmental and contaminated site liabilities

	2022	2021
Inactive landfill sites	$ 89	$ 150
Contaminated site liabilities	270	267
Active landfill site (Green Lane)	16	21
Environmental liabilities (TTC and BTI)	28	30
Total environmental and contaminated site liabilities	**$ 403**	**$ 468**

Environmental and Contaminated Site liabilities are based on internal expert assessments and/or 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 remediation methods and average industry remediation rates, actual costs may vary. The estimated amounts of future remediation costs are reviewed annually based on available information and governing legislation, as well as adjusted to account for annual increases in remediation costs.

a. 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 $219 (2021 – $216), which is an undiscounted balance, at December 31, 2022. 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 combination 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.

b. 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 per cent residential waste diversion rate. The post-closure care period is expected to occur in perpetuity.

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 4.3 per cent (2021 –2.7 per cent).

The estimated present value of future expenditures for closure and post-closure care as at December 31, 2022 is $16 (2021 – $21), based on the percentage of total approved capacity used of 63 per cent (2021 – 61 per cent). Undiscounted expenditures are $26 (2021 – $37) and the net present value of the total liability has been recorded in the Statement of Financial Position.

In order to help reduce the future impact of these obligations, the City has established reserve funds for the care of these sites. Both of these reserve fund accounts are included as part of the State of Good Repair Reserve Fund (Note 17).

Reserve balances:

	2022	2021
Green Lane Reserve Fund	$ -	$ 4
Green Lane Perpetual Care Reserve Fund (GLPC)	8	8
Total	**$ 8**	**$ 12**

In 2022, the City's contributions to the GPLC reserve amounted to $0.6 (2021 – $0.6), which was based on a contribution rate of $1.30 (unrounded) (2021 – $1.30) per tonne of waste disposed. This rate is updated annually.

(in millions of dollars, unless otherwise stated)

c. 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 4.3 per cent (2021 – 2.7 per cent). The estimated present value of future expenditures for post-closure care as at December 31, 2022 was $89 (2021 – $150).

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. The Solid Waste Management Perpetual Care Reserve Fund is included as part of the State of Good Repair Reserve Fund (Note 17).

		2022		**2021**
Solid Waste Management Perpetual Care Reserve Fund	**$**	**22**	**$**	**24**

12. Mortgages payable

		2022		**2021**
TCHC secured mortgages, collateralized by TCHC housing properties, with interest rates between 0.7% and 12.8% (2021 – 0.7% to 11%) per annum and maturity dates ranging from 2023 to 2053	$	413	$	361
BTI mortgage, secured by assets and corporate guarantees of Build Toronto Holdings One Inc., BTI and common shares of PT Studios, with an interest rate of 3.3% per annum, maturing on March 15, 2027		27		28
	$	**440**	**$**	**389**

Principal repayments on mortgages are due as follows:

		2022
2023	$	32
2024		31
2025		32
2026		31
2027		30
Thereafter		284
Total	**$**	**440**

Principal re-payments made in 2022 were $1 (2021 – $0.9) on the BTI mortgages and $30 (2021 – $48) on the TCHC mortgages.

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13. Long-term debt

		2022		2021
Unsecured debentures issued by the City, bearing interest at various rates ranging from 0% to 5.3% (2021 – 0% to 6.8%), maturing from 2023 to 2052	$	9,140	$	7,586
Unsecured green bonds issued by the City, bearing interest at various rates ranging from 2.2% to 3.2% (2021 – 2.2% to 3.2%), maturing from 2031 to 2048		165		780
Unsecured social bonds issued by the City, bearing interest at 1.6% (2021 – 1.6%), maturing in 2030		435		200
Less: sinking fund deposits bearing interest at rates between rates between 2% and 5% (2021 – 2% to 5%)		(2,231)		(1,796)
Unsecured debentures, net of sinking fund deposits		**7,509**		**6,770**
TCHC loans from Infrastructure Ontario secured by various floating and fixed income investments at floating and fixed rates between 3.1% and 4.5%, subject to financial covenants, maturing between 2043 to 2049		866		888
TCHC debentures, unsecured, consisting of Series A bonds of $250 at 4.9% (maturing in 2037) and Series B bonds of $200 at 5.4% (maturing in 2040)		446		446
TCHC non-revolving, 10-year loan to assist with the financing of the construction for Phase 1 of its Building Renewal Program, which was completed in 2009. The loan was provided at a fixed interest rate of 3.4% with repayment beginning March 15, 2018		14		17
Lakeshore Arena Corporation credit facilities from Infrastructure Ontario, secured by a property mortgage, a general security agreement and assignments of rents and leases, bearing interest at 3.5%, with a maturity date of October 31, 2042		23		25
Others, bearing interest between 4% to 6% maturing from 2026 to 2028		1		-
Consolidated entities debentures		**1,350**		**1,376**
Total net long-term debt	**$**	**8,859**	**$**	**8,146**

2022 principal repayments total $465 (2021 – $471). Principal repayments are due as follows:

		2022
2023	$	591
2024		567
2025		547
2026		521
2027		494
Thereafter		6,139
Total	**$**	**8,859**

14. Employee benefit liabilities

a. Description of benefits

The City provides post-retirement benefit plans for hospital, extended healthcare, drug, dental and life insurance benefits; amounts include health care spending accounts for Toronto Firefighters and the Toronto Police Service. Post-employment benefit plans provide income benefits for employees on Long-Term Disability (LTD) and the continuation of benefits (hospital, extended health care, drug, dental and life insurance) in respect thereof; accumulated sick leave benefits; and self-insured WSIB Benefits (for Schedule 2 employers).

The most recent actuarial valuation was completed as at December 31, 2021. The next actuarial valuation for post-retirement and post-employment benefits is scheduled to be performed on December 31, 2024.

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a. Description of benefits (cont.)

	2022	2021
Sick leave benefits	$ 402	$ 479
WSIB obligations	912	939
Other employment and post-employment benefits	2,376	2,889
Total employee accrued benefit obligation	**3,690**	**4,307**
Unamortized actuarial gain	979	200
Total employee benefit liabilities	**$ 4,669**	**$ 4,507**

b. Reconciliation of the plan assets and accrued benefit obligation, based on the actuarial assessment, to the amounts in the Consolidated Statement of Financial Position:

	2022			
	Post-retirement and post-employment	**TTC pension plan (Note 14, h(ii))**	**City pension plans (Note 14, h(iii))**	**Total**
Accrued benefit obligation (Note 14(c))	$ 3,690	$ 2,877	$ 148	$ 6,715
Fair value of plan assets (Note 14(d))	-	3,898	161	4,059
Funding deficit (surplus)	**3,690**	**(1,021)**	**(13)**	**2,656**
Unamortized actuarial gain	979	-	-	979
Valuation allowance	-	1,021	13	1,034
Employee benefit liability (Note 14(e))	**$ 4,669**	**$ -**	**$ -**	**$ 4,669**

	2021			
	Post-retirement and post-employment	**TTC pension plan (Note 14, h(ii))**	**City pension plans (Note 14, h(iii))**	**Total**
Accrued benefit obligation (Note 14(c))	$ 4,307	$ 3,052	$ 156	$ 7,515
Fair value of plan assets (Note 14(d))	-	4,267	201	4,468
Funding deficit (surplus)	4,307	(1,215)	(45)	3,047
Unamortized actuarial gain	200	-	-	200
Valuation allowance	-	1,215	45	1,260
Employee benefit liability (Note 14(e))	**$ 4,507**	**$ -**	**$ -**	**$ 4,507**

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c. Continuity of the accrued benefit obligation, in aggregate:

	2022			
	Post-retirement and post-employment	TTC pension plan (Note 14, h(ii))	City pension plans (Note 14, h(iii))	Total
Balance – beginning of year	$ 4,307	$ 3,052	$ 156	$ 7,515
Current service cost	444	81	-	525
Interest cost	107	191	6	304
Actuarial (gain) loss	(822)	(285)	3	(1,104)
Benefits paid	(347)	(214)	(17)	(578)
Plan amendments	1	52	-	53
Balance – end of year	**$ 3,690**	**$ 2,877**	**$ 148**	**$ 6,715**

	2021			
	Post-retirement and post-employment	TTC pension plan (Note 14, h(ii))	City pension plans (Note 14, h(iii))	Total
Balance – beginning of year	$ 4,706	$ 3,304	$ 164	$ 8,174
Current service cost	394	96	-	490
Interest cost	85	175	(18)	242
Actuarial (gain) loss	(583)	(362)	7	(938)
Benefits paid	(310)	(197)	3	(504)
Transfer to OMERS	15	36	-	51
Plan amendments	-	-	-	-
Balance – end of year	**$ 4,307**	**$ 3,052**	**$ 156**	**$ 7,515**

d. Continuity of the plan assets:

	2022			
	Post-retirement and post-employment	TTC pension plan (Note 14, h(ii))	City pension plans (Note 14, h(iii))	Total
Balance – beginning of year	$ -	$ 4,267	$ 201	$ 4,468
Employer contributions	347	135	-	482
Actual return on assets	-	(289)	(23)	(312)
Employer surplus distribution	-	-	-	-
TTC pension administrative expenses	-	(1)	-	(1)
Benefits paid	(347)	(214)	(17)	(578)
Balance – end of year	**$ -**	**$ 3,898**	**$ 161**	**$ 4,059**

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d. Continuity of the plan assets (cont.):

	2021			
	Post-retirement and post-employment	**TTC pension plan (Note 14, h(ii))**	**City pension plans (Note 14, h(iii))**	**Total**
Balance – beginning of year	$ -	$ 3,987	$ 352	$ 4,339
Employer contributions	310	131	-	441
Actual return on assets	-	349	19	368
Employer Surplus Distribution	-	-	(108)	(108)
TTC pension administrative expenses	-	(2)		(2)
Benefits paid	(310)	(198)	(62)	(570)
Balance – end of year	**$ -**	**$ 4,267**	**$ 201**	**$ 4,468**

The City has established reserve funds to help reduce the future impact of the employee benefit obligation. As at December 31, 2022, the balance in the Employee Benefits Reserve Fund was $555 (2021 – $558), which includes $63 (2021 – $55) for Sick Leave and $15 (2021 – $17) for WSIB. Prior year balances in Note 14(d) were revised to account for category changes that were made for presentation purposes.

e. Continuity of the City's employee benefit liabilities, in aggregate:

	2022			
	Post-retirement and post-employment	**TTC pension plan (Note 14, h(ii))**	**City pension plans (Note 14, h(iii))**	**Total**
Balance – beginning of year	$ 4,507	$ -	$ -	$ 4,507
Current service cost	444	83	-	527
Interest cost (revenue)	107	(71)	(2)	34
Amortization of actuarial (gain) loss	(43)	(68)	33	(78)
Employer contributions	(347)	(135)	-	(482)
Plan amendments	1	52	-	53
Change in valuation allowance	-	139	(31)	108
Balance – end of year	**$ 4,669**	**$ -**	**$ -**	**$ 4,669**

	2021			
	Post-retirement and post-employment	**TTC pension plan (Note 14, h(ii))**	**City pension plans (Note 14, h(iii))**	**Total**
Balance – beginning of year	$ 4,301	$ -	$ -	$ 4,301
Current service cost	394	99	-	493
Interest cost (revenue)	84	(32)	(2)	50
Amortization of actuarial (gain) loss	23	(71)	(5)	(53)
Employer contributions	(310)	(131)	-	(441)
Plan amendments	15	36	-	51
Change in valuation allowance	-	99	7	106
Balance – end of year	**$ 4,507**	**$ -**	**$ -**	**$ 4,507**

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f. Total expenses related to these employee benefits include the following:

2022	Post-retirement and post-employment		TTC pension plan (Note 14, h(ii))		City pension plans (Note 14, h(iii))		Total
Current service cost	$	444	$	83	$	-	$ 527
Interest cost (revenue)		107		(71)		(2)	34
Amortization of actuarial (gain) loss		(43)		(68)		33	(78)
Plan amendments		1		52		-	53
Change in valuation allowance		-		139		(31)	108
Total expense	**$**	**509**	**$**	**135**	**$**	**-**	**$ 644**

2021	Post-retirement and post-employment		TTC pension plan (Note 14, h(ii))		City pension plans (Note 14, h(iii))		Total
Current service cost	$	394	$	99	$	-	$ 493
Interest cost (revenue)		84		(32)		(2)	50
Amortization of actuarial (gain) loss		23		(71)		(5)	(53)
Plan amendments		15		36		-	51
Change in valuation allowance		-		99		7	106
Total expense	**$**	**516**	**$**	**131**	**$**	**-**	**$ 647**

g. Sick leave benefits, WSIB obligations, and post-retirement and post-employment benefits:

The following is a list of actuarial assumptions compiled from actuarial valuations completed for 2022:

	Discount rate for accrued benefit obligation		Discount rate for benefit costs	
	2022	**2021**	**2022**	**2021**
Post-employment	3.8% to 4.3%	1.6% to 2.2%	1.6% to 2.2%	1.2%
Post-retirement	4.6% to 4.7%	2.6% to 2.9%	2.6% to 2.7%	2.0%
Sick leave	3.9% to 4.4%	1.8% to 2.5%	1.8% to 2.5%	1.5%
WSIB	4.3%	2.3% to 2.4%	2.3% to 2.4%	2.0%
Rate of compensation increase	2.5% to 3.5%	1.3% to 3.5%	1.3% to 3.5%	1.3% to 3.5%
Health care inflation – LTD, hospital and other medical	5.0% to 6.1%	5.0% to 6.2%	4.0% to 5.8%	4.0% to 5.9%
Health care inflation – dental care	3.0% to 4.0%	3.0% to 4.0%	3.0% to 4.0%	3.0% to 4.0%
Health care inflation – drugs	6.0% to 6.7%	6.0% to 6.9%	6.0% to 10.2%	6.0% to 10.3%

For 2022 benefit costs and year end 2022 benefit obligations, the health care inflation rate for LTD, hospital, other medical, and drugs is assumed to reduce to a range of 4.0 per cent to 5.0 per cent by 2030 based on the latest actuarial valuation.

h. Pension benefits

i. OMERS pension plan

The City makes contributions to the 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 the plan is managed by OMERS and the City does not share risk or control of decisions in the plan administration, benefits, or contributions. The plan is a joint pension plan of all Ontario municipalities and their employees. Employer contributions for current service amounted to $220 (2021 – $212) and are expensed in the Consolidated Statement of Operations and Accumulated Surplus. Employees' contributions amounted to $220 (2021 – $212). The City is current with all payments to OMERS. As at December 31, 2022, OMERS has a deficit of $6,678 (2021 – deficit $3,131).

The date of the most recently filed actuarial valuation for funding purposes for the OMERS Primary Pension Plan was December 31, 2021. The next required filing of an actuarial valuation for funding purposes will be performed with a date no later than December 31, 2024.

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 (Board) of the Society consists of 10 voting members, five of whom are appointed from the TTC 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 per cent) and therefore, recognized 50 per cent of the pension expense incurred during the year and 50 per cent of the plan's assets and obligations.

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.

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.

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, 2020, the base year for the TTC pension plan and the funded supplemental pension plans were updated to December 31, 2019 from December 31, 2018. In addition, the survivor benefit date was updated to January 1, 2022 (from January 1, 2021) and an ad hoc increase of up to 2.0 per cent (December 31, 2021 – 1.0 per cent) 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, 2021. The next required actuarial valuation for funding purposes will be performed as at January 1, 2024. The effective date of the most recent valuation for accounting purposes was December 31, 2022.

As a result of market conditions throughout 2022, plan assets experienced a temporary decline in market value and lower rates of return than prior years, however, no long term impairment is expected.

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ii. TTC pension plan (cont.)

Actuarial assumptions for the TTC Pension Plan are as follows:

	2022	2021
Discount rate	7.1%	6.2%
Actual rate of return on plan assets	(6.5%)	9.2%
Expected rate of return on plan assets	6.2%	5.3%
Rate of increase in salaries	1.3% to 3.3%	1.3% to 3.3%
Inflation rate	2.0%	2.0%

iii. City Pension Plans

During 2020, the City completed the merger of the Civic, Metro, Police and York pension plans with OMERS. OMERS has taken over responsibility to pay future benefits. As a result, the City has no continuing obligation related to these plans at December 31, 2021. The Metro plan has assets remaining at December 31, 2022 representing unclaimed pension amounts as well as employer amounts to cover miscellaneous expenses.

The City continues to administer the Toronto Fire Department Superannuation and Benefit Fund, a defined benefit pension plan that provides benefits to employees who were employed prior to the establishment of the OMERS pension plan. The plan covers a closed group of employees hired prior to July 1, 1968 and provides for pensions based on length of service and final average earnings. The overall accounting valuation for funding purposes for the City's pension plan was completed on December 31, 2022. The next required accounting valuation for funding purposes will be performed as at December 31, 2023.

As at December 31, 2022, there were 237 (2021 – 264) Fire pensioners with an average age of 84.3 years (2021 – 83.6 years) and 285 (2021 – 291) survivors and beneficiaries with an average age of 83.9 years (2021 – 83.3 years), in receipt of a pension. Pension payments during the year were $18 (2021 – $18). Given that there are no active members in the plan, there are no contributions being made into the plan.

The financial status of the City Pension Plans, which includes assets that will be distributed to members in future fiscal years, as at December 31, 2022 is as follows:

	2022			2021
	Pension assets – market value – end of year	Actuarial pension obligation – end of year	Net actuarial surplus	Net actuarial surplus
Toronto Civic Employee Pension Plan	$ -	$ -	$ -	$ -
Metropolitan Toronto Pension Plan	-	-	-	1
Metropolitan Toronto Police Pension Plan	-	-	-	-
Toronto Firefighters Pension Plan	161	148	13	44
Total of City Pension Plans	**$ 161**	**$ 148**	**$ 13**	**$ 45**

Actuarial assumptions for the Toronto Fire Department Superannuation and Benefit Plan:

	2022	2021
Discount rate	4.4%	4.9%
Actual rate of return on plan assets	11.1%	9.0%
Expected rate of return on plan assets	4.4%	4.9%
Inflation rate	2.0%	2.0%

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15. Inventories

	2022	2021
Inventories	$ 287	$ 231
Properties held for resale	38	38
Total inventories	**$ 325**	**$ 269**

16. Tangible capital assets

	2022 Cost	2022 Accumulated amortization	2022 Net book value	2021 Net book value
General				
Land	$ 4,474	$ -	$ 4,474	$ 4,203
Land improvements	2,609	1,213	1,396	1,234
Buildings and building improvements	13,858	4,829	9,029	8,430
Machinery and equipment	3,607	2,118	1,489	1,498
Motor vehicles	3,028	1,997	1,031	1,136
Total general	**27,576**	**10,157**	**17,419**	**16,501**
Infrastructure				
Land	140	-	140	140
Buildings and building improvements	984	277	707	723
Machinery and equipment	3,103	1,584	1,519	1,607
Water and wastewater linear	7,794	2,746	5,048	4,668
Roads linear	5,708	2,691	3,017	2,645
Transit	11,039	5,236	5,803	5,779
Total infrastructure	**28,768**	**12,534**	**16,234**	**15,562**
Assets under construction	**6,689**	**-**	**6,689**	**6,323**
Total tangible capital assets	**$ 63,033**	**$ 22,691**	**$ 40,342**	**$ 38,386**

The value of donated assets received during the year was $8 (2021 – $18).

The City recognized an additional write down of $nil (2021 – $2) of assets under construction during the year.

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17. Accumulated Surplus

		2022		2021
Historical surplus	$	1,350	$	1,926
Reserves and reserve funds (a)		5,427		4,104
Net Investment in TCA (b)		30,640		29,383
Liabilities to be funded from future revenues (c)		(5,164)		(4,987)
Total accumulated surplus	**$**	**32,253**	**$**	**30,426**
(a) Reserves and reserve funds				
Reserves:				
Corporate	$	866	$	687
Stabilization		1,956		1,391
Water and wastewater		104		62
Donations		2		2
Total reserves		**2,928**		**2,142**
Reserve funds:				
Employee benefits		612		569
Corporate		1,402		986
Community initiatives		165		165
State of Good Repair (Note 11)		320		242
Total reserves funds		**2,499**		**1,962**
Total reserves and reserve funds	**$**	**5,427**	**$**	**4,104**
(b) Net Investment in TCA				
Tangible capital assets (Note 16)	$	40,342	$	38,386
Mortgages payable (Note 12)		(440)		(389)
Long-term debt (Note 13)		(8,859)		(8,146)
Environmental and contaminated site liabilities (Note 11)		(403)		(468)
Total net investment in TCA	**$**	**30,640**	**$**	**29,383**
(c) Liabilities to be funded from future revenues				
Employee benefit liabilities (Note 14)	$	(4,669)	$	(4,507)
Provision for property and liability claims (Note 10)		(495)		(480)
Total liabilities to be funded	**$**	**(5,164)**	**$**	**(4,987)**

18. Contingent assets and liabilities

a. Contingent assets

In the ordinary course of business, various claims and lawsuits are brought by the City. It is the opinion of management that the settlement of these actions will result in the City's favour and that the settlement amounts will be available for the City's use. These contingent assets are not recorded in the Statements.

In February 2022, the Toronto City Council enacted By-Law 97-2022, Taxation, Vacant Home Tax, which imposes a 1 per cent tax levy of the Current Value Assessment (CVA) on all Toronto residences that are declared, deemed, or determined vacant for more than six months during the previous year. The tax is effective from 2022, and taxes are payable in 2023. Taxes levied on properties deemed or determined vacant for 2022 will be recognized as taxation revenue in the fiscal year 2023. A reasonable amount cannot be estimated as fiscal year 2022 is the inaugural year for the vacant home tax program, with vacant property declarations not being provided by taxpayers/residents until well into 2023. As a result, the City has established a program to review the taxpayers' declarations submitted in 2023 to arrive at a reasonable estimate of the tax amount.

b. Contingent legal liabilities

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 occurrence of a future event is considered likely to result in a loss with respect to an existing condition and potential liability is reasonably estimated, amounts have been included in accrued liabilities. Management believes that the ultimate disposition of the matters will not materially exceed the provisions recorded in the accounts. In other cases when 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.

c. Loan and line of credit guarantees

The City currently guarantees operating lines of credit and capital loans under Council approved policies for organizations that have a financial relationship with the City. The City monitors the status of these lines of credit, loans, and the financial position of the organizations. As at December 31, 2022 all loans and lines of credit are in good standing and no provision has been recorded (2021 – $nil). Organizations that have received a guarantee from the City also pledged various assets for security purposes.

i. Loan guarantees

Loan guarantees provided by the City are to support the capital initiatives of organizations that will assist in increasing participation in sports, recreation, culture and community-based activities. The total amount of all capital loan guarantees provided by the City under the policy for capital loan guarantees is limited to an aggregate total of $300, with individual loan guarantees being limited to a maximum of $10 unless otherwise approved by Council.

In 2022, the City provided capital loan guarantees to various organizations amounting to $31 (2021 – $35). The City's guarantees are set to expire between 2023 and 2049 (2021 – 2022 and 2049).

ii. Line of credit guarantees

The intended purpose of line of credit guarantees is to enable culture and community-based organizations to obtain a line of credit for operational cash requirements in the event no other economic resources are available. Organizations are required to submit audited financial statements and business plans to demonstrate their financial viability and capacity to repay the funds on an annual basis. The City is authorized to provide line of credit guarantees of $10 in aggregate.

In 2022, the City provided line of credit guarantees that have an aggregate value of $6 (2021 – $6).

19. Contractual rights and obligations

a. Contractual rights

The City is involved with various contracts and agreements arising in the ordinary course of business. This results in contractual rights to economic resources, leading to both assets and revenues in the future. The City has significant contractual rights to revenues from a lease agreement for a City-owned property that is estimated to generate revenues of $25 over the next five-year period and $10 from a Meridian Credit Union naming rights sponsorship.

(in millions of dollars, unless otherwise stated)

b. Contractual obligations

The City and its consolidated entities have entered into various agreements and contracts for goods, services and planned capital activity to support the delivery of services to residents and businesses.

The City's procurement of goods and services are completed in accordance with the City's purchasing by-law (Municipal Code Chapter 195, Purchasing), which requires City Council authorization to negotiate, enter into, and execute significant agreements and contracts. The City's most significant contractual obligations and estimates of amounts payable over the coming years have been summarized in the below tables:

i. City of Toronto

	Amounts to be paid in:						
Commitments	**2023**	**2024**	**2025**	**2026**	**2027**	**Thereafter**	**Total**
Service agreements for winter maintenance services	$ 149	$ 149	$ 149	$ 149	$ 149	$ 751	$ 1,496
Transfer payment agreement with the Province of Ontario and Metrolinx for the SmartTrack Program	-	-	1,489	-	-	-	1,489
Various agreements for purchase of goods and services for miscellaneous operational needs	219	206	153	125	68	43	814
Various agreements for purchase of goods and services for multiple major capital projects	379	178	110	48	50	38	803
Construction agreements for the Ashbridges Bay Treatment Plant	121	76	94	32	17	29	369
Construction and engineering services agreements for the Basement Flooding Protection Program	121	118	57	14	19	34	363
Highland Creek Treatment Plant Biosolids Implementation Project and South Facility Upgrades Project	44	63	31	35	33	55	261
Service agreements for curbside collection services	69	52	54	33	13	27	248
Service agreements for waste transport services in the City	18	18	19	19	20	63	157
Service agreement for landfill operations, management and construction services	10	10	10	10	10	41	91
Construction agreements for the Coxwell Bypass Tunnel	29	32	22	-	-	-	83
Construction of a new 900-600mm Transmission watermain	20	35	25	-	-	-	80
Construction agreements for Liquid Train Upgrades and rehabilitation at the Highland Creek Treatment Plant	29	18	13	3	3	12	78

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i. City of Toronto (cont.)

	Amounts to be paid in:						
Commitments	**2023**	**2024**	**2025**	**2026**	**2027**	**Thereafter**	**Total**
Reconstruction of the Wallace-Emerson Community Recreation Facility and Above Base Park Improvements	7	41	30	-	-	-	78
Provision of operation and maintenance services of the Disco Road organics processing facility	12	12	12	12	12	17	77
Construction of North East Scarborough Community Centre and Child Care Centre	30	23	8	-	-	-	61
Service agreement for Financial Information System	25	12	-	-	-	-	37
Construction agreement for the St. Lawrence Market North Redevelopment	26	-	-	-	-	-	26
Service agreements for single stream recyclable materials processing and marketing activities	19	-	-	-	-	-	19
Total commitments	**$ 1,327**	**$ 1,043**	**$ 2,276**	**$ 480**	**$ 394**	**$ 1,110**	**$ 6,630**

ii. City agencies, corporations, and government business enterprises:

	Amounts to be paid in:						
Commitments	**2023**	**2024**	**2025**	**2026**	**2027**	**Thereafter**	**Total**
Various agreements for the purchase of goods and services for multiple TTC capital projects	$ 131	$ 126	$ 75	$ 28	$ -	$ 7	$ 367
Agreement for the provision of 264 Light Rail vehicles to the TTC – 204 delivered to date	69	200	80	-	-	-	349
Agreement for the provision of 336 Hybrid Electric Buses	130	150	-	-	-	-	280
Various agreements for the purchase of goods and services for the TCHC capital projects and operational needs	143	-	-	-	-	-	143
Various agreements for the purchase of goods and services for the Toronto Parking Authority capital projects and operational needs	16	7	-	-	-	10	33
Agreement for the provision of 160 Low Floor Wheel trans Mini-Buses to the TTC – 61 delivered to date	28	-	-	-	-	-	28

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ii. City agencies, corporations, and government business enterprises (cont.):

	Amounts to be paid in:						
Commitments	**2023**	**2024**	**2025**	**2026**	**2027**	**Thereafter**	**Total**
Various agreements for the purchase of goods and services for the Toronto Hydro Corporation's capital projects and operational needs	17	3	1	1	1	2	25
Various agreements for the purchase of goods and services for the TWRC's capital projects and operational needs	1	1	1	1	1	6	11
Total commitments	**$ 535**	**$ 487**	**$ 157**	**$ 30**	**$ 2**	**$ 25**	**$ 1,236**

c. Lease commitments

At December 31, 2022, the City is committed to future minimum annual operating lease payments, mainly for facilities and equipment. Lease commitments over the next five years and thereafter are as follows:

	2022
2023	$ 76
2024	40
2025	37
2026	27
2027	21
Thereafter	108
	$ 309

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20. Budget data

Budget data presented in these Statements is based on the 2022 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, which includes the capitalization of capital expenditures to TCA, the recognition of debt proceeds as a liability and non-cash expenditures such as amortization on tangible capital assets. The following chart reconciles the approved cash-based budget with the budget figures as presented in these Statements:

	Approved by Council:					
	Operating	Capital	Non-levy	Consolidated entities	Adjustments	Total adjusted budget
Revenue:						
Property and taxation from other governments	$ 5,032	$ -	$ -	$ -	$ (124)	$ 4,908
Government transfers	4,111	734	-	(4)	92	4,933
User charges	1,426	1,269	1,967	(54)	(1,167)	3,441
Municipal land transfer tax	944	-	-	-	-	944
Other revenue sources	1,468	2,966	-	(16)	(3,648)	770
Rent and concessions	61	-	-	417	-	478
Development charges	-	551	-	-	-	551
Investment income	219	-	-	-	(30)	189
Total revenues	**13,261**	**5,520**	**1,967**	**343**	**(4,877)**	**16,214**
Expenses:						
Transportation	2,755	2,152	181	(29)	(637)	4,422
Social and family services	3,115	479	-	-	(221)	3,373
Protection to persons and property	1,975	129	-	-	(7)	2,097
Recreation and cultural services	1,005	396	-	(36)	(120)	1,245
Environmental services	172	1,533	1,786	-	(1,848)	1,643
General government	3,071	514	-	-	(2,129)	1,456
Social housing	463	161	-	410	225	1,259
Health services	653	32	-	-	(22)	663
Planning and development	52	124	-	8	10	194
Total expenses	**13,261**	**5,520**	**1,967**	**353**	**(4,749)**	**16,352**
Annual deficit	**$ -**	**$ -**	**$ -**	**$ (10)**	**$ (128)**	**$ (138)**

The following adjustments were made to revenue and expenditures to eliminate transactions that were not based on PSAS. Revenue adjustments represent exclusion of amounts recognized as revenue for cash budgeting purposes, but not PSAS, such as: contributions to the City's reserves and discretionary reserve funds, as well as proceeds from the issuance of long-term debt. Expenditure adjustments represent exclusion of amounts recognized as expenses for cash budgeting purposes, but not PSAS, such as withdrawals from the City's reserves and discretionary reserve funds, and principal repayments for the City's long-term debt.

(in millions of dollars, unless otherwise stated)

20. Budget data (cont.)

a. Revenue adjustments (decrease of $4,877):

- Contributions to the City's operating fund, capital fund, and reserve and discretionary reserve funds ($2,036 – decrease)
- Proceeds from the issuance of long-term debt ($2,372 – decrease)
- Reclassification between revenue and expense ($340 – decrease)
- Internal cost recoveries ($312 – decrease)
- Consolidated entities' budgets – revenues ($41 – decrease)
- Sale of properties and other adjustments required for accrual accounting ($224 – increase)

b. Expenditure adjustments (decrease of $4,749):

- Withdrawals from the City's operating fund, capital fund and reserve and discretionary reserve funds ($2,224 – decrease)
- Capitalization of tangible capital assets and recognition of amortization ($1,393 – decrease)
- Reclassification between revenue and expense ($340 – decrease)
- Debt principal repayments ($439 – decrease)
- Internal charges ($312 – decrease)
- Consolidated entities' budgets – expenditures ($22 – decrease)
- Other adjustments required for accrual accounting ($19 – decrease)

21. Property taxes and taxation from other governments

		2022		2021
Tax levies from annual return of the property assessment roll	$	4,825	$	4,616
Tax levies from supplementary and omitted returns of the property assessment roll		47		58
Payments in lieu of tax		81		70
Heads and beds levy on institutions		19		19
Other		2		4
Total Property Taxes and taxation from other governments	**$**	**4,974**	**$**	**4,767**

22. Government transfers

a. Government transfers by function

		2022		2021
Social and family services	$	2,238	$	1,905
Transportation		461		363
Health services		318		338
General government		218		100
Protection to persons and property		63		65
Social housing		56		75
Planning and development		51		39
Environmental services		46		33
Recreation and cultural services		26		21
		3,477		**2,939**
Add:				
COVID-19 impacts		935		1,662
Ministry of Health COVID-19 vaccination program		51		81
Total transfers by function	**$**	**4,463**	**$**	**4,682**

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b. Government transfers by source

		2022		2021
Operating transfers				
Federal	$	555	$	348
Provincial		3,236		3,795
Other		20		14
Total operating transfers		**3,811**		**4,157**
Capital transfers				
Federal		520		375
Provincial		126		147
Other		2		3
Total capital transfers		**648**		**525**
Other transfers		**4**		**-**
Total transfers by source	**$**	**4,463**	**$**	**4,682**

In 2022, the City continued to receive transfer payments from the Province of Ontario as part of the Safe Restart Agreement (Agreement) to support municipal operating pressures that arose from the City's responses to, and impact of, the pandemic, including but not limited to increases in public health protocols and initiatives, and sustained reductions in ridership figures on municipal transit systems.

The City recognized $453 (2021 – $739) of revenues, which were used to respond to municipal transit costs and lost revenues, as well as $nil (2021 – $450) of revenues, which were ultimately used to respond to municipal operating pressures. The City also recognized $235 (2021 – $nil) of operating support from the provincial government, which was intended to support the City's increased costs related to the COVID-19 pandemic. Other amounts recognized includes Social Services Relief Funding and other funding of $114 (2021 – $306), and amounts allocated for Toronto Public Health's Safe Restart efforts of $114 (2021 – $134).

The City recognized $71 (2021 – $19) as part of the Government of Canada's Interim Housing Assistance Program. This additional transfer payment was provided by the federal government to recognize the City's efforts in offering interim housing services to asylum claimants in 2022.

In comparison to prior years, financial support from senior levels of government has been decreasing, resulting in increased financial pressures for the City.

Further details associated with government transfers can be found in Appendix 2, Consolidated Schedule of Segment Disclosure – Service.

23. Other revenue sources

		2022		2021
Sale of properties and recycled materials	$	196	$	68
Utilities cut and other recoveries		138		146
Hotel, lodging and sign tax		67		26
Other income		397		447
Total other revenue sources	**$**	**798**	**$**	**687**

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24. Total expenses

		2022		2021
Salaries, wages and benefits	$	6,679	$	6,418
Contracted services		1,911		1,754
Amortization (Schedule 1)		1,645		1,554
Materials		1,318		1,284
Transfer payments to agencies, corporations, and other external organizations		1,501		1,427
Interest on long-term debt		375		361
Other		426		445
Total expenses	**$**	**13,855**	**$**	**13,243**

Further details associated with the City's expenses can be found in Appendix 2, Consolidated Schedule of Segment Disclosure – Service.

25. Comparative amounts

Certain 2021 comparative amounts have been regrouped from the Statements previously presented, to conform with the presentation adopted in 2022.

26. Subsequent events

TPLB made a provision of $22 relating to the Canada Emergency Wage Subsidy (CEWS), which was applied for and received in 2020. Subsequent to year end, Canada Revenue Agency (CRA) completed their assessment of TPLB's CEWS claims and concluded that all funding previously received is to be repaid to the CRA.

27. Sector-based greenhouse gas (GHG) emission reductions (unaudited)

Toronto's climate action strategy (TransformTO Net Zero Strategy) 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 per cent by 2020, 45 per cent by 2025, 65 per cent by 2030 and net zero by 2040. Toronto has released its 2020 sector-based inventory on community-wide GHG emissions which indicates that the City exceeded its 2020 target of a 30 per cent reduction in GHG emissions from the 1990 baseline. In 2020, Toronto's emissions were 43 per cent lower than in 1990 but since this is an anomaly year due to the COVID-19 pandemic, emissions are expected to approach pre-pandemic levels in subsequent years. Additional efforts will need to be undertaken to reach the next interim target of 45 per cent GHG emissions reduction by 2025, from 1990 levels.

(in millions of dollars, unless otherwise stated)

Schedule 1: Consolidated schedule of tangible capital assets

As at and for the year ended December 31, 2022

	Cost					Accumulated Amortization				Net book value
	Beginning	Additions	Disposals / transfers	Donated	Ending	Beginning	Amortization	Disposals	Ending	
General										
Land	$ 4,203	$ 295	$ (32)	$ 8	$ 4,474	$ -	$ -	$ -	$ -	$ 4,474
Land improvements	2,238	385	(14)	-	2,609	1,004	209	-	1,213	1,396
Buildings and building improvements	12,985	904	(31)	-	13,858	4,555	299	(25)	4,829	9,029
Machinery and equipment	3,452	211	(56)	-	3,607	1,954	220	(56)	2,118	1,489
Motor vehicles	2,993	109	(74)	-	3,028	1,857	212	(72)	1,997	1,031
Total general	**25,871**	**1,904**	**(207)**	**8**	**27,576**	**9,370**	**940**	**(153)**	**10,157**	**17,419**
Infrastructure										
Land	140	-	-	-	140	-	-	-	-	140
Buildings and building improvements	975	9	-	-	984	252	25	-	277	707
Machinery and equipment	3,098	5	-	-	3,103	1,491	93	-	1,584	1,519
Water and wastewater linear	7,318	506	(30)	-	7,794	2,650	110	(14)	2,746	5,048
Roads linear	5,219	489	-	-	5,708	2,574	117	-	2,691	3,017
Transit	10,655	384	-	-	11,039	4,876	360	-	5,236	5,803
Total infrastructure	**27,405**	**1,393**	**(30)**	**-**	**28,768**	**11,843**	**705**	**(14)**	**12,534**	**16,234**
Assets under construction	**6,323**	**396**	**(30)**	**-**	**6,689**	**-**	**-**	**-**	**-**	**6,689**
Total	**$ 59,599**	**$ 3,693**	**$ (267)**	**$ 8**	**$ 63,033**	**$ 21,213**	**$ 1,645**	**$ (167)**	**$ 22,691**	**$ 40,342**

(in millions of dollars, unless otherwise stated)

Schedule 1: Consolidated schedule of tangible capital assets

As at and for the year ended December 31, 2021

	Cost					Accumulated Amortization				Net book value
	Beginning	Additions	Disposals / transfers	Donated	Ending	Beginning	Amortization	Disposals	Ending	
General										
Land	$ 4,188	$ 14	$ (14)	$ 15	$ 4,203	$ -	$ -	$ -	$ -	$ 4,203
Land improvements	1,887	355	(7)	3	2,238	805	201	(2)	1,004	1,234
Buildings and building improvements	12,275	764	(54)	-	12,985	4,345	260	(50)	4,555	8,430
Machinery and equipment	3,244	266	(58)	-	3,452	1,797	215	(58)	1,954	1,498
Motor vehicles	2,960	112	(79)	-	2,993	1,719	216	(78)	1,857	1,136
Total general	**24,554**	**1,511**	**(212)**	**18**	**25,871**	**8,666**	**892**	**(188)**	**9,370**	**16,501**
Infrastructure										
Land	140	-	-	-	140	-	-	-	-	140
Buildings and building improvements	958	17	-	-	975	230	22	-	252	723
Machinery and equipment	3,015	83	-	-	3,098	1,397	94	-	1,491	1,607
Water and wastewater linear	7,247	73	(2)	-	7,318	2,554	98	(2)	2,650	4,668
Roads linear	5,031	188	-	-	5,219	2,469	105	-	2,574	2,645
Transit	10,291	364	-	-	10,655	4,533	343	-	4,876	5,779
Total infrastructure	**26,682**	**725**	**(2)**	**-**	**27,405**	**11,183**	**662**	**(2)**	**11,843**	**15,562**
Assets under construction	**5,141**	**1,187**	**(5)**	**-**	**6,323**	**-**	**-**	**-**	**-**	**6,323**
Total	**$ 56,377**	**$ 3,423**	**$ (219)**	**$ 18**	**$ 59,599**	**$ 19,849**	**$ 1,554**	**$ (190)**	**$ 21,213**	**$ 38,386**

(in millions of dollars, unless otherwise stated)

Appendix 1: Consolidated schedule of government business enterprises

As at and for the year ended December 31, 2022 with comparatives to 2021

Condensed financial results ($)	**Toronto Hydro Corporation**		**Toronto Parking Authority**		**Total**	
Fiscal year ended	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Financial position						
Assets						
Current	$ 526	$ 490	$ 119	$ 102	$ 645	$ 592
Capital	6,144	5,735	230	222	6,374	5,957
Other	277	188	42	42	319	230
Total assets	**6,947**	**6,413**	**391**	**366**	**7,338**	**6,779**
Liabilities						
Current	1,183	808	55	35	1,238	843
Long-term	3,703	3,623	5	6	3,708	3,629
Total liabilities	**4,886**	**4,431**	**60**	**41**	**4,946**	**4,472**
Net equity	**$ 2,061**	**$ 1,982**	**$ 331**	**$ 325**	**$ 2,392**	**$ 2,307**
City's share (Note 6)	**$ 2,049**	**$ 1,969**	**$ 331**	**$ 325**	**$ 2,380**	**$ 2,294**
Results of operations						
Revenues	$ 3,741	$ 3,633	$ 129	$ 97	$ 3,870	$ 3,730
Expenses	3,576	3,496	97	88	3,673	3,584
Net income	**$ 165**	**$ 137**	**$ 32**	**$ 9**	**$ 197**	**$ 146**
City's share (Note 6)	**$ 165**	**$ 137**	**$ 32**	**$ 9**	**$ 197**	**$ 146**
Distribution to City (Note 6)	-	-	26	20	26	20
Dividends paid to City (Note 6)	85	70	-	-	85	70
Net book value of assets sold from the City to Toronto Hydro Corporation	12	13	-	-	12	13

(in millions of dollars, unless otherwise stated)

Appendix 2: Consolidated schedule of segment disclosure — service

As at and for the year ended December 31, 2022

	General government	Protection to persons and property	Transportation	Environmental	Health	Social and family	Social housing	Recreation and cultural	Planning and development	Consolidated
Taxation*	$ 6,012	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 6,012
User charges	99	232	939	1,644	1	61	18	157	73	3,224
Government transfers**	1,069	63	461	46	399	2,292	56	26	51	4,463
Net GBE income	197	-	-	-	-	-	-	-	-	197
Other	473	76	346	174	10	16	479	170	42	1,786
Total revenues	**7,850**	**371**	**1,746**	**1,864**	**410**	**2,369**	**553**	**353**	**166**	**15,682**
Salaries, wages, and benefits	575	1,898	1,826	282	520	705	228	585	60	6,679
Materials	270	50	341	144	23	220	146	121	3	1,318
Contracted services	46	31	532	231	33	818	119	85	16	1,911
Interest on long-term debt	26	7	209	11	1	21	75	12	13	375
Transfer payments	(128)	53	(2)	125	55	1,222	134	91	(49)	1,501
Other	152	13	58	27	6	80	51	33	6	426
Amortization	134	52	872	240	4	14	245	82	2	1,645
Total expenses	**1,075**	**2,104**	**3,836**	**1,060**	**642**	**3,080**	**998**	**1,009**	**51**	**13,855**
Annual surplus (deficit)	**$ 6,775**	**$ (1,733)**	**$ (2,090)**	**$ 804**	**$ (232)**	**$ (711)**	**$ (445)**	**$ (656)**	**$ 115**	**$ 1,827**

*Taxation revenues are allocated to General Government for presentation purposes however fund all divisional activities and consolidated entities as required.
** Government transfers includes $935 of revenues recognized for COVID-19 Impacts and $51 for Ministry of Health COVID-19 Vaccination Program.

(in millions of dollars, unless otherwise stated)

Appendix 2: Consolidated schedule of segment disclosure — service

As at and for the year ended December 31, 2021

	General government	Protection to persons and property	Transporta-tion	Environ-mental	Health	Social and family	Social housing	Recreation and cultural	Planning and devel-opment	Consolidated
Taxation*	$ 5,939	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 5,939
User charges	96	223	629	1,628	-	58	18	82	64	2,798
Government transfers**	1,622	65	363	33	461	2,003	75	21	39	4,682
Net GBE income	146	-	-	-	-	-	-	-	-	146
Other	388	64	253	182	13	18	473	207	78	1,676
Total revenues	**8,191**	**352**	**1,245**	**1,843**	**474**	**2,079**	**566**	**310**	**181**	**15,241**
Salaries, wages, and benefits	543	1,797	1,734	282	545	684	221	555	57	6,418
Materials	264	36	372	139	29	179	146	83	36	1,284
Contracted services	141	27	406	240	45	640	116	111	28	1,754
Interest on long-term debt	22	9	203	10	1	14	76	13	13	361
Transfer payments	(153)	51	(6)	224	57	1,064	122	88	(20)	1,427
Other	131	14	103	26	6	73	37	42	13	445
Amortization	118	51	836	227	4	4	232	77	5	1,554
Total expenses	**1,066**	**1,985**	**3,648**	**1,148**	**687**	**2,658**	**950**	**969**	**132**	**13,243**
Annual surplus (deficit)	**$ 7,125**	**$ (1,633)**	**$ (2,403)**	**$ 695**	**$ (213)**	**$ (579)**	**$ (384)**	**$ (659)**	**$ 49**	**$ 1,998**

*Taxation revenues are allocated to General Government for presentation purposes however fund all divisional activities and consolidated entities as required.
** Government transfers includes $1,662 of revenues recognized for COVID-19 Impacts and $81 for Ministry of Health COVID-19 Vaccination Program.

(in millions of dollars, unless otherwise stated)

Appendix 3: Consolidated schedule of segment disclosure — entity

As at and for the year ended December 31, 2022

	City	Toronto Police Service	Toronto Transit Commission	Toronto Public Library	Toronto Community Housing Corporation	Other Agencies and Corporations	Total
Taxation*	$ 6,012	$ -	$ -	$ -	$ -	$ -	$ 6,012
User charges	2,339	31	748	2	18	86	3,224
Government transfers	3,828	62	466	6	48	53	4,463
Net GBE income	197	-	-	-	-	-	197
Other	954	38	220	11	466	97	1,786
Total revenues	**13,330**	**131**	**1,434**	**19**	**532**	**236**	**15,682**
Salaries, wages, and benefits	3,350	1,237	1,616	162	213	101	6,679
Materials	1,000	28	259	3	145	(117)	1,318
Contracted services	1,373	23	334	36	116	29	1,911
Interest on long-term debt	291	5	-	-	75	4	375
Transfer payments	3,481	12	(1,389)	(218)	(313)	(72)	1,501
Other	307	4	41	4	51	19	426
Amortization	562	43	749	37	245	9	1,645
Total expenses	**10,364**	**1,352**	**1,610**	**24**	**532**	**(27)**	**13,855**
Annual surplus (deficit)	**$ 2,966**	**$ (1,221)**	**$ (176)**	**$ (5)**	**$ -**	**$ 263**	**$ 1,827**

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

(in millions of dollars, unless otherwise stated)

Appendix 3: Consolidated schedule of segment disclosure — entity

As at and for the year ended December 31, 2021

	City	Toronto Police Service	Toronto Transit Commission	Toronto Public Library	Toronto Community Housing Corporation	Other Agencies and Corporations	Total
Taxation*	$ 5,939	$ -	$ -	$ -	$ -	$ -	$ 5,939
User charges	2,253	27	459	1	18	40	2,798
Government transfers	4,220	64	343	6	2	47	4,682
Net GBE income	146	-	-	-	-	-	146
Other	666	29	224	9	623	125	1,676
Total revenues	**13,224**	**120**	**1,026**	**16**	**643**	**212**	**15,241**
Salaries, wages, and benefits	3,227	1,179	1,543	153	221	95	6,418
Materials	789	16	257	3	145	74	1,284
Contracted services	1,291	18	261	35	116	33	1,754
Interest on long-term debt	274	7	-	-	76	4	361
Transfer payments	3,500	15	(1,519)	(206)	(307)	(56)	1,427
Other	273	6	92	3	36	35	445
Amortization	511	42	723	36	233	9	1,554
Total expenses	**9,865**	**1,283**	**1,357**	**24**	**520**	**194**	**13,243**
Annual surplus (deficit)	**$ 3,359**	**$ (1,163)**	**$ (331)**	**$ (8)**	**$ 123**	**$ 18**	**$ 1,998**

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

(in millions of dollars, unless otherwise stated)

Appendix 4: Consolidated schedule of segment disclosure — tangible capital assets by entity

As at and for the year ended December 31, 2022 with comparatives to 2021

	City, including Toronto Public Service	Toronto Transit Commission	Toronto Community Housing Corporation	Toronto Public Library	Other Agencies and Corporations	Total
2022						
General						
Cost	$ 10,450	$ 9,303	$ 6,737	$ 559	$ 527	$ 27,576
Accumulated amortization	3,031	3,989	2,843	223	71	10,157
Net book value	**7,419**	**5,314**	**3,894**	**336**	**456**	**17,419**
Infrastructure						
Cost	17,731	11,037	-	-	-	28,768
Accumulated amortization	7,298	5,236	-	-	-	12,534
Net book value	**10,433**	**5,801**	**-**	**-**	**-**	**16,234**
Assets under construction	**4,508**	**1,494**	**119**	**80**	**488**	**6,689**
Total	**$ 22,360**	**$ 12,609**	**$ 4,013**	**$ 416**	**$ 944**	**$ 40,342**
2021						
General						
Cost	$ 9,522	$ 8,919	$ 6,386	$ 514	$ 530	$ 25,871
Accumulated amortization	2,828	3,639	2,601	215	87	9,370
Net book value	**6,694**	**5,280**	**3,785**	**299**	**443**	**16,501**
Infrastructure						
Cost	16,751	10,654	-	-	-	27,405
Accumulated amortization	6,968	4,875	-	-	-	11,843
Net book value	**9,783**	**5,779**	**-**	**-**	**-**	**15,562**
Assets under construction	**4,380**	**1,374**	**78**	**99**	**392**	**6,323**
Total	**$ 20,857**	**$ 12,433**	**$ 3,863**	**$ 398**	**$ 835**	**$ 38,386**

Our sinking funds financial statements

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Independent auditors' report

To the Members of the City Council of the City of Toronto

Opinion

We have audited the financial statements of the City of Toronto Sinking Funds (the Entity), which comprise:

- the statement of financial position as at December 31, 2022
- 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 notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2022, and its results of operations and cash flows for the year then ended in accordance with the basis of accounting described in Note 2 to the financial statements.

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 **"Auditors' Responsibilities for the Audit of the Financial Statements"** section of our auditors' report.

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

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

Emphasis of Matter – Financial Reporting Framework

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 and fair presentation of the financial statements in accordance with the basis of accounting described in Note 2 to the financial statements, 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.

Auditors' 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 auditors' 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 the 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.

Auditors' Responsibilities for the Audit of the Financial Statements (Cont.)

- 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 auditors' 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 auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants
Vaughan, Canada
July 27, 2023

(in thousands of dollars, unless otherwise stated)

Statement of financial position

As at December 31, 2022 with comparatives to 2021

	2022	2021
Financial assets		
Cash	$ 312,778	$ 271,583
Accounts receivable	1,298	298
Investments (Note 4)	1,789,503	1,700,580
Total financial assets	**2,103,579**	**1,972,461**
Liabilities		
Accounts payable and accrued liabilities	81	81
Actuarial requirements (Note 5)	2,285,397	1,811,451
Total liabilities	**2,285,478**	**1,811,532**
Net assets		
Unrestricted (deficit) surplus (Note 6)	(181,899)	160,929
Total (deficit) surplus	**(181,899)**	**160,929**
	$ 2,103,579	**$ 1,972,461**

The accompanying notes and appendices are an integral part of these financial statements.

(in thousands of dollars, unless otherwise stated)

Statement of operations and changes in unrestricted (deficit) surplus

For the year ended December 31, 2022 with comparatives to 2021

	2022	2021
Revenues		
Contributions	$ 416,277	$ 416,524
Investment (loss) income (Note 7)	(285,159)	26,116
Total revenues	**131,118**	**442,640**
Expenses		
Changes in actuarial requirements (Note 5)	473,946	481,076
Annual deficit	**(342,828)**	**(38,436)**
Surplus, beginning of year	160,929	199,365
Total (deficit) surplus, end of year	**$ (181,899)**	**$ 160,929**

The accompanying notes and appendices are an integral part of these financial statements.

(in thousands of dollars, unless otherwise stated)

Statement of cash flows

For the year ended December 31, 2022 with comparatives to 2021

	2022	2021
Cash flows provided by (used in):		
Operating activities		
Annual deficit	$ (342,828)	$ (38,436)
Add (deduct) items not involving cash:		
Amortized discount on investments	(9,798)	(8,080)
(Decrease) increase in accrued interest	(1,503)	2,506
Decrease in accrued security lending income	(40)	-
(Increase) decrease in accounts receivable – accrued interest on bank balance	(947)	102
Increase in accounts receivable – other	(12)	(11)
Unrealized loss (gain) on investments	303,970	(7,969)
Increase in actuarial requirements	473,946	481,076
Cash provided by operating activities	**422,788**	**429,188**
Investing activities		
Purchase of investments	(691,030)	(1,420,363)
Proceeds from maturities of investments	35,894	164,432
Proceeds from sale of investments	273,543	1,313,023
Cash provided by (used in) investing activities	**(381,593)**	**57,092**
Financing activities		
Maturity of debenture	-	(650,000)
Cash used in financing activities	**-**	**(650,000)**
Increase (decrease) in cash during the year	**41,195**	**(163,720)**
Cash, beginning of year	271,583	435,303
Cash, end of year	**$ 312,778**	**$ 271,583**

The accompanying notes and appendices are an integral part of these financial statements.

Notes to the financial statements

For the year ended December 31, 2022

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 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 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 the Chartered Professional Accountants of Canada's 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.

a. Investments

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, equity, 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 and Changes in Unrestricted (Deficit) Surplus as Investment (Loss) Income. Investment transactions are recorded on a settlement date basis and transaction costs are expensed as incurred.

Annual investment activities expose the Sinking Funds to a range of financial risks, including market risk, credit risk, and liquidity risk (Note 9).

b. Revenue recognition

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

Sinking Fund debenture issues are grouped by 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 gains (losses) on the increase/decrease in the fair value of the investments.

3. Use of estimates

The preparation of these 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 judgement applied in determining actuarial requirements for Sinking Funds.

The Actuarial Requirements Liability of the Sinking Funds 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 per cent, 4 per cent, or 5 per cent per annum on debt issued in 1997 and after; and 2.0 per cent, and 2.5 per cent per annum on debt issued in 2015 and after. These actuarial requirement liabilities are presented at amortized cost, which approximates fair value.

The average rate of return and term to maturity relate only to fixed income securities.

(in thousands of dollars, unless otherwise stated)

4. Investments

Fair value represents bid price for each investment, while face value represents the original cost of the investment at the purchase date. Many of the Sinking Funds' investments are traded in an active market. However, despite market conditions, there were no indicators which suggest that the Sinking Funds' investments were permanently impaired as at December 31, 2022. The City of Toronto (City) continues to monitor the value of its investments and corresponding liabilities which they are intended to settle.

	2022		2021	
	Fair value	**Face value**	**Fair value**	**Face value**
Debt investments issued or guaranteed by:				
Provincial governments	$ 996,388	$ 1,555,143	$ 826,462	$ 1,045,049
City of Toronto	19,382	19,600	23,113	19,600
Other Canadian municipalities	26,511	26,610	34,747	28,110
Corporations	271,864	304,540	280,863	260,438
Total debt investments	**1,314,145**	**1,905,893**	**1,165,185**	**1,353,197**
Equity investments issued or guaranteed by:				
Corporations	475,358	221,789	535,395	221,497
Total equity investments	**475,358**	**221,789**	**535,395**	**221,497**
Total investments	**$ 1,789,503**	**$ 2,127,682**	**$ 1,700,580**	**$ 1,574,694**

	2022	**2021**
Amortized cost, including accrued interest	$ 1,969,677	$ 1,576,793
Weighted average rate of return	0.9%	0.9%
Average term to maturity	15.25 years	17.10 years
(Loss) excess of fair value over amortized cost	$ (180,174)	$ 123,787

5. Actuarial requirements

	2022	**2021**
Actuarial requirements, beginning of year	$ 1,811,451	$ 1,980,375
Add: change in actuarial liability requirements	473,946	481,076
	2,285,397	2,461,451
Less: value of debentures matured during the year	-	(650,000)
Actuarial requirements, end of year	**$ 2,285,397**	**$ 1,811,451**

6. Net assets

	2022	**2021**
City of Toronto unrestricted (deficit) surplus based on amortized cost	$ (1,725)	$ 37,142
Unrealized (loss) gain on investments	(180,174)	123,787
Total unrestricted (deficit) surplus	(181,899)	160,929
Total net assets	**$ (181,899)**	**$ 160,929**

(in thousands of dollars, unless otherwise stated) Annual Financial Report 2022 • City of Toronto

7. Investment income

	2022	2021
Investment income	$ 11,844	$ 15,906
Interest income	6,967	2,241
Unrealized (loss) gain on change in fair value	(303,970)	7,969
Total investment (loss) income	**$ (285,159)**	**$ 26,116**

8. Schedule of projected debenture maturities

For the year ended December 31, 2022, the following is a list of the projected maturities of the Sinking Fund debentures, held within the City. The list only includes years when debentures are expected to mature.

	2022
2023	$ 300,000
2024	300,000
2025	300,000
2026	300,000
2027	700,000
2029	600,000
2030	200,000
2031	150,000
2032	300,000
2035	400,000
2036	750,000
2039	330,000
2040	1,106,250
2041	650,000
2042	835,000
2044	300,000
2046	500,000
2048	300,000
2049	600,000
2051	350,000
2052	365,000
	$ 9,636,250

9. Risk exposure

The Sinking Funds are subject to market risk, credit risk, liquidity risk, and interest rate risk with respect to the investment portfolio. The Sinking Funds' interest bearing investments are exposed to interest rate risk. The Sinking Funds' investments are exposed to risk from 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, as well as investing in a broader range of asset classes, including fixed income, equities, and real estate assets.

9. Risk exposure (cont.)

As at December 31, 2022, the change in fair value of the City's Sinking Fund investments resulted in an unrealized loss for the fiscal year, representing a temporary decline in market value but no permanent decline in the value reported. There is no impairment due to the low-risk nature of the investments, the high credit ratings of the issuers, and the City's management of these investments for the intended purpose.

10. Market conditions

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, 2022, the Sinking Funds have met their objective of having sufficient liquid resources to meet current obligations.

As of April 30, 2023, the market value of the City's Sinking Funds investments that were held on December 31, 2022 has increased by an estimated $109 million. In order to identify and mitigate potential risks affecting the City's investments, the City will continue monitoring the value of its investments to ensure that adequate liquid resources are available to support the settlement of debenture maturities.

Our consolidated trust funds financial statements

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Independent auditors' report

To the Members of the City Council of the City of Toronto

Opinion

We have audited the consolidated financial statements of the City of Toronto Consolidated Trust Funds (the Entity), which comprise:

- the consolidated statement of financial position as at December 31, 2022
- the consolidated statement of operations and changes in fund balances for the year then ended
- the consolidated statement of continuity of fund balances for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2022, and its results of operations and fund balances for the year then ended in accordance with the basis of accounting described in Note 2 to the financial statements.

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 **"Auditors' Responsibilities for the Audit of the Financial Statements"** section of our auditors' report.

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

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

Emphasis of Matter – Financial Reporting Framework

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 and fair presentation of the financial statements in accordance with the basis of accounting described in Note 2 to the financial statements, 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.

Auditors' 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 auditors' 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 the 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.

Auditors' Responsibilities for the Audit of the Financial Statements (Cont.)

- 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 auditors' 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 auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants
Vaughan, Canada
July 27, 2023

(in thousands of dollars, unless otherwise stated)

Consolidated statement of financial position

As at December 31, 2022 with comparatives to 2021

	2022	2021
Assets		
Cash	$ 5,884	$ 5,687
Accounts receivable	154	116
Due from the City of Toronto (Note 4)	13,608	13,311
Investments (Note 5, 7)	91,127	97,237
Total assets	**110,773**	**116,351**
Liabilities		
Accounts payable	158	170
Fund balances (Note 7)	**110,615**	**116,181**
Total liabilities and fund balances	**$ 110,773**	**$ 116,351**

The accompanying notes and appendices are an integral part of these consolidated financial statements.

(in thousands of dollars, unless otherwise stated)

Consolidated statement of operations and changes in fund balances

For the year ended December 31, 2022 with comparatives to 2021

	2022	2021
Revenues		
Investment (loss) income (Note 6, 7)	$ (7,085)	$ 8,320
Contributions and other income	14,960	18,875
Total revenues	**7,875**	**27,195**
Expenses		
Expenditures	13,441	16,831
(Deficiency) excess of revenues over expenditures for the year (Note 7)	**(5,566)**	**10,364**
Fund balances, beginning of year	116,181	105,817
Fund balances, end of year	**$ 110,615**	**$ 116,181**

The accompanying notes and appendices are an integral part of these consolidated financial statements.

(in millions of dollars, unless otherwise stated)

Consolidated statement of continuity of fund balances

As at and for the year ended December 31, 2022

	Balance, beginning of year	Contributions	Investment (loss) income	Expenditures (recoveries)	Balance, end of year
Investments held in trust for:					
Toronto Atmospheric Fund	$ 88,695	$ 12,427	$ (7,517)	$ 10,610	$ 82,995
Keele Valley Site Post-Closure	7,667	-	36	-	7,703
Homes for the Aged Residents	6,337	2,533	140	2,599	6,411
Community Centre Development Levy Trust	5,341	-	122	-	5,463
Toronto Police Services Board Mounted Unit	2,235	-	(158)	62	2,015
Indemnity Deposit – Waterpark Place	1,188	-	24	-	1,212
Contract Aftercare Project	1,168	-	24	-	1,192
Community Services and Facilities	828	-	19	-	847
Regent Park Legacy Trust	767	-	18	-	785
Music Garden Trust Fund	628	-	12	12	628
Queen’s Quay Community Services	359	-	7	-	366
Lakeshore Pedestrian Bridge	274	-	6	-	280
Children’s Green House Trust	128	-	3	-	131
Green Lane Small Claims	121	-	3	-	124
Toronto Police Services Board	100	-	167	169	98
Public Art Maintenance Trust	79	-	3	3	79
Preservation Trust	56	-	1	-	57
Hugh Clydesdale	49	-	1	-	50
Michael Sansone	44	-	1	-	45
Tenant Displacement	32	-	1	-	33
90 Lisgar Street Trust	23	-	1	-	24
Other Trust Funds	62	-	1	(14)	77
Total	**$ 116,181**	**$ 14,960**	**$ (7,085)**	**$ 13,441**	**$ 110,615**

The accompanying notes and appendices are an integral part of these consolidated financial statements.

(in millions of dollars, unless otherwise stated)

Consolidated statement of continuity of fund balances

As at and for the year ended December 31, 2021

	Balance, beginning of year	Contributions	Investment income (loss)	Expenditures	Balance, end of year
Investments held in trust for:					
Toronto Atmospheric Fund	$ 78,410	$ 16,203	$ 7,976	$ 13,894	$ 88,695
Keele Valley Site Post-Closure	7,665	-	2	-	7,667
Homes for the Aged Residents	6,206	2,666	(26)	2,509	6,337
Community Centre Development Levy Trust	5,303	-	38	-	5,341
Toronto Police Services Board Mounted Unit	2,088	-	179	32	2,235
Indemnity Deposit – Waterpark Place	1,178	-	10	-	1,188
Contract Aftercare Project	1,157	-	11	-	1,168
Community Services and Facilities	822	-	6	-	828
Regent Park Legacy Trust	762	-	5	-	767
Music Garden Trust Fund	646	-	12	30	628
Queen's Quay Community Services	355	-	4	-	359
Lakeshore Pedestrian Bridge	272	-	2	-	274
Municipal Elections Candidates' Surplus	220	6	-	225	1
Children's Green House Trust	126	-	2	-	128
Green Lane Small Claims	120	-	1	-	121
Public Art Maintenance Trust	114	-	-	35	79
Toronto Police Services Board	112	-	94	106	100
Preservation Trust	56	-	-	-	56
Hugh Clydesdale	48	-	1	-	49
Michael Sansone	44	-	-	-	44
Tenant Displacement	31	-	1	-	32
90 Lisgar Street Trust	22	-	1	-	23
Other Trust Funds	60	-	1	-	61
Total	**$ 105,817**	**$ 18,875**	**$ 8,320**	**$ 16,831**	**$ 116,181**

The accompanying notes and appendices are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

For the year ended December 31, 2022

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 (City). 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 the Chartered Professional Accountants of Canada's 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.

a. 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" 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.

b. Financial instruments and investment income

Investments consisting of government and corporate bonds, equity funds, 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, liquidity risk, and credit risk. The value of investments recorded in the consolidated financial statements is the fair value determined as follows:

i. 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.

ii. Publicly traded bonds and debentures are determined based on the latest bid prices.

iii. Equity Funds are valued based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

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

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

4. Due from the City of Toronto

As at December 31, 2022 the Trust Funds have amounts due from the City of Toronto of $13,608 (2021 – $13,311) 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.

(in thousands of dollars, unless otherwise stated) Annual Financial Report 2022 • City of Toronto

5. Investments

Investments consist of the following:

	2022				2021			
	Fair value		Book value		Fair value		Book value	
Short-term investments	$	6,418	$	6,355	$	6,599	$	6,650
Mutual fund investments		84,709		76,666		90,638		70,323
Total investments	**$**	**91,127**	**$**	**83,021**	**$**	**97,237**	**$**	**76,973**

		2022		2021
Weighted average rate of return		2.91%		1.78%
Range of maturity dates		2023-2034		2022-2034
Excess of fair value over book value	$	8,106	$	20,264

6. Investment (loss) income

		2022		2021
Investment income	$	2,770	$	7,859
Interest income		1,081		747
Unrealized loss on change in fair value (Note 7)		(10,936)		(286)
Total investment (loss) income	**$**	**(7,085)**	**$**	**8,320**

7. Risk exposure

The Trust Funds are subject to market risk, credit risk, liquidity 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 market conditions affecting all securities traded in the market. Unrealized gains and/or losses accounting for the valuation changes between fair value and book value of investments are recognized as part of the Trust Funds' Consolidated Statement of Operations and Changes in Fund Balances.

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 that 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.

As at December 31, 2022, the change in fair value of the Trust Funds' investments, measured at amortized cost, resulted in a temporary decline in the market value but no permanent decline in the amortized cost value reported. At this fiscal year end, there is no permanent impairment due to the low-risk nature of the investments, the high credit ratings of the issuers, and the City's intention to hold these investments for their intended purpose. In order to identify and mitigate potential risks affecting the Trust Funds investments, the City will continue monitoring the value of its investments.

8. 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, 2022, the Trust Funds have met their objective of having sufficient liquid resources to meet their current requirements.

9. 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.

Supplemental financial & statistical information

Supplemental financial and statistical information

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

1. Five year review summary

	2022	2021	2020	2019	2018
Population (Note 1)	3,025,647	2,974,293	2,988,408	2,965,173	2,956,024
Households (Note 1)	1,256,980	1,211,822	1,217,573	1,208,300	1,222,235
Areas in square kilometres	634	634	634	634	634
Full-time employees	49,980	48,285	47,657	48,684	48,801
Housing starts	20,864	17,959	20,982	18,877	22,761
Building permit values	$ 12,849	$ 12,911	$ 11,928	$ 11,144	$ $15,077

2. Taxation assessment upon which tax rates were set (Note 2)

	2022	2021	2020	2019	2018
Residential, multi-residential, new multi-residential, farmlands, and managed forest	$ 630,031	$ 620,468	$ 610,239	$ 565,886	$ 522,560
Commercial, industrial and pipeline	135,228	135,309	136,164	129,255	121,103
Total	**$ 766,259**	**$ 755,777**	**$ 746,403**	**$ 695,140**	**$ 643,663**
Total per capital	**$ 253,255**	**$ 254,103**	**$ 249,766**	**$ 234,435**	**$ 217,746**

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.

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

(in millions of dollars, unless otherwise stated) Annual Financial Report 2022 • City of Toronto

3. Tax rates (urban area) (Note 2)

a. Residential, new multi-residential, farmlands and managed forest (expressed in per cent, full rate only)

	2022	2021	2020	2019	2018
City purposes	0.4789330	0.4580130	0.4467040	0.4537700	0.4655054
School board purposes	0.1530000	0.1530000	0.1530000	0.1610000	0.1700000
Total	**0.6319330**	**0.6110130**	**0.5997040**	**0.6147700**	**0.6355054**

b. Multi-residential (expressed in per cent)

	2022	2021	2020	2019	2018
City purposes	0.9403840	0.9403840	0.9403840	1.0323420	1.1447559
School board purposes	0.1530000	0.1530000	0.1530000	0.1610000	0.1700000
Total	**1.0933840**	**1.0933840**	**1.0933840**	**1.1933420**	**1.3147559**

c. Commercial (expressed in per cent)

	2022	2021	2020	2019	2018
City purposes	1.2420090	1.2001860	1.1918090	1.2467510	1.3138506
School board purposes	0.8800000	0.9024760	0.9800000	1.0300000	1.0900000
Total	**2.1220090**	**2.1026620**	**2.1718090**	**2.2767510**	**2.4038506**

d. Industrial (expressed in per cent)

	2022	2021	2020	2019	2018
City purposes	1.2046810	1.1853460	1.1736660	1.2178330	1.2862662
School board purposes	0.8800000	0.8800000	1.0672200	1.1108780	1.1607730
Total	**2.0846810**	**2.0653460**	**2.2408860**	**2.3287110**	**2.4470392**

e. Pipeline (expressed in per cent)

	2022	2021	2020	2019	2018
City purposes	0.9212560	0.8810160	0.8592620	0.8728550	0.8954295
School board purposes	0.8800000	0.8800000	1.2500000	1.2900000	1.3400000
Total	**1.8012560**	**1.7610160**	**2.1092620**	**2.1628550**	**2.2354295**

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.

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

4. Property taxes receivable, end of the year

	2022	2021	2020	2019	2018
Amount	$ 462	$ 381	$ 466	$ 255	$ 237
Per capita	$ 153	$ 128	$ 156	$ 86	$ 80

(in millions of dollars, unless otherwise stated)

5. Net long-term debt – end of year

		2022		2021		2020		2019		2018
Amount	$	8,859	$	8,146	$	7,654	$	7,104	$	6,502
Per capita	$	2,928	$	2,739	$	2,561	$	2,396	$	2,200

6. Interest charges for net long-term debt

		2022		2021		2020		2019		2018
Amount	$	365	$	364	$	343	$	334	$	296
Per Capita	$	121	$	122	$	115	$	115	$	100

7. Long-term debt supported by property taxes

		2022		2021		2020		2019		2018
Gross long-term debt	$	9,299	$	8,535	$	8,003	$	$7,393	$	6,794
Net long-term debt (net of sinking fund deposits)	$	8,859	$	8,146	$	7,654	$	$7,104	$	6,502

8. Long-term debt and mortgages charges

The following includes principal repayments, interest on long-term debt and interest earned on sinking funds:

		2022		2021		2020		2019		2018
Amount	$	880	$	902	$	666	$	776	$	705
Percentage of total consolidated expenses		6.35%		6.81%		5.35%		6.09%		5.73%

9. Legal debt limit (Note 3)

The City's debt limit represents 15% of property tax levy.

		2022		2021		2020		2019		2018
Property tax levy amount	$	4,872	$	4,672	$	4,559	$	4,312	$	4,246
Debt limit	$	731	$	701	$	684	$	647	$	637

10. Taxes collected

		2022		2021		2020		2019		2018
City collection	$	$6,129	$	6,093	$	5,239	$	5,302	$	5,137
Taxes transferred to the school board		2,083		2,075		2,229		2,193		2,169
Total	**$**	**8,212**	**$**	**8,168**	**$**	**7,468**	**$**	**7,495**	**$**	**7,306**

11. Trust funds balance – end of year

		2022		2021		2020		2019		2018
Trust funds – end of year	$	111	$	116	$	106	$	73	$	70

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.

(in millions of dollars, unless otherwise stated)

12. Summary of consolidated revenues and expenses

a. Consolidated revenues by source

	2022	2021	2020	2019	2018
Residential and commercial property taxation	$ 4,872	$ 4,672	$ 4,559	$ 4,312	$ 4,246
Municipal land transfer tax	1,038	1,172	804	799	730
Taxation from other government	102	95	91	98	103
User charges	3,224	2,798	2,864	3,526	3,255
Funding transfers from other governments	4,463	4,682	4,070	3,493	3,505
Government business enterprise earnings	197	146	129	234	247
Investment income	131	147	187	335	219
Development charges	344	365	263	398	339
Rental and concessions	513	477	511	534	506
Other	798	687	597	654	589
Total	**$ 15,682**	**$ 15,241**	**$ 14,075**	**$ 14,383**	**$ 13,740**

b. Consolidated expenses by function

	2022	2021	2020	2019	2018
General government	$ 1,075	$ 1,066	$ 919	$ 886	$ 876
Protection to persons and property	2,104	1,985	1,946	1,930	1,858
Transportation	3,836	3,648	3,472	3,581	3,578
Environment services	1,060	1,148	1,008	1,043	976
Health services	642	687	536	497	490
Social and family services	3,080	2,658	2,627	2,553	2,474
Social housing	998	950	877	830	844
Recreation and cultural services	1,009	969	938	1,073	1,006
Planning and development	51	132	130	358	204
Total	**$ 13,855**	**$ 13,243**	**$ 12,453**	**$ 12,751**	**$ 12,306**

c. Annual surplus

	2022	2021	2020	2019	2017
Annual surplus	**$ 1,827**	**$ 1,998**	**$ 1,622**	**$ 1,632**	**$ 1,434**

(in millions of dollars, unless otherwise stated)

13. Accumulated surplus

	2022	2021	2020	2019	2018
Financial assets	$ 16,702	$ 14,941	$ 14,113	$ 12,310	$ 11,296
Liabilities	25,258	23,320	22,718	20,530	19,384
Net debt	**(8,556)**	**(8,379)**	**(8,605)**	**(8,220)**	**(8,088)**
Non-financial assets	40,809	38,805	37,033	35,026	33,262
Accumulated surplus	**$ 32,253**	**$ 30,426**	**$ 28,428**	**$ 26,806**	**$ 25,174**

14. Consolidated summary of funding transfers from other governments

	2022	2021	2020	2019	2018
Social assistance	$ 843	$ 758	$ 922	$ 958	$ 982
Child care assistance	694	482	398	497	500
Health services	149	157	187	179	182
Social housing	244	375	411	382	388
Pandemic support	986	1,743	1,191	-	-
Other	901	645	683	649	555
Government of Canada transfer – TTC	342	203	57	504	707
Government of Canada transfer – capital	178	172	50	16	60
Province of Ontario transfer – capital	126	147	171	308	132
Total	**$ 4,463**	**$ 4,682**	**$ 4,070**	**$ 3,493**	**$ 3,505**

15. Consolidated expenses by object

	2022	2021	2020	2019	2018
Salaries, wages and benefits	$ 6,679	$ 6,418	$ 6,127	$ 6,042	$ 5,813
Contracted services	1,911	1,754	1,584	1,910	1,865
Transfer payments	1,645	1,427	1,533	1,721	1,463
Materials	1,501	1,284	1,078	866	1,289
Amortization	1,318	1,554	1,432	1,383	1,267
Interest on long-term debt & TCHC mortgage	375	361	346	337	328
Other	426	445	353	492	281
Total	**$ 13,855**	**$ 13,243**	**$ 12,453**	**$ 12,751**	**$ 12,306**

16. Reserve & reserve fund balance – end of year

	2022	2021	2020	2019	2018
Amount	**$ 5,427**	**$ 4,103**	**$ 3,263**	**$ 2,241**	**$ 2,276**

(in millions of dollars, unless otherwise stated)

17. Tangible capital assets

	2022	2021	2020	2019	2018
Cost					
General assets	$ 27,576	$ 25,871	$ 24,554	$ 23,107	$ 22,123
Infrastructure	28,768	27,405	26,682	25,267	24,003
Assets under construction	6,689	6,323	5,141	4,812	4,385
Total – cost	**63,033**	**59,599**	**56,377**	**53,186**	**50,511**
Accumulated amortization					
General assets	10,157	9,370	8,666	8,027	7,498
Infrastructure	12,534	11,843	11,183	10,595	10,296
Total – accumulated amortization	**22,691**	**21,213**	**19,849**	**18,622**	**17,794**
Net book value	**$ 40,342**	**$ 38,386**	**$ 36,528**	**$ 34,564**	**$ 32,717**

18. Capital expenses by function

	2022	2021	2020	2019	2018
General government	$ 169	$ (52)	$ 55	$ 101	$ 88
Protection to persons and property	27	12	34	22	30
Transportation	837	922	860	1,522	1,653
Environment services	74	203	51	110	80
Health services	(1)	-	1	3	3
Social and family services	23	7	(5)	16	47
Social housing	-	-	(5)	-	-
Recreation and cultural services	60	91	85	98	89
Planning and development	7	71	86	258	124
Total	**$ 1,196**	**$ 1,254**	**$ 1,162**	**$ 2,130**	**$ 2,114**

19. Property tax breakdown

	2022	2021	2020	2019	2018
Property taxes	**$ 4,872**	**$ 4,672**	**$ 4,559**	**$ 4,312**	**$ 4,246**
Payments in Lieu (PIL) of taxes (Note 4)					
Net assessment based	81	71	68	75	80
Non-assessment based	21	24	23	23	23
Total – PIL of taxes	**102**	**95**	**91**	**98**	**103**
Total property taxes	**$ 4,974**	**$ 4,767**	**$ 4,650**	**$ 4,410**	**$ 4,349**

Note 4:
Net assessment based PIL is calculated based on the current value assessment (CVA) for federal, provincial and municipal properties, multiplied by applicable tax rates. Non-assessment based PIL include heads and beds levies on institutions (colleges and universities, public hospitals and correctional facilities), acreage levy, and airport passenger levies.