2023

Planning for the future

2023 Annual Financial Report

for the year ended December 31, 2023

City of Toronto, Ontario, Canada

Prepared by Finance & Treasury (Accounting Services Division), with support from other divisions, agencies, and corporations.

TORONTO

Table of contents

Our Mayor's message

I am pleased to share with you the City of Toronto's (City) 2023 Annual Financial Report.

In many ways, 2023 was a turning point for Toronto. In March 2023, the City marked the third anniversary of the start of the COVID-19 pandemic with a commemorative gathering on Nathan Phillips Square. We had collectively come through the pandemic and Toronto was starting to get back on track. This meant that we could focus our efforts on the priorities and pressing issues that need our full attention, such as affordable housing, transit and infrastructure.

Maintaining and creating housing that's affordable is a top strategic priority for the City. We are committed to a city where families and individuals live in safe, stable and affordable housing with respect and dignity. To move this work forward, the City developed an ambitious Housing Action Plan in 2023. The goal is to increase the supply of housing to achieve or exceed the provincial housing target of 285,000 new Toronto homes by 2031. And to help publicly showcase the City's clear and cohesive approach to enabling housing production to achieve or exceed this target, we launched a new Housing Data Hub to improve accountability by tracking the City's progress on creating more housing in Toronto.

The work that had already been underway is producing results, and we continue to accelerate this work.

We increased housing supply through our Multi-Unit Residential Acquisition (MURA) program, which offers funding to not-for-profit housing providers to preserve existing affordable rental housing stock for Toronto residents. In August, the City awarded $21.5 million in MURA program funding to five non-profit housing agencies. The funding will enable the purchase and conversion of approximately 121 private market rental housing units to permanently affordable rental homes.

Also in August, we celebrated the start of construction of 725 new rental homes, including 218 new affordable rental homes, at the first Housing Now site to break ground. The Housing Now initiative is creating new mixed-income, complete communities on City-owned land. In November, the City observed National Housing Day by announcing the opening of 57 new permanent, rent-geared-to-income modular homes with customized 24/7 support services provided on site.

The City cannot do this important work alone, and we called upon other orders of government to fulfill their jurisdictional housing obligations – and partnered with them to get more housing built. In December, the City reached an agreement with the Government of Canada that will result in $471 million in federal funding to build an additional 11,780 homes in Toronto (above and beyond what has already been projected over the next three years). This funding will boost the City's efforts to transform Toronto's housing system and increase housing affordability for residents.

The City has other priority areas too, of course. We must continue to invest in transit and infrastructure to alleviate congestion and enhance productivity. Good transit is crucial to creating neighbourhoods where people feel connected and can thrive. And wherever possible, we need to ensure that transit expansion is carried out with sustainability top of mind. In 2023, the City announced a collaborative initiative with the federal government to facilitate the electrification of the TTC's bus fleet by purchasing 340 zero emission buses and 248 bus chargers.

The bus fleet initiative is one of several ways that the City is making progress on its ambitious TransformTO Net Zero Climate Action Strategy. To help finance transformative climate action projects like this, the City raises funds through its green bond program. Toronto has one of the largest municipal borrowing programs in Canada and maintains an AA credit rating by S&P Global, an AA credit rating by DBRS Morningstar and an Aa1 credit rating by Moody's.

These ratings reflect the City's prudent financial management. This responsible fiscal approach in turn supports our efforts to advance Toronto's strategic priorities and our transformative agenda to build a more connected and inclusive city. The future of our city relies on ensuring everyone has the opportunity to live, work, and play here.

August 30, 2024

Olivia Chow

Mayor

Our City Manager's message

I am pleased to share the City of Toronto's (City) 2023 Annual Financial Report. This report provides details about the City's financial and operating performance, progress and achievements.

In 2023, the City continued to make headway on its strategic priorities: to maintain and create housing that is affordable; to keep Toronto moving; to invest in people and neighbourhoods; and to tackle climate change and build resilience.

Underpinning all the work we do in these priority areas is another of our corporate priorities: financial sustainability. We are committed to ensure value and affordability for taxpayers, adequately fund municipal services and infrastructure, make needed investments in the city, and improve our financial health. We do this by making informed financial decisions and effectively managing resources for Toronto's future.

In 2023, financial sustainability took centre stage as the City updated its Long Term Financial Plan to tackle the risks and challenges we face. The City was experiencing a significant immediate and long-term financial crisis – challenges that were intensified by the sustained impacts of the COVID-19 pandemic and market volatility.

The City has taken, and continues to take, significant action to promote financial sustainability. In July 2023, the City directed an additional $300 million in funding to the COVID-19 backstop, which was applied against the 2022 COVID-19 funding shortfall. In fact, since the onset of the pandemic, the City had found more than $2.5 billion in savings, offsets and mitigation strategies through mid-2023.

Despite global market volatility, investors remain confident in both Toronto's economy and the City's responsible financial management – and committed to $1 billion in new City debt issues in 2023. The City maintained an AA credit rating by S&P Global, an AA credit rating by DBRS Morningstar, and an Aa1 credit rating by Moody's.

Provincial legislation limits City revenue options almost exclusively to the taxation of property and its related uses. This is why we called for new partnerships with the provincial and federal governments to help us deliver key services, many of which are extensions of federal and provincial responsibilities.

In December, City Council (Council) adopted recommendations to implement the Ontario-Toronto New Deal, an historic agreement that will have a strong positive effect on the City's finances. The agreement with the province will provide Toronto with billions in funding for affordable housing and much needed improvements to the City's aging transit system.

2023 was also a year when we moved forward in modernizing and digitizing service delivery to improve equitable access for all. In January, we brought together three corporate services groups, including our 311 Toronto team, to form a new Customer Experience Division. The mandate of this new division is to ensure that the City offers an integrated customer experience that is simple, consistent, equitable, and efficient. This helps us meet the evolving needs of our diverse residents, businesses and visitors more effectively and efficiently.

We continued to embed the collection and use of data as a key component of decision making across the corporation. In March, the City received Platinum-level certification from the World Council on City Data for implementing ISO 37120 (Indicators for Sustainable Cities) for years 2018 to 2021 – the eighth consecutive year that Toronto received Platinum certification.

Also in 2023, staff rose to the challenge of organizing and conducting an unplanned mayoral by-election after Council declared the Mayor's seat vacant. It was just one example of the professionalism of City staff, and how they always deliver to support Toronto residents and businesses.

I continue to be impressed by the dedication and engagement of the Toronto Public Service. I look forward to making further progress on affordable housing and other strategic priorities and advancing our work on fiscal sustainability.

August 30, 2024

Paul Johnson

City Manager

Operational highlights

What this section contains

A closer look at City Council

How we are governed: City Council

City Council (Council) has direct responsibility for our City of Toronto's (City) services, and indirectly oversees other major services delivered through our agencies and corporations. Council's directions and decisions about managing our City result in a long-term shared strategy regarding our budget and services.

The Mayor fulfills a city-wide mandate, provides leadership to Council on strategy and financial planning and recommends appropriate policies, practices and procedures to Council to ensure accountability and transparency of our operations. The Mayor also has special powers and duties under the City of Toronto Act (Part VI.1). These include powers to:

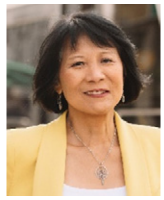
- Bring matters to Council that advance certain priorities established by the provincial government and veto any by-laws passed by Council that may interfere with the advancement of those priorities
- Appoint the City Manager
- Hire and dismiss certain City officials and determine our City's organizational structure
- Create committees of Council, assign their functions and appoint the Chairs and Vice Chairs of committees of Council
- Propose our City's budget subject to Council amendments, a Mayoral veto and a Council override process

City Councillors (Councillors) have both a legislative role and a constituency role. In their legislative role, they are responsible for considering and establishing policies and by-laws to implement Council's decisions. In their constituency role, Councillors are responsible for responding to constituent needs and ensuring their views are considered in Council's decision-making.

Council is made up of 26 members: the Mayor, who is elected city-wide, and 25 Councillors who are elected in each ward across the city. Our Mayor and the Councillors serve a term of four years. The current Council serves from 2022 to 2026.

Want to learn more about your ward, Councillor or Council? Visit Council – City of Toronto.

Toronto's City Council Members


Mayor Olivia Chow


Vincent Crisanti


Stephen Holyday


Amber Morley


Gord Perks


Frances Nunziata


James Pasternak


Anthony Perruzza


Mike Colle


Alejandra Bravo


Ausma Malik


Dianne Saxe


Josh Matlow


Chris Moise


Paula Fletcher


Jaye Robinson *


Jon Burnside


Shelley Carroll


Lily Cheng


Brad Bradford


Parthi Kandavel


Michael Thompson


Nick Mantas


Jamaal Myers


Paul Ainslie


Jennifer McKelvie

*Councillor Jaye Robinson, who served four terms representing Don Valley West ward, passed away on Thursday, May 16, 2024. Councillor Robinson was dedicated to improving the lives of Torontonians, spending approximately 20 years of her career in public service.

How we are structured: Our organizational chart

We provide services to the public and support the community through an organized structure, which allows quick responses to the evolving public needs. The City Manager is the most senior official in our administrative structure and is accountable to Council for Council-approved policies and programs. The City Manager works closely with five Deputy City Managers, each of whom manages one of the five Toronto Public Service pillars: Community and Social Services, Infrastructure Services, Development and Growth Services, Corporate Services and Finance and Treasury Services. Each pillar is further supported by various divisions that implement Council's directions throughout the city and deliver services to the public.

Our administrative structure is outlined in the organizational chart on the next page.

Our organizational chart

Updated
August 07, 2024

- **City Council**
  - **Ombudsman** – Kwame Addo
  - **Auditor General** – Tara Anderson
  - **Integrity Commissioner** – Jonathan Batty
  - **Lobbyist Registrar** – Stephen Littlejohn
  - **City Clerk's Office** – John D. Elvidge, City Clerk
  - **Legal Services** – Wendy Walberg, City Solicitor
  - **City Manager** – Paul Johnson
    - **City Manager's Office** – Kate Bassil, Chief of Staff
    - **People and Equity** – Mary Madigan-Lee, Chief People Officer
    - **Strategic Public and Employee Communications** – Beth Waldman, Chief Communications Officer (Interim)
    - **Indigenous Affairs Office** – Selina Young, Director
    - **FIFA World Cup 2026 Secretariat** – Sharon Bollenbach, Executive Director
    - **Office of the CISO** – Maneesh Agnihotri, Chief Information Security Officer
    - **Community and Social Services** – Tom Azouz, Deputy City Manager (Interim)
      - **Public Health** – Dr. Eileen de Villa, Medical Officer of Health
      - **Employment and Social Services** – James Lapierre, General Manager (Acting)
      - **Economic Development and Culture** – Pat Tobin, General Manager
      - **Seniors Services and Long-Term Care** – Daniela Sabitini, General Manager (Interim)
      - **Social Development, Finance and Administration** – Denise Andrea Campbell, Executive Director
      - **Toronto Paramedic Services** – Bikram Chawla, Chief and General Manager
      - **Children's Services** – Shanley McNamee, General Manager
      - **Court Services** – Dianne Kasias, Director
      - **Parks, Forestry and Recreation** – Howie Dayton, General Manager
      - **Toronto Shelter and Support Services** – Gord Tanner, General Manager
      - **Toronto Fire Services** – Matthew Pegg, Fire Chief and General Manager
    - **Infrastructure Services** – Will Johnston, Deputy City Manager
      - **Engineering and Construction Services** – Jennifer Graham Harkness, Chief Engineer and Executive Director
      - **Municipal Licensing and Standards** – Carleton Grant, Executive Director
      - **Policy, Planning, Finance and Administration** – Annalisa Fava-Mignardi, Executive Director
      - **Solid Waste Management Services** – Matt Keliher, General Manager
      - **Toronto Emergency Management** – Joanna Beaven-Desjardins, Executive Director
      - **Toronto Water** – Lou Di Gironimo, General Manager
      - **Transit Expansion** – Derrick Toigo, Executive Director
      - **Transportation Services** – Barbara Gray, General Manager
    - **Development and Growth Services** – Jag Sharma, Deputy City Manager
      - **City Planning** – Kyle Knoeck, Chief Planner and Executive Director (Interim)
      - **Housing Secretariat** – Abi Bond, Executive Director
      - **Toronto Building** – Kamal Gogna, Chief Building Official and Executive Director (Interim)
      - **Development Review** – Valesa Faria, Executive Director
    - **Corporate Services** – David Jollimore, Deputy City Manager
      - **Corporate Real Estate Management** – Patrick Matozzo, Executive Director
      - **Customer Experience (311)** – Roopy Chhina, Executive Director (Interim)
      - **Environment and Climate** – James Nowlan, Executive Director
      - **Fleet Services** – Abi Thomas, General Manager
      - **Technology Services** – Sonia Brar, Chief Technology Officer
    - **Finance and Treasury Services** – Stephen Conforti, Chief Financial Officer and Treasurer
      - **Purchasing and Materials Management** – Geneviève Sharkey, Chief Procurement Officer
      - **Financial Planning** – Althea Hutchinson, Executive Director
      - **Internal Audit** – Stuart Campbell, Director
      - **Office of Chief Accountant and Controller** – David McIsaac, Controller (Interim)
        - **Pension, Payroll and Employee Benefits** – David McIsaac, Executive Director
        - **Revenue Services** – John Longarini, Director (Interim)
        - **Accounting Services** – Mark Rozic, Director (Interim)

A closer look at our Audit Committee

The Audit Committee is a sub-committee which reports directly to Council, consisting of five Councillors: Stephen Holyday (Chair), Jamaal Myers (Vice Chair), Frances Nunziata, Paula Fletcher and Vincent Crisanti. The Audit Committee exercises responsibility in three areas: financial reporting, corporate governance and corporate control.

The Audit Committee's responsibilities include:

- Recommending the appointment of an external auditor to conduct the annual audit of the Auditor General's office
- Considering the annual external audit of our financial statements and the financial statements of our agencies, boards and commissions
- Considering the external audit of the Auditor General's office
- Considering the Auditor General's reports and audit plan
- Conducting an annual review of the Auditor General's accomplishments
- Making recommendations to Council on reports considered by the Audit Committee
- Considering performance audits and other reports of the Auditor General concerning our agencies and corporations

External audit: Audit function and the role of an auditor

As required by the Municipal Act of Ontario and the City of Toronto Act (collectively referred to as the Acts), we prepare our annual consolidated financial statements in accordance with Generally Accepted Accounting Principles for each fiscal year. Further, the Acts require us to appoint an auditor licensed under the Public Accounting Act, 2004 to audit the consolidated financial statements and express an opinion on the statements based on the audit.

An audit is the examination of the financial statements prepared by management. The purpose of an audit is to reach a conclusion on whether the financial statements are free from material misstatements to ensure the users of the financial statements can make informed decisions based on accurate financial information. Material misstatements are misstatements that could influence decisions of financial statement users. At the planning stage of the audit, the auditor determines an appropriate materiality threshold for the financial statements as a whole and conducts selective testing under the concept of materiality, therefore, the audit is not an examination of every transaction.

Our 2023 consolidated financial statements have been audited by an external auditor, KPMG LLP. The audit report, which includes KPMG's audit opinion and details on the basis for their audit opinion, the responsibilities of management and those charged with governance, and the auditor's responsibilities for the audit of the financial statements has been submitted to and approved by the Audit Committee and Council.

The consolidated financial statements and the auditor's report satisfy the legislative reporting requirements set out in the Acts.

Our 2022 financial statements received an award

The Government Finance Officers Association of the United States and Canada (GFOA) awarded us a Canadian Award for Financial Reporting for our annual financial report for the fiscal year ended December 31, 2022. 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 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 municipality s financial picture, enhance an understanding of financial reporting and address the needs of any reader of the municipality'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, 2022

Christopher P. Morrill

Executive Director/CEO

Financial highlights

What this section contains

Introduction

We are pleased to submit our annual financial report for the year ended December 31, 2023. The annual financial report provides an overview of our governance structure, a snapshot of our financial performance, climate-related disclosures which align with the Task Force for Climate-Related Financial Disclosures' (TCFD) recommendations and supplementary statistical information. This annual financial report is intended to provide a deep understanding of how we executed our priorities in 2023 and to outline how we are positioned to continue providing services into the future.

As required by the City of Toronto Act, management is responsible for preparing the annual financial statements in accordance with Public Sector Accounting Standards (PSAS) as established by the Public Sector Accounting Board (PSAB).

The annual financial report also contains the following financial statements:

- **The Consolidated Financial Statements**, which illustrate our financial position (i.e., balance sheet) to provide an overview of all sources that we own, as well as the obligations that are owed to others at the end of our reporting period. They also detail our financial performance (i.e., income statement), summarizing all the revenues that were earned, as well as expenses that were incurred to provide services, along with key changes in various balances.

- **The Sinking Funds Financial Statements**, which reflect how we used and invested our sinking funds. Sinking funds represent the investments that were held and managed for the sole purpose of settling (i.e., repaying) our long-term debt in future years.

- **The Consolidated Trust Funds Financial Statements**, which consist of various trust funds we administered on behalf of others. Trust funds are resources, such as cash, that were administered on behalf of external individuals and/or organizations and used for a specific purpose.

This section includes other key information including a reconciliation of the budget included in our financial statements, as well as a ratio analysis of our financial information with benchmarks to other comparable Canadian municipalities.

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:

- **Cash basis accounting:** an accounting method that recognizes revenues and expenses at the time cash is received or paid out.
- **Accrual basis accounting:** an accounting method that recognizes revenues and expenses at the time the revenues are earned or the expenses are incurred, regardless of when cash is received or paid out.
- **Financial assets:** resources, either cash or assets that are readily convertible to cash, such as accounts receivable and investments. These resources are used to support our service delivery, such as our purchase of materials and equipment and to 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 are required to settle (i.e., pay) in future years.
- **Net financial asset/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 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, recreation centres and water treatment facilities.
- **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 our 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 providing transit services.
- **Annual accounting surplus/deficit:** under the accrual basis of accounting, when revenues exceed expenses in a given year, it will result in an annual surplus; and when expenses exceed revenues in a given year, it will lead to an annual deficit.

Is this the same as a surplus/deficit in a budget variance report?

No, the term surplus/deficit is used in both the consolidated financial statements as well as budget variance reports, however they do differ in some significant ways. A surplus reflected in a budget variance report refers to funds budgeted and made available in an annual budget that have not been spent and can either be used for operating or capital purposes. The annual accounting surplus/deficit is the difference between revenues earned and expenses incurred during the year based on accrual accounting principles, regardless of when cash is received or disbursed. Unlike the budget surplus, the annual accounting surplus cannot be carried forward or reallocated for future use and does not represent a source of cash.

- **Accumulated surplus/deficit:** the amount by which our total assets, including both the financial assets and non-financial assets, exceed our liabilities represents an accumulated surplus. When our liabilities exceed our total assets, we will have an accumulated deficit

Does the accumulated surplus represent excess funding that is available for future use?

No, the accumulated surplus is an accounting metric that represents the amount by which our total assets exceed our total liabilities. The majority of our City’s accumulated surplus is attributed to our historical investments in TCAs, which is the result of a continued growth in our capital budgets, and therefore, it does not represent surplus funding that can be used to fund budget pressures.

- **Accumulated remeasurement gains/losses:** the difference between the fair market value and costs of certain assets and liabilities, such as investments and long-term debt, at the end of our reporting period.

How we reconcile our budget

On an annual basis, we prepare a balanced budget, which incorporates our expectations of expenditures and sources of funding required to provide planned services for the current year. The budget includes details of our planned operating and capital activities, as well as proposed property tax rate and user fee changes for the year. The Budget Committee will review a staff prepared budget and engage Toronto residents and businesses for their feedback. The budget will then be presented to Council for consideration and approval.

Components of the budget consider how we plan to pay for future cash requirements. To support this perspective, we present the budget using a methodology known as "cash basis", where the cash inflows that will be used to pay for expenses are budgeted. 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 reserve funds.
- **Estimated expenditures:** recognition of amounts used to sustain daily operations and support key initiatives, including providing financial assistance to support the most vulnerable populations, expanding housing and emergency shelter programs, increasing the service capacity of public transit and supporting transit expansion.

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 we achieve through preparing our financial statements in accordance with PSAS.

Unlike the cash basis of accounting 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)
- 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, a reconciliation to our budget presented in the Consolidated Statement of Operations and Accumulated Surplus, under the accrual accounting principles is also provided.

In reconciling the cash-based budgets to the budgets presented in our Consolidated Statement of Operations and Accumulated Surplus, cash inflows and outflows that are not considered as revenues and expenses under PSAS must be eliminated. 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 and recovery of costs from our internal programs; and
- Recognizes TCAs and the associated amortization to reflect the reduction of an asset's value over the period in which it is used.

Once the budget information is converted from the cash basis to the accrual accounting basis, we normally see an accounting surplus/deficit. As noted in the previous page, this is due to the accrual accounting method which capitalizes eligible capital expenditures to TCAs, 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 reflect an accounting surplus/deficit.

(in millions of dollars, unless otherwise stated)

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:

Summary of our 2023 Council approved budget

	Approved by Council:					
	Operating	Capital	Non-levy	Consolidated entities	Adjustments	Total adjusted budget
Revenue:						
Property and taxation from other governments	$ 5,409	$ -	$ -	$ -	$ (112)	$ 5,297
Government transfers	4,284	833	19	(3)	92	5,225
User charges	1,784	1,242	1,932	(87)	(1,169)	3,702
Municipal land transfer tax	944	-	-	-	-	944
Development charges	-	689	-	-	-	689
Rent and concessions	58	-	-	448	-	506
Investment income	288	-	-	-	12	300
Other revenue sources	1,663	2,814	86	(8)	(3,649)	906
Total revenues	**14,430**	**5,578**	**2,037**	**350**	**(4,826)**	**17,569**
Expenses:						
Transportation	2,997	2,236	142	(52)	(910)	4,413
Social and family services	3,828	352	-	-	(84)	4,096
Protection to persons and property	2,057	159	-	-	(78)	2,138
Environmental services	124	1,546	1,895	-	(2,091)	1,474
General government	3,174	701	-	-	(2,430)	1,445
Recreation and cultural services	1,037	402	-	(34)	(123)	1,282
Social housing	469	1	-	417	261	1,148
Health services	684	44	-	-	(24)	704
Planning and development	60	137	-	8	7	212
Total expenses	**14,430**	**5,578**	**2,037**	**339**	**(5,472)**	**16,912**
Annual surplus	**$ -**	**$ -**	**$ -**	**$ 11**	**$ 646**	**$ 657**

(in millions of dollars, unless otherwise stated)

Our key financial balances and ratios

Our balance sheet

		2023		2022 Restated[1]		Increase	Per cent change
Total assets	$	60,605	$	57,569	$	3,036	5.3%
Total liabilities		26,903		26,089		814	3.1%
Accumulated surplus		32,730		31,480		1,250	4.0%
Accumulated remeasurement gains	$	972	$	-	$	972	-

[1]The City adopted a new accounting standard (section PS 3280 – Asset Retirement Obligations) in 2023, which resulted in the restatement of the 2022 comparative figures.

Our balance sheet has experienced steady growth over the past few years and reflects the financial impacts arising from the implementation of five new accounting standards that were established and mandated by the Canadian Public Sector Accounting Board.

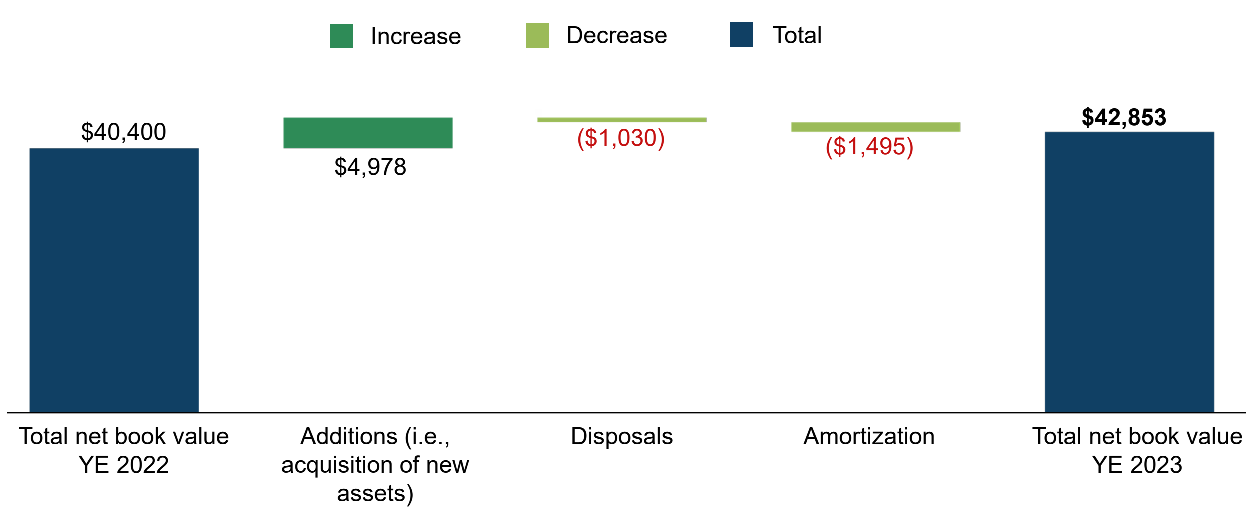
In 2023, our total assets increased by 5.3 per cent, which is largely attributed to our ongoing investments in infrastructure, such as recreation centres, light rail vehicles, and roads. Investing in infrastructure (also known as tangible capital assets or TCAs) is critical for our operations to ensure that we can provide services safely and reliably to Toronto residents and businesses. The book value of our TCAs increased by $2,453, representing our acquisitions in assets during 2023, offset by assets that we retired or sold, and by our amortization expense; which is an accounting treatment that recognizes the cost of an asset as an expense over its useful life.

Understanding our graphs…

The graphs in this report are presented using a specific type of graph known as a waterfall. A waterfall graph depicts how an initial value is affected by the cumulative changes, both increases and decreases, of various components. This type of graph can be a storytelling tool as it reveals what specific factors led to the net change in a value over time. Thus, to portray how our results have differed from 2022, the waterfall can be quite useful.

When interpreting our waterfall graphs, it is important to note that the first bar represents the previous year's closing value. The following bars then depict the incremental impact of specific increases and decreases that occurred in 2023 that led to the closing value for 2023, which is represented in the last column.

Changes to our tangible capital assets (TCAs)



(in millions of dollars, unless otherwise stated)

Our balance sheet (cont.)

Our total liabilities increased by 3.1 per cent largely due to an increase in our deferred revenues, which are mainly influenced by contributions from developers through development charges, park levies and parkland fees, and Section 37 community benefits charges. In contrast, long-term debt, our largest liability balance, decreased slightly due to the repayment of part of our debt. Long-term debt is used as one of our many funding sources to finance the acquisition and construction of our TCAs. Specifically, in 2023, we issued $1,000 debenture bonds, including social bonds and green bonds that allow the City to fund capital projects with positive social outcomes and contributions to environmental sustainability, respectively. While we continue to use long-term debt, we recognize the importance of ensuring that our debt levels are sustainable and remain affordable for our City. Through the City's debt management policy, we ensure that our annual tax-supported debt service costs, which represent principal and interest payments, do not exceed 15 per cent of our property tax revenue. As at December 31, 2023, the City had a debt service limit ratio of 14.2 per cent, and by Q1 of 2024, this debt servicing ratio decreased to 13.5 per cent largely due to increases in the City's property taxes. In addition, debt service costs only represented approximately 5.8 per cent of the City's total revenues in fiscal 2023, which is another indicator that debt continues to be affordable for our organization

The accumulated surplus rose by 4 per cent and was a result of the $1,250 annual surplus, which is discussed in more detail below. The accumulated surplus balance of $32,730 represents the amount by which the City's total assets exceed its liabilities and therefore the total accumulated surplus continues to be derived almost entirely from the City's historical investments in tangible capital assets.

The adoption of the new Public Sector Accounting Standard, PS 1201 – Financial Statement Presentation, resulted in the City presenting a new statement, the statement of remeasurement gains and losses. This statement presents the City's unrealized gains and losses that are attributed to financial instruments being measured at fair value. As at December 31, 2023, the unrealized gain of $972 representing the difference between our book value and fair market value of investments and debt is primarily due to favourable returns on our investments, including equity investments and bonds.

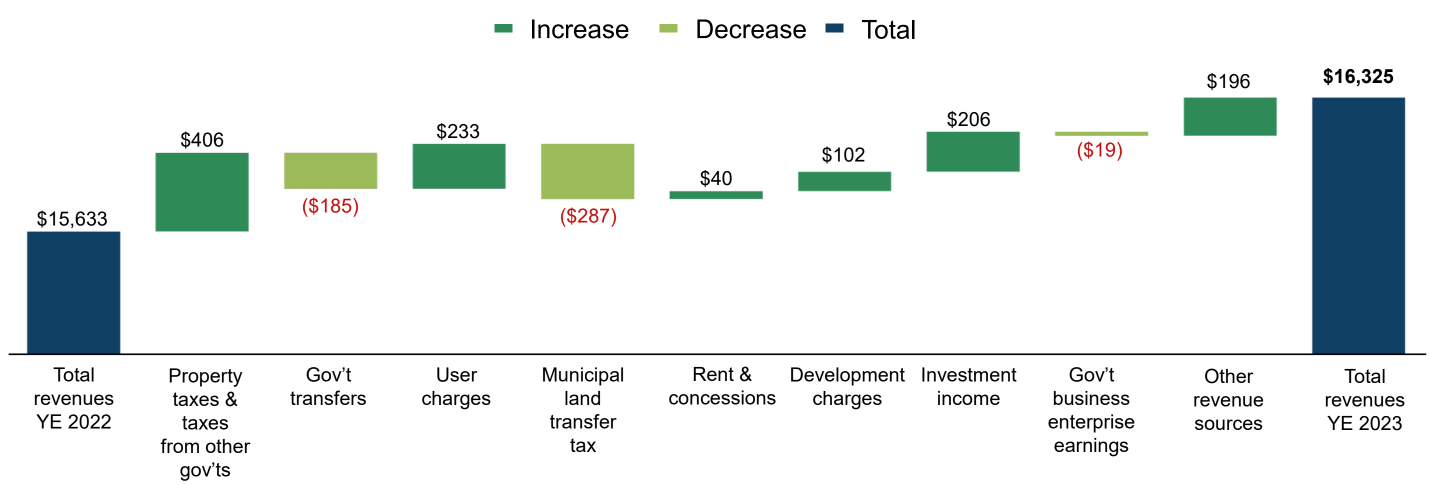
Our income statement

	2023	2022 Restated[1]	Increase (decrease)	Per cent change
Total revenues	$ 16,325	$ 15,633	$ 692	4.4%
Total expenses	15,075	13,875	1,200	8.6%
Annual surplus	$ 1,250	$ 1,758	$ (508)	(28.9%)

[1]The City adopted a new accounting standard (section PS 3280 – Asset Retirement Obligations) in 2023, which resulted in the restatement of the 2022 comparative figures.

In 2023, our income statement continued to show signs of financial pressures caused by the pandemic. In particular, the growth rate of our overall revenues (4.4 per cent) continued to be outpaced by the growth rate of our overall expenses (8.6 per cent). The following graphs depict the changes in our revenues and expenses over the past year.

Total revenues: How did our revenues change from the previous year?



(in millions of dollars, unless otherwise stated)

Our income statement (cont.)

Our total revenues increased by $692, or 4.4 per cent, and was attributed to a 5.5 per cent increase in the property tax rate associated with the operating budget, Toronto Transit Commission's fare rate increases and growth in ridership, and a favourable interest rate environment contributing to greater interest income earned during the year. These increases were partially offset by reductions in our municipal land transfer tax and pandemic-related government transfers (i.e., grants).

Our financial ratios

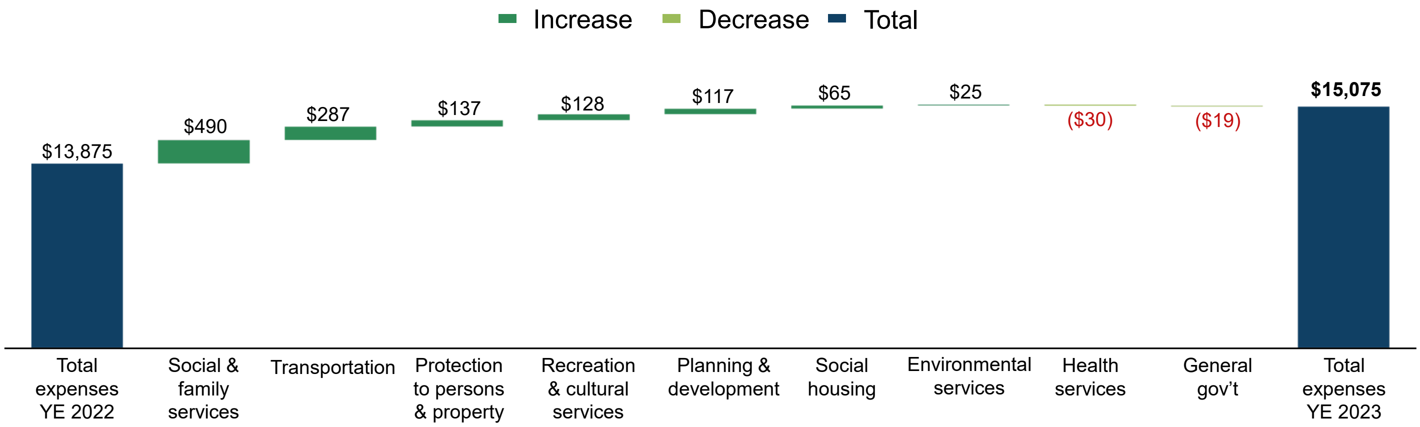
Key ratios associated with our major revenue streams, property taxes and government transfers, are presented below. Ratios help evaluate the overall financial condition of the City by comparing our financial performance to the previous year, over a five-year average, and to the average performance of our Canadian single-tiered municipal counterparts. However, it must be acknowledged 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			Our peers' ratio		
	2023	2022	5-year average	Minimum	Maximum	Average
Annual surplus as a proportion of total revenues	7.7%	11.2%	11.0%	7.7%	20.4%	15.8%
This ratio measures the extent to which revenues exceeded expenses as a portion of our total revenues. A higher ratio indicates a stronger degree of financial sustainability as it signifies that the organization is generating more revenue than expenses.	Compared against our 2022 results and five-year average, our ratio experienced a decrease of 3.5 per cent and 3.3 per cent, respectively. The amount of annual surplus has decreased as revenues grew at a slower rate (4.4 per cent growth) than expenses (8.6 per cent growth). Revenue support from senior levels of government, which increased during the pandemic years, is gradually returning to pre-pandemic amounts, although the City continues to experience expenses from the pandemic in addition to increasing support for vulnerable citizens, housing, and public safety. Compared to our municipal counterparts, our annual surplus as a percentage of revenue is the lowest.					
Property taxes as a proportion of total revenues	33.0%	31.8%	31.9%	30.5%	53.4%	43.8%
This ratio represents the portion of our revenues that are related to property taxes, which is our largest source of revenue. A higher ratio indicates the reliance and dependence on property taxes to fund our operations and services to residents and businesses.	Our ratio shows a moderate reliance on property taxes and the presence of other sources of revenue. However, over the last three years our ratio has been steadily increasing, demonstrating our increased reliance on this source of revenue. Property taxes represent our largest revenue stream and have an inherent limitation as the tax base is finite, we will need to continue to monitor this ratio to ensure our long-term sustainability. Compared against our municipal counterparts, our ratio is at the lower end of the range.					
Government transfers as a proportion of total revenues	26.2%	28.5%	27.7%	7.1%	26.2%	18.8%
This ratio represents the portion of our revenues that are related to government transfers from senior levels of government, which is our second largest source of revenue. A higher ratio indicates the reliance on government transfers to fund services provided to residents and businesses.	Our ratio of 26.2 per cent shows a moderate reliance on government transfers to sustain our operations and services. Compared against our 2022 results and five-year average, our ratio experienced a decrease of 2.3 per cent and a decrease of 1.5 per cent, respectively. Prior to the pandemic, our reliance on government transfers was lower in relation to other revenue sources (average 23.6 per cent in the five-year period preceding the pandemic) with transfers received intended to support well established City programs. Due to the pandemic, the Province of Ontario and the Government of Canada provided funding to support the City's increased operating pressures as our own revenue sources declined and we enhanced services to residents and businesses. As pandemic-related funding is being discontinued, this is contributing to our declining ratio. Compared against our municipal counterparts, our ratio is the highest.					

(in millions of dollars, unless otherwise stated)

Our financial ratios (cont.)

Total expenses: Why did our costs go up in comparison to 2022?



In 2023, the City provided a greater amount of financial assistance to support Toronto's vulnerable populations, increase public transit capacity, and expand its refugee asylum and emergency shelter programs. With costs continuing to increase, the City's long-term financial plan, as well as annual budgeting activities are becoming increasingly important.

As noted earlier, government transfers represent a key revenue source for our organization. When we consider how government transfers fund our annual expenditures, it becomes evident how further reductions in this revenue source could create challenges for our long-term sustainability.

Key financial ratio	Our ratio			Our peers' ratio		
	2023	2022	5-year average	Minimum	Maximum	Average
Government transfers as a proportion of total expenses	28.4%	32.2%	31.2%	8.9%	28.7%	22.1%

This ratio represents the portion of our total expenses that are funded by government transfers. A higher ratio indicates a reliance on government transfers to fund operations and services provided to residents and businesses.

Our ratio of 28.4 per cent shows a moderate reliance on government transfers to fund operating activities.

Compared against our 2022 results and five-year average, our ratio experienced a decrease of 3.8 per cent and 2.8 per cent, respectively. In 2023, we received less government transfers to pay for our operating activities while continuing to face increasing financial pressures exacerbated by inflation hikes. These cost increases include but are not limited to increases in TTC expenditures related to increased ridership, increased social assistance costs due to increased refugees, increased homelessness, and the costs of increased childcare assistance, as well as increases related to the redevelopment project of the Port Lands. As a result, there is a need for additional future government transfers to support our regular lines of business, such as social and family services, transportation, and planning and development.

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

Our climate-related financial disclosures

What this section contains

Introduction

Toronto's climate is changing, and we have experienced increased temperatures and more days with extreme weather. In 2023, we identified climate change as a significant and growing health risk to Toronto residents. Specifically, rising temperatures have been seen to exacerbate existing health conditions, as well as lead to the degradation and damage of our infrastructure and natural ecosystems. Climate change can also drive the spread of climate-sensitive infectious diseases. Climate change effects include the disruption of transportation systems, power outages, and an increase in pest populations, which can result in loss of revenue, greater maintenance costs, damage to tree populations and reduction in quality of life for our residents and visitors.

The Task Force on Climate-related Financial Disclosures (TCFD) was created by the Financial Stability Board (FSB) in 2015 due to the increasing demand for consistent climate-related disclosures from investors, lenders, insurers, regulators, policymakers and other stakeholders. These disclosures are voluntary and aim to enhance transparency, reliability, consistency and comparability of climate-related risks and opportunities. In 2023, the International Sustainability Standards Board (ISSB), under the International Financial Reporting Standards (IFRS) Foundation, streamlined sustainability-related financial disclosure standards by releasing IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures. With the release of these private sector-oriented standards, effective in 2024, the FSB has tasked the IFRS Foundation to take over monitoring organizations' climate-related disclosures. Additionally, the International Public Sector Accounting Standards Board (IPSASB) announced in June 2023 that it would start developing a climate-related disclosures standard, a first for the public sector. During this transition period, we will continue to follow TCFD's framework guidance while closely monitoring and assessing the impact on these emerging standards.

Given the fast-moving challenges associated with climate change, the disclosures included in this report also contain future-oriented 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.

Our disclosures

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

The Mayor and City Council (Council) provide direction and approve all of our long-term strategic plans and major policies and funding. Council requests and receives reports on progress against climate-related targets and initiatives periodically.

Infrastructure & Environment Committee reports to Council and serves a mandate to oversee and make recommendations on our infrastructure needs and services, parks and urban forestry and the sustainable stewardship of our environment, including issues of climate change.

City Staff leads, coordinates and are accountable for our environment and energy sustainability outcomes through Council directives. We conduct climate-related research and identify climate-related risks, while pursuing policy development, greenhouse gas (GHG) emission reduction, climate adaptation and resilience-related initiatives and public engagement and outreach on climate-related matters.

Governance (cont.)

Management and staff have actively addressed issues of physical climate risk for many years, providing updates

Planning

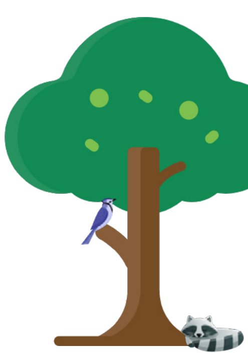
- **2007:** First climate action strategy, setting GHG reduction targets of 30 per cent by 2020 and 80 per cent by 2050 from 1990 levels. We published our first GHG emissions inventory utilizing data from 2004.
- **2008:** First climate adaptation action plan, "Ahead of the Storm" which considered city-wide climate risks and short and medium-term action plan.
- **2014:** First governance strategy for physical climate risk.
- **2015:** TransformTO: Climate Action for a Healthy, Equitable, and Prosperous Toronto was launched to address the urgent need for climate action.

Growing

- **2015 – 2019:** High-level climate risk assessments, updates on City-wide climate actions, first Resilience Strategy.
- **2019:** We declared a climate emergency, setting a net-zero GHG target by 2050.
- **2021 – 2022:** Adopted 2040 net zero GHG emissions goal, Net Zero Strategy roadmap, and the Accountability and Management Framework for the TransformTO Net Zero Strategy, establishing three advisory groups and a reporting schedule.
- **2023:** We adopted the TransformTO 2022 Annual Report and a Carbon Accountability governance system, including a Carbon Budget process, GHG impact reporting and five-year emissions budgets with required planning and reporting. We became the first municipality in North America to codify its climate change goals and governance processes into law through the new Climate Change Goals and Governance chapter in Toronto's Municipal Code. This codification will enhance transparency of, and accountability for, our action to reduce GHGs in Toronto.

Strengthening

- **2024:** Toronto's Climate Change Readiness: Updates on commitments and a refreshed mandate for coordinating resilience activities. Projects are proceeding to update understanding of city-wide climate risks and recommendations for a refreshed governance approach to physical climate risks at the city-wide level, reporting to Council in 2025.
- We have identified that GHG reduction targets are not on target with the existing level of effort.



Sustaining

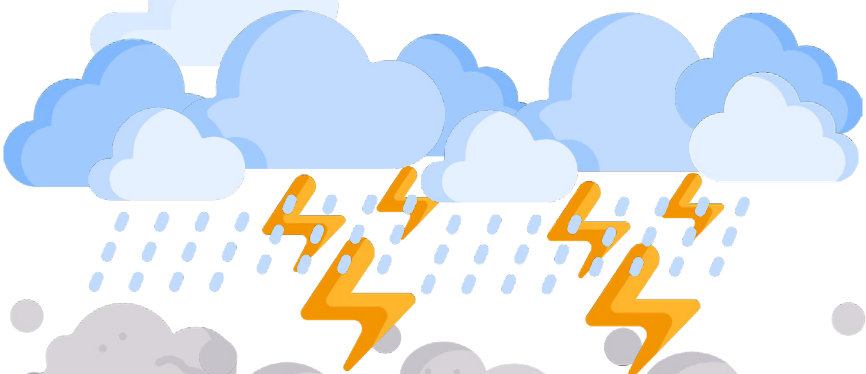
- Ongoing climate action.
- Investments linked to climate objectives and outcomes, achieve opportunities.

Strategy

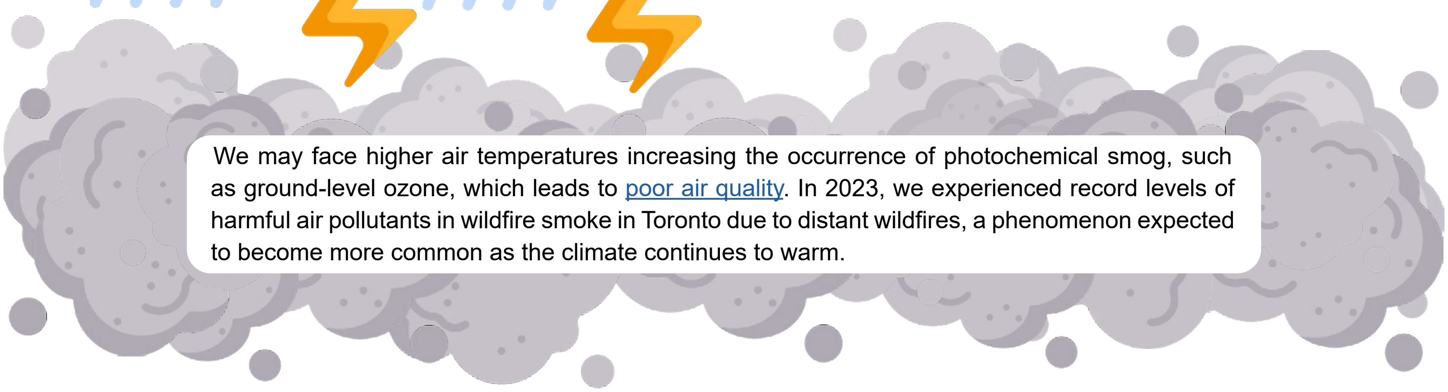
Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy and financial planning.

Climate-related risks

We are likely to experience an increasing severity of extreme weather such as heat events. Currently, we average approximately 18 days per year with temperatures above 30°C, and by 2050, we could experience 55 to 60 days of heat events. More hot weather increases the potential for extended power disruptions due to high demand for cooling systems. This directly contributes to elevated energy consumption, which increases the likelihood of GHG emissions. Immediate impacts include service interruptions, such as subway and road damage, and staff shortages due to adverse weather conditions. These disruptions affect emergency services and public transportation, which can lead to significant economic losses and impact the safety and well-being of residents and businesses.



Future springs and winters will be warmer and wetter with more intense rainstorms. Rainstorms increase the risk of floods, which can damage our infrastructure, cause power outages and result in service interruptions for residents and businesses. Persistent extreme weather patterns may significantly increase demand on front-line support services, which could reduce the efficacy of service delivery in critical response times.



We may face higher air temperatures increasing the occurrence of photochemical smog, such as ground-level ozone, which leads to poor air quality. In 2023, we experienced record levels of harmful air pollutants in wildfire smoke in Toronto due to distant wildfires, a phenomenon expected to become more common as the climate continues to warm.

Climate hazards are accelerating some forms of asset deterioration, leading to the need for substantial financial investments due to expected higher costs spent in repairing, retrofitting and maintaining infrastructure (e.g., buildings and roads).

An example of increasing and high costs of climate change: we incurred an associated cost of $28 due to high lake effect (i.e., a rise in water level resulting in flooding and erosion damage) in 2017 to rehabilitate and repair our waterfront park areas, including the Toronto Island Park, and a windstorm in 2018.

Over the long term, ongoing challenges in service provision and increased pressures on front-line services may require significant adjustments in our business strategy and financial planning. This will involve reallocating resources to maintain infrastructure resilience and support essential services, which may affect our financial stability and the capacity to invest in future projects. Given the constraints of limited property tax revenue, it becomes increasingly necessary for us to identify alternative revenue sources to fund the substantial investments required to counteract the heightened wear and tear on our infrastructure due to more frequent extreme weather and a growing population.

Strategy (cont.)

Climate-related opportunities

While the challenges posed by climate change are significant, they also present unique opportunities for us as a whole. We have a large and growing green industry, which highlights the potential for economic growth through environmental sustainability initiatives. Eco-friendly job opportunities and economic growth are created by collaborating with businesses and organizations to reduce GHG emissions, providing clean water, reducing air pollution, minimizing waste, promoting the circular economy and maintaining the living ecosystem.

Investors continue to show interest and confidence in our Green Bonds program, enabling us to finance capital projects that contribute to environmental sustainability while reducing borrowing costs. In 2023, we issued $100 of Green Bonds, marking the sixth issuance of green bonds.

We started to implement the "Carbon Budget" prioritization process. Full implementation has begun in 2024 along with planning for the achievement of corporate emission budgets covering the 2026-2030 period.

Council adopted a new Corporate Offset Credits Policy in 2023, which defines whether and how we will purchase and/or sell offset credits in a science-based, fiscally responsible way as we work toward our net zero goal. It is anticipated that work to project the future cost of net zero-valid offset credits will enable further reporting on the cost of achieving net zero corporate emissions, depending on the level of residual emissions in 2040 and subsequent years.

Our Council-adopted climate resilience plan includes work that considers current climate and future climate projections. Further work is anticipated to consider a two degrees Celsius or lower scenario.

Additionally, we plan to conduct a city-wide climate risk and vulnerability assessment starting in 2024. This assessment will utilize the best available information about the expected future climate and identify the most important climate risks for Toronto. The assessment will also help prioritize potential adaptation actions and support recommendations for how to best minimize impacts to residents and businesses.

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 risk management is identified and assessed on a case-by-case basis. While we are already doing important work to reduce risks from climate change as noted in previous years' disclosures, the potential for climate change to negatively affect Toronto, its residents and businesses is clear.

We have actively developed strategies and plans to enhance resilience by integrating climate considerations into urban planning, our operations and emergency management across various sectors. Several notable initiatives include:

- Toronto Green Standard which sets sustainable design and performance requirements for new private and city-owned developments. This is helping new developments reduce emissions by 15,000t CO_2e per year.
- Developing Emission Performance Standards for existing buildings that will help align business and household decisions with a transition to technologies like heat pumps that run on clean electricity.
- Greening the corporate fleet with emissions on pace for the 45 per cent emission reduction target by 2025 and the Toronto Transit Commission (TTC) planning for a zero-emissions bus fleet by 2037 – three years ahead of schedule.
- Heat Relief Strategy, which aims to reduce the incidence of heat-related illness and death in Toronto due to extreme heat.
- Wet Weather Flow Master Plan which protects our environment and water quality in Lake Ontario, rivers, streams and other water bodies from stormwater.

Over the next two years, we will establish a centralized, refreshed guidance on climate resilience that builds on past work, incorporates up-to-date information, aligns us with peer cities and protects vulnerable people.

Our Enterprise Risk Management (ERM) system does not currently take climate-related risks into consideration. As outlined in the Annual TransformTO Net Zero Progress and Accountability report, the rate of progress is not enough to put us on track to achieve our net zero goal. 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.

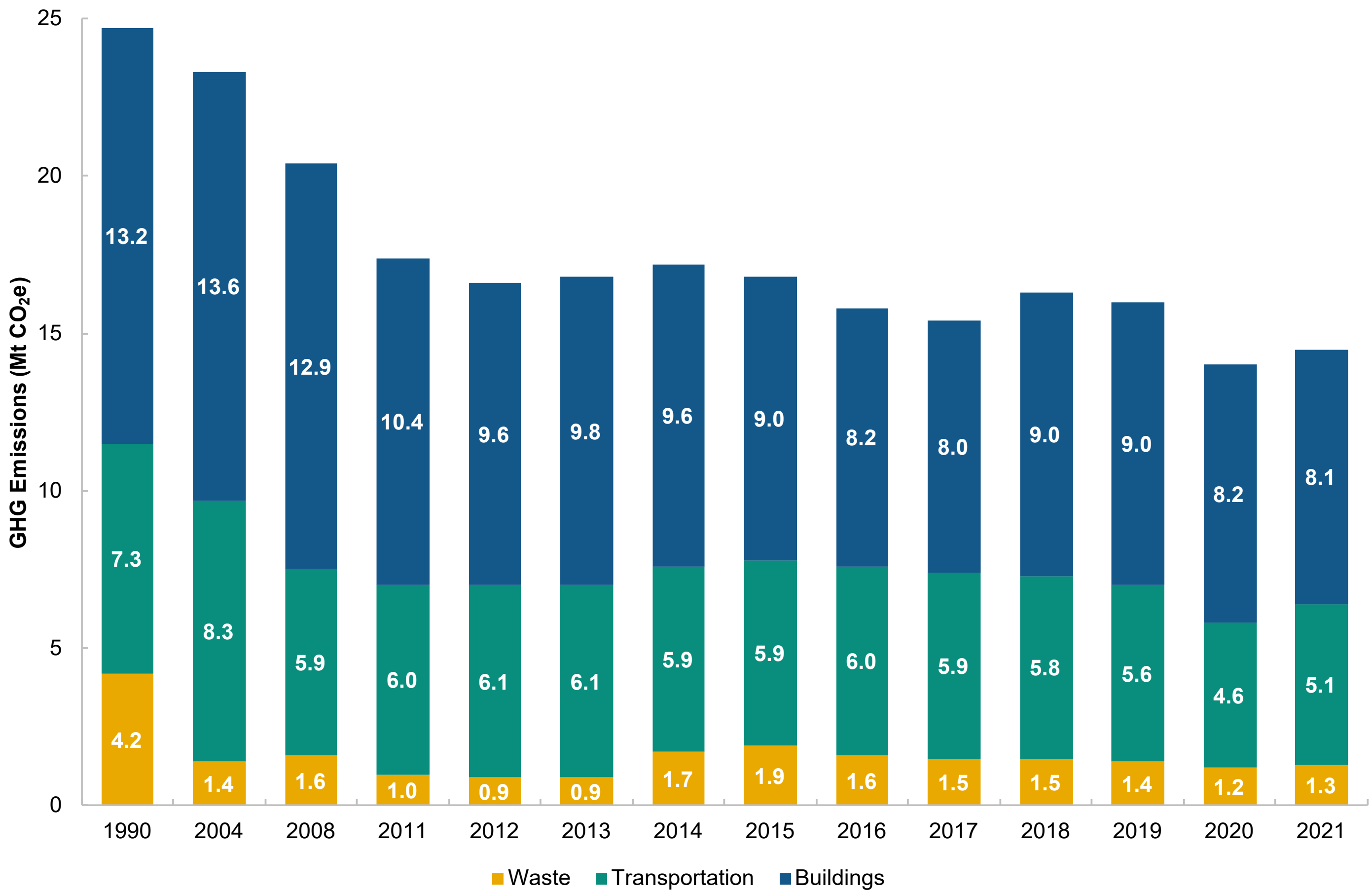
Metrics and targets

Disclose any metrics or targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

A relevant metric for our operations for climate-related risks is measuring GHG emissions in our community. Our annual GHG emissions inventory is published on a delayed reporting cycle (e.g., 2021 emissions inventory is published in 2023). This delay aligns with the federal government's National Inventory Report (NIR) publication cycle, where we use NIR emission factors to calculate GHG emissions. According to the latest GHG inventory (2021), our overall community emissions have decreased by 41 per cent compared to 1990 levels; an increase from 2020. This upward trend in emissions is expected to continue as we recover from the pandemic and resume our regular operations. If the upward trend in GHG emissions continues, meeting our 2025 target is at risk.

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

Figure 1 – GHG emissions by sector (1990 – 2021)



Toronto's future sector-based reduction targets from 1990 levels are: 45 per cent by 2025, 65 per cent by 2030 and net zero by 2040. As noted in the Annual TransformTO Net Zero Progress and Accountability Report, while we continue to implement the Net Zero Strategy, and the emissions temporarily decreased in 2020 and 2021 due to the COVID-19 pandemic, the rate of progress is not enough to put us on track to achieve our net zero goal.

Looking ahead in 2024

As a global leader in environmental action and transparency, we continue to support the development of public-sector reporting standards. Along with other municipalities, we are participating in the Municipal Net-Zero Action Research Partnership (N-ZAP) to create climate disclosure guidance for municipalities.

In 2024, Council adopted the Corporate Asset Management Plan. Our overall performance of in-scope assets is rated ‘Fair’; however, approximately 40 per cent of our assets are categorized as ‘Poor’ or ‘Very Poor’. This indicates that our assets are past their useful lives and there is a need for rehabilitation or replacement. These assets may still function, but they will operate at a higher cost and a lower level of service, with an increased risk of disruptions or closures. In the context of climate change, it is anticipated that these aging infrastructures may degrade faster than planned due to more frequent extreme weather events. This may impact the operability of our assets and the delivery of services to residents and businesses. Additionally, the life cycle costs for infrastructure will continue to rise with more frequent extreme weather. To continue providing essential services, emergency response and recovery services, it is crucial for us and senior levels of government to support the substantial investments required to address the full scope and scale of climate challenge that we are currently facing.

Although our actions are making a positive difference, the goal of net zero emissions by 2040 is at risk unless we, together with other levels of government, residents and businesses support and invest in transformative actions to address the “climate emergency”.

Our consolidated financial statements

What this section contains

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 2023 consolidated financial statements have been audited by the City'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's consolidated financial statements.

Toronto, Canada
August 30, 2024

David McIsaac
Executive Director, Finance Shared Services & Interim Controller

Stephen Conforti
Chief Financial Officer and Treasurer

Paul Johnson
City Manager

KPMG LLP
Vaughan Metropolitan Centre
100 New Park Place, Suite 1400
Vaughan, ON L4K 0J3
Canada
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Fax 905 265 6390

INDEPENDENT AUDITOR'S 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, 2023
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of remeasurement gains and losses 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, 2023, and its consolidated results of operations, its consolidated remeasurement gains and losses, its consolidated change 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 ***"Auditor's Responsibilities for the Audit of the Financial Statements"*** section of our auditor's 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.

Page 2

Emphasis of Matter - Prospective Change in Accounting Policy

We draw attention to Note 2 to the financial statements which indicates that the City has adopted certain public sector accounting standards on a prospective basis. Note 2 also explains the adjustments that were applied to restate certain current period information as a result of the prospective application of these changes in accounting policies.

Our opinion is not modified in respect of this matter.

Emphasis of Matter - Comparative Information

We draw attention to Note 2 to the financial statements which explains that certain comparative information presented for the year ended December 31, 2022 has been restated as a result of the modified retroactive adoption of the PS3280, Asset retirement obligations standard.

Note 2 explains the reason for the restatement and also explains the adjustments that were applied to restate certain comparative information. Our opinion is not modified with respect of this matter.

As part of our audit of the financial statements for the year ended December 31, 2023, we also audited the adjustments that were applied to restate certain comparative information presented for the year ended December 31, 2022.

In our opinion, such adjustments are appropriate and have been properly applied.

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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Page 3

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

Page 4

- 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 24, 2024

(in millions of dollars, unless otherwise stated)

Consolidated statement of financial position

As at December 31, 2023 with comparatives to 2022

		2023		2022 Restated (Note 2)
Financial assets				
Cash and cash equivalents	$	4,419	$	4,637
Accounts and taxes receivable (Note 3)		3,198		3,033
Loans receivable (Note 4)		168		186
Other assets (Note 5)		60		44
Investments (Note 6)		7,028		6,422
Investments in Government Business Enterprises (Note 7)		2,428		2,380
Total financial assets		**17,301**		**16,702**
Liabilities				
Bank indebtedness (Note 8)		143		118
Accounts payable and accrued liabilities (Note 9)		3,599		3,810
Deferred revenue (Note 10)		7,552		6,464
Provisions for property and liability claims (Note 11)		493		495
Environmental and contaminated site liabilities (Note 12)		276		279
Mortgages payable (Note 13)		451		440
Long-term debt (Note 14)		8,586		8,859
Employee benefit liabilities (Note 15)		4,810		4,669
Asset retirement obligation (Note 16)		993		955
Total liabilities		**26,903**		**26,089**
Net debt		**(9,602)**		**(9,387)**
Non-financial assets				
Prepaid expenses		154		142
Inventories (Note 17)		297		325
Tangible capital assets (Note 18, Schedule 1)		42,853		40,400
Total non-financial assets		**43,304**		**40,867**
Accumulated surplus (Note 19)		**32,730**		**31,480**
Accumulated remeasurement gains		**972**		**-**
Total accumulated surplus	$	**33,702**	**$**	**31,480**

Contingent assets and liabilities (Note 20)

Contractual rights and obligations (Note 21)

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

(in millions of dollars, unless otherwise stated) Annual Financial Report 2023 • City of Toronto

Consolidated statement of operations and accumulated surplus

For the year ended December 31, 2023 with comparatives to 2022

	2023 Budget (Note 22)	2023 Actual	2022 Restated actual (Note 2)
Revenues			
Property taxes and taxation from other governments (Note 23)	$ 5,297	$ 5,380	$ 4,974
Government transfers (Note 24)	5,225	4,278	4,463
User charges	3,702	3,457	3,224
Municipal land transfer tax	944	751	1,038
Rent and concessions	506	553	513
Development charges	689	446	344
Investment income	300	337	131
Government business enterprises earnings (Note 7)	-	178	197
Other revenue sources (Note 25)	906	945	749
Total revenues	**17,569**	**16,325**	**15,633**
Expenses			
Transportation	4,413	4,074	3,787
Social and family services	4,096	3,570	3,080
Protection to persons and property	2,138	2,241	2,104
Environmental services	1,474	1,143	1,118
Recreation and cultural services	1,282	1,137	1,009
Social housing	1,148	1,068	1,003
General government	1,445	1,062	1,081
Health services	704	612	642
Planning and development	212	168	51
Total expenses (Note 26)	**16,912**	**15,075**	**13,875**
Annual surplus	**657**	**1,250**	**1,758**
Accumulated surplus – beginning of year	31,480	31,480	30,426
Transition adjustment for asset retirement obligations (Note 1 and 2)	-	-	(704)
Adjusted accumulated surplus – beginning of year	**31,480**	**31,480**	**29,722**
Accumulated surplus – end of year	**$ 32,137**	**$ 32,730**	**$ 31,480**

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 remeasurement gains and losses

For the year ended December 31, 2023 with comparatives to 2022

		2023
Accumulated remeasurement gains – beginning of year	$	-
Transition adjustment for financial instruments (Note 2)		1,050
Adjusted accumulated remeasurement gains – beginning of year		**1,050**
Unrealized gains (losses) attributable to:		
Equity investments		128
Debt designated to fair value		(398)
Other investments designated to fair value		190
Reclassified to consolidated statement of operations:		
Equity investments		(1)
Other investments designated to fair value		3
Net remeasurement losses during the year		**(78)**
Accumulated remeasurement gains – end of year	**$**	**972**

(in millions of dollars, unless otherwise stated)

Consolidated statement of change in net debt

For the year ended December 31, 2023 with comparatives to 2022

	2023 Budget (Note 22)	2023 Actual	2022 Restated actual (Note 2)
Annual surplus	**$ 657**	**$ 1,250**	**$ 1,758**
Acquisition of tangible capital assets	(4,366)	(4,366)	(3,693)
Amortization of tangible capital assets	1,743	1,776	1,651
Loss (gain) on disposal of tangible capital assets	-	15	(153)
Donated tangible capital assets	-	(9)	(8)
Proceeds on disposal of tangible capital assets	-	131	253
Change due to tangible capital assets	(2,623)	(2,453)	(1,950)
Change in prepaid expenses	-	(12)	8
Change in inventories	-	28	(56)
Net remeasurement losses	-	(78)	-
Increase in net debt	**(1,966)**	**(1,265)**	**(240)**
Net debt – beginning of year	(9,387)	(9,387)	(8,379)
Transition adjustment for asset retirement obligations (Note 1 and 2)	-	-	(768)
Transition adjustment for financial instruments (Note 2)	1,050	1,050	-
Adjusted net debt – beginning of year	**(8,337)**	**(8,337)**	**(9,147)**
Net debt – end of year	**$ (10,303)**	**$ (9,602)**	**$ (9,387)**

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, 2023 with comparatives to 2022

	2023	2022 Restated (Note 2)
Cash flows provided by (used in):		
Operating activities		
Annual surplus	$ 1,250	$ 1,758
Add (deduct) items not involving cash:		
Government business enterprise earnings from operations	(178)	(197)
Amortization of tangible capital assets	1,776	1,651
Loss (gain) on disposal of tangible capital assets	15	(153)
Donated tangible capital assets	(9)	(8)
Transition adjustment for financial instruments	972	-
Adjustments for fair market value of long-term debt	(711)	-
Adjustments for fair market value of sinking funds	(81)	-
Adjustments for fair market value of investments	(209)	-
Accretion expense for asset retirement obligations	4	5
	2,829	3,056
Changes in non-cash assets and liabilities:		
Accounts and taxes receivable	(165)	(957)
Accounts payable and accrued liabilities	(211)	402
Deferred revenue	1,088	641
Provision for property and liability claims	(2)	15
Environmental and contaminated sites liabilities	(3)	(7)
Employee benefit liabilities	141	162
Asset retirement obligations	34	-
Prepaid expenses	(12)	8
Inventories	28	(56)
Cash provided by operating activities	**3,727**	**3,264**
Capital activities		
Acquisition / construction of tangible capital assets	(4,366)	(3,693)
Proceeds on disposal of tangible capital assets	131	253
Cash used in capital activities	**(4,235)**	**(3,440)**
Financing activities		
Net change in bank indebtedness	25	19
Principal repayments on mortgages payable	(57)	(31)
Issuance of long-term debt	1,139	1,279
Principal repayments on long-term debt	(523)	(465)
Interest earned on sinking funds	(29)	(19)
Cash provided by financing activities	**$ 555**	**$ 783**

(in millions of dollars, unless otherwise stated)

Consolidated statement of cash flows (cont.)

For the year ended December 31, 2023 with comparatives to 2022

	2023	2022 Restated (Note 2)
Investing activities		
Net change in other assets	$ (16)	$ -
Net change in loans receivable	18	8
Proceeds from the sale and maturities of investments	10,544	8,981
Purchase of investments	(10,941)	(11,712)
Distributions from government business enterprises	130	111
Cash used in investing activities	**(265)**	**(2,612)**
Net decrease in cash and cash equivalents during the year	**(218)**	**(2,005)**
Cash and cash equivalents – beginning of year	4,637	6,642
Cash and cash equivalents – end of year	**$ 4,419**	**$ 4,637**
Supplementary information:		
Cash paid for interest on long-term debt	$ 421	$ 365
Cash received for interest on investments	$ 195	$ 147

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, 2023

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.

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% partnership with each of the Canadian and Ontario Governments, and the Toronto Pan Am Sports Centre is a 50% partnership with the University of Toronto.

The City's 100% share of the Toronto Hydro Corporation and Toronto Parking Authority follow Government Business Enterprises (GBE) accounting, using the modified equity basis of accounting where the accounting principles of the GBEs are not adjusted to conform to the City's accounting principles and 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.

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, vacant home tax assessments, property, liability and accident claims provisions, asset retirement obligations, 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.

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, 2023, all material assets have been disclosed and reported within the City's Statements.

g. Financial assets

Financial assets are resources that can be used to discharge existing liabilities or finance future operations.

h. 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.

i. Loans receivable

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 receivable 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 significant concessionary terms such that all or part of the loan is considered to be a grant, the City will expense the grant portion in the Consolidated Statement of Operations and Accumulated Surplus at the time the loan is made and the loan discount is amortized to revenue over the term of the loan.

j. 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 fair value. 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.

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.

k. Financial instruments and fair value hierarchy

The following is a list of the City's financial instruments and their related measurement basis:

Financial assets	Measurement basis
Cash and cash equivalents	Cost / amortized cost
Trade and other receivables	Cost / amortized cost
Loans receivable	Cost / amortized cost
Investments	Fair value

Financial liabilities	Measurement Basis
Bank Indebtedness	Fair value
Accounts payable and accrued liabilities	Cost / amortized cost
Mortgages payable	Fair value
Long-term debt	Fair value

Transaction costs directly attributable to the acquisition or issue of a financial instrument asset or a financial instrument liability that is in the fair value category are expensed as incurred.

All financial instruments must be classified in accordance with the significance of the inputs used in making fair value measurements. The fair value hierarchy prioritizes the valuation techniques used to determine the fair value of a financial instrument based on whether the inputs to those techniques are observable or unobservable:

i. Level 1 – Derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

ii. Level 2 – Derived from quoted prices for similar assets and liabilities, quoted prices in markets that are not active, or models using inputs that are observable.

iii. Level 3 – Derived using discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable.

Realized gains and losses arising from the disposition of financial instruments measured at fair value are recognized in the Consolidated Statement of Operations. Unrealized gains and losses arising from a change in fair value of such financial instruments are recognized in the Consolidated Statement of Remeasurement Gains and Losses.

l. Liabilities

Liabilities are recorded to the extent that they represent present obligations of the City to outside parties as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in the sacrifice of economic benefits in the future.

m. Deferred revenue

Deferred revenues, which include externally restricted receipts from other levels of government or other third parties, 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.

n. 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.

o. Environmental and contaminated site liabilities

Liabilities related to the remediation of an unexpected contamination of 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.

p. 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.

q. Asset retirement obligations

The City assesses for the existence of an asset retirement obligation at the time a tangible capital asset is acquired, constructed, or developed.

An asset retirement obligation is recognized in the period when all of the following conditions are met:

- There is a legal obligation to incur asset retirement costs in relation to a tangible capital asset;
- The past transaction or event giving rise to the liability has occurred;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

Such obligations typically arise from existing legislation, agreements or contracts, or through other legally enforceable obligations. The estimate of the liability includes costs directly attributable to carrying-out the retirement activities required to settle the legal obligation, including post-retirement operation, maintenance, and monitoring costs. Significant assumptions used in the estimates of these liabilities are revisited periodically to ensure their on-going relevance. When recording the liability, the estimated cost and subsequent changes to the estimate, are included in the associated asset's cost, and amortized over the asset's estimated useful life, unless the asset is no longer in productive use or is unrecognized in which case these costs are expensed.

The City's active and inactive landfills, which are associated with significant asset retirement obligations are discounted using a present value calculation and adjusted annually for accretion expense only when the timing of the related cash flow projections can be reasonably determined, otherwise the liability is measured based on undiscounted expected costs.

r. 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. 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.

ii. 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 sites. 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.

(in millions of dollars, unless otherwise stated)

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:

Tangible capital 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.

s. 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 Provincial legislation.

t. Revenues

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. Vacant residential properties in the City are subject to vacant home tax (VHT) annually. The tax amount is based on the assessment value of the residential property and the authorized VHT rate. VHT revenues and associated receivables may be impacted by cancellations of tax amounts resulting from successful complaints/appeals filed by taxpayers. 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.

u. 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 Consolidated Statement of Financial Position.

v. 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.

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 21.

w. 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 City's control.

For the year ended on December 31, 2023, 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 20.

x. 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.

y. 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.

As of December 31, 2023, the City is not aware of any material related party transactions aside from those that have already been disclosed as part of Note 7, Investments in Government Business Enterprises.

z. Changes in accounting policies

i. PS 3280 – Asset retirement obligations

On January 1, 2023, the City adopted PS 3280 – Asset Retirement Obligations. The new accounting standard addresses the financial reporting of legal obligations associated with the retirement of tangible capital assets controlled by public sector entities, such as asbestos removal in retired buildings. The standard required the City to record an asset retirement obligation when there is a legal obligation to incur retirement costs in relation to a tangible capital asset. This standard was adopted by the City using the modified retroactive method that requires restatement of 2022 comparative figures.

Previously, the City had been reporting obligations related to the retirement of tangible capital assets in the period when the asset was retired or when the related retirement activities were undertaken. The City was also reporting its liabilities for the estimated closure and post-closure costs of its solid waste landfill sites in accordance with PS 3270 – Solid Waste Landfill Closure and Post-Closure Liability, which recognized such liabilities based on capacity usage. The introduction of PS 3280 has resulted in a withdrawal of the existing accounting standard PS 3270.

Details on the impacts of the adoption of this new standard for 2022 are included in Note 2.

ii. PS 1201 – Financial statement presentation

Effective January 1, 2023, the City adopted PS 1201 – Financial Statement Presentation. As a result, a new statement of remeasurement gains and losses was presented for the year ended December 31, 2023. This statement presents remeasurement gains and losses arising from the City's financial instruments that are measured at fair value.

iii. PS 3450 – Financial instruments

Effective January 1, 2023, the City adopted PS 3450 – Financial Instruments. In accordance with transitional provisions, this standard was adopted prospectively from the date of adoption and comparative figures were not restated. This new standard provides comprehensive requirements for the recognition, measurement, presentation and disclosure of financial instruments.

Under PS 3450, all financial instruments, including derivatives, are included on the statement of financial position and are measured either at fair value or amortized cost based on the characteristics of the instrument and the City's accounting policy choices (see above – Financial instruments and fair value hierarchy).

iv. PS 2601 – Foreign Currency Translation

The City also adopted PS 2601 – Foreign Currency Translation, effective January 1, 2023. No significant changes were required as a result of implementing this new standard.

aa. Future accounting pronouncements

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

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 the design or construction, financing, and ongoing operation or maintenance of a major infrastructure asset from a private sector entity. 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.

(in millions of dollars, unless otherwise stated) Annual Financial Report 2023 • City of Toronto

2. Accounting changes

a. Asset retirement obligations

Effective January 1, 2023, the City adopted PS 3280 – Asset Retirement Obligations using the modified retroactive method which resulted in the following restatement of the 2022 comparative figures:

	December 31, 2022		
	As previously reported	Adjustments	As restated
Consolidated statement of financial position			
Financial assets	$ 16,702	$ -	$ 16,702
Liabilities	25,258	831	26,089
Net debt	(8,556)	(831)	(9,387)
Non-financial assets	40,809	58	40,867
Accumulated surplus	**32,253**	**(773)**	**31,480**
Consolidated statement of operations and accumulated surplus			
Revenues	15,682	-	15,682
Expenses	13,855	69	13,924
Annual surplus	1,827	(69)	1,758
Accumulated surplus – beginning of year	30,426	-	30,426
Transition adjustment for asset retirement obligations	-	(704)	(704)
Accumulated surplus – end of year	**32,253**	**(773)**	**31,480**
Consolidated statement of change in net debt			
Annual surplus	1,827	(69)	1,758
Acquisition of tangible capital assets	(3,693)	-	(3,693)
Amortization of tangible capital assets	1,645	6	1,651
Gain on disposal of tangible capital assets	(153)	-	(153)
Donated tangible capital assets	(8)	-	(8)
Proceeds on disposal of tangible capital assets	253	-	253
Other	(48)	-	(48)
Increase in net debt	(177)	(63)	(240)
Net debt – beginning of year	(8,379)	-	(8,379)
Transition adjustment for asset retirement obligations	-	(768)	(768)
Net debt – end of year	**(8,556)**	**(831)**	**(9,387)**
Consolidated statement of cash flows			
Annual surplus	1,827	(69)	1,758
GBE earnings from operations	(197)	-	(197)
Amortization of tangible capital assets	1,645	6	1,651
Gain on disposal of tangible capital assets	(153)	-	(153)
Donated tangible capital assets	(8)	-	(8)

(in millions of dollars, unless otherwise stated)

a. Asset retirement obligations (cont.)

	December 31, 2022		
	As previously reported	Adjustments	As restated
Accretion expense	-	5	5
Change in non-cash assets and liabilities	150	58	208
Other	(5,269)	-	(5,269)
Net increase in cash and cash equivalents during the year	(2,005)	-	(2,005)
Cash and cash equivalents – beginning of year	6,642	-	6,642
Cash and cash equivalents – end of year	**$ 4,637**	**$ -**	**$ 4,637**

b. Financial instruments and financial statement presentation

The City adopted the requirements of PS 1201 – Financial Statement Presentation and PS 3450 – Financial Instruments on a prospective basis effective January 1, 2023.

Upon adoption of PS 1201, the City recognized opening accumulated remeasurement gains of $1,050 arising from the remeasurement of financial instruments in the fair value category effective January 1, 2023, which were previously being measured at cost/amortized cost.

Upon adoption of PS 3450, the City recognized opening unrealized gains of $1,050 on financial instruments in the fair value category effective January 1, 2023, which were previously being measured at cost/amortized cost.

3. Accounts and taxes receivable

	2023	2022
Federal and provincial government receivables	$ 1,584	$ 1,702
Property taxes receivables	684	462
Trade and other receivables	930	869
Total accounts and taxes receivable	**$ 3,198**	**$ 3,033**

Included in Federal and Provincial Government receivables are:

- Interim Housing Assistance Program – $240 (2022 – $71): $192 has been received since December 31, 2023;
- Ontario-Toronto New Deal – Shelters – $200 (2022 – $nil): $200 has been received since December 31, 2023;
- Provincial Gas Tax (PGT) – $134 (2022 – $139): $134 has been received since December 31, 2023;
- Provincial Transit Infrastructure Fund (PTIF) claims – $80 (2022 – $86): $nil has been received since December 31, 2023;
- Safe Restart Agreement (SRA) – $nil (2022 – $385): intended to support safe restart of the economy following the COVID-19 pandemic. This program concluded in 2022;
- Provincial Operating Support – $nil (2022 – $235): intended to support the City's increased costs related to the COVID-19 pandemic. This program concluded in 2022; and
- Estimated reimbursement for various subway projects transferred to the province in 2019 – $nil (2022 – $218): This reimbursement was settled in 2023.

On December 13, 2023, City Council unanimously adopted recommendations to implement the Ontario-Toronto New Deal (New Deal). The New Deal arrangement focuses on achieving long-term financial stability and sustainability and therefore, affirms the Province of Ontario's commitment to support the City's key programs and initiatives, such as public transit, infrastructure, affordable housing, and shelter system.

Other Receivables consist of individual balances that are immaterial for disclosure purposes.

(in millions of dollars, unless otherwise stated)

4. Loans receivable

	2023	2022
TCHC promissory notes, loan agreements and receivables, bearing interest rates between 3.0% and 7.5% (2022 – 3.0% to 6.0%) per annum with maturity dates from 2024 to 2057 (2022 – 2023 to 2057)	$ 75	$ 75
BTI loan facility and vendor-take-back (VTB) mortgages, bearing an interest rate of 3.3% (2022 – 3.3%) per annum with maturity date in 2023 (2022 – 2023 to 2027). Subsequent to the maturity date, the VTB mortgagee has requested an extension.	4	30
Loans receivable from community housing organizations bearing interest rates between 0.0% and the bank's prime rate plus 2.0% (2022 – 0.0% to 5.0%) per annum, with maturity dates from 2024 to 2074 (2022 – 2023 to 2074)	43	41
Energy loans receivable from organizations to enable the implementation of green initiative projects across the City bearing interest rates between 0.0% and 3.7% (2022 – 0.0% to 3.7%) per annum, with maturity dates from 2026 to 2043 (2022 – 2023 to 2040)	34	29
Loan receivable from Maple Leaf Sports and Entertainment Ltd for the expansion of BMO Stadium bearing an interest rate of 4.2% (2022 – 4.2%) per annum with a maturity date of 2034 (2022 – 2034)	7	7
Other	5	4
Total loans receivable	**$ 168**	**$ 186**

5. Other assets

	2023	2022
TCHC equal contribution equity in revitalization projects and equal interest Co-Tenancy Agreements for construction	$ 5	$ 10
TCHC externally restricted assets under loan agreements for capital expenditures	6	5
Other	49	29
Total other assets	**$ 60**	**$ 44**

6. Investments

	2023	2022	
	Carrying value (fair value)	Fair value	Carrying value (cost)
Money market instruments	$ 3,325	$ 2,966	$ 2,966
Government bonds	1,362	1,313	1,407
Corporate bonds	1,135	1,020	1,080
Equities	1,118	958	875
Mortgages	55	22	23
Foreign corporate bonds	32	57	60
Other	1	19	11
Total investments	**$ 7,028**	**$ 6,355**	**$ 6,422**

Government bonds include bonds held in trust by the City's insurance carrier as collateral for the provision of automobile and primary liability insurance with a carrying value of $66 (2022 – $54).

The weighted average yield on the cost of the bond investment portfolio during the year was 3.9% (2022 – 4.1%). Maturity dates on investments in the portfolio range from 2035 to 2044 (2022 – 2026 to 2044).

Included in the City's government bonds portfolio are City of Toronto debentures at coupon rates varying from 2.2% to 4.6% (2022 – 2.2% to 4.7%) with a carrying value of $37 (2022 – $27).

(in millions of dollars, unless otherwise stated)

6. Investments (cont.)

Included in Money Market Instruments and Equities are investments held by TAF with a carrying value of $87 (2022 – $78). TAF funds its work through proceeds from the investment of endowments received from the City, the provincial government and the federal government. Under the TAF Act, the Chief Financial Officer and Treasurer is the custodian and has oversight of the TAF funds. These endowments are managed by TAF in accordance with the Statement of Investment Objectives and Principles and the investments relate to marketable securities and private equity investments.

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.

7. Investments in government business enterprises (GBEs)

		2023		2022
Toronto Hydro Corporation	$	2,091	$	2,049
Toronto Parking Authority		337		331
Total investments in GBEs	**$**	**2,428**	**$**	**2,380**

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

		2023		2022
Balance – beginning of year	$	2,380	$	2,294
Income from operations (Appendix 1)		142		196
Distribution to City (Appendix 1)		(130)		(111)
Other (Appendix 1)		36		1
Balance – end of year (Appendix 1)	**$**	**2,428**	**$**	**2,380**

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

		2023		2022
Income from operations (Appendix 1)	$	142	$	196
Other (Appendix 1)		36		1
GBE earnings	**$**	**178**	**$**	**197**

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

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

		2023		2022
Street-lighting, electricity, and maintenance services purchased by the City from Toronto Hydro Corporation	$	285	$	271
Property taxes paid to the City from Toronto Parking Authority		24		21
Property taxes paid to the City from Toronto Hydro Corporation		3		3
Rent expense paid to the City from Toronto Parking Authority		2		1
Total related party transactions	**$**	**314**	**$**	**296**

(in millions of dollars, unless otherwise stated) Annual Financial Report 2023 • City of Toronto

7. Investments in GBEs (cont.)

Principal repayments of unsecured long-term debt of the City's GBEs are as follows:

		Due to others
2024	$	1
2025		-
2026		200
2027		-
2028		200
Thereafter		2,545
Total	**$**	**2,946**

Repayments relate to Toronto Hydro Corporation's long-term debt series with interest rates ranging from 1.5% to 5.5% (2022 – 1.5% to 5.5%) per annum and maturity dates ranging between 2024 to 2063 (2022 – 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% (2022 – 2.3%) per annum and maturing on June 30, 2025, with $0.7 (2022 – $0.7) due in 2024.

8. Bank indebtedness

The City has an unsecured demand revolving credit facility in the amount of $100 (2022 – $100) bearing interest at the bank prime rate with an effective rate during 2023 of 1.6% (2022 – 1.6%) per annum.

TCHC has a committed revolving credit facility of $200 (2022 – $200) that is available for short-term advances and letters of credit, with standby charges of 0.2%. 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%. Short-term drawings of $110 (2022 – $58) have been made in 2023. TCHC 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 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. As at December 31, 2023, no amounts were drawn from the line of credit (2022 – $2).

		2023		2022
City, net outstanding cheques	$	33	$	58
TCHC		110		58
TAF		-		2
Total bank indebtedness	**$**	**143**	**$**	**118**

9. Accounts payable and accrued liabilities

		2023		2022
Trade payables and accruals	$	2,978	$	3,192
Tax appeal assessments on property taxes		351		363
Wages payable		270		255
Total accounts payable and accrued liabilities	**$**	**3,599**	**$**	**3,810**

(in millions of dollars, unless otherwise stated) Annual Financial Report 2023 • City of Toronto

10. 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. Deferred revenue also includes unrealized gains and losses on restricted sinking fund investments. These amounts are not available for other purposes to ensure compliance with agreements, performance obligations or legislation.

	2023			
	Opening balance	Additions	Recognized to income	Ending balance
Advance payments received according to Provincial legislation or agreements	$ 4,443	$ 9,797	$ (8,825)	$ 5,415
Advance payments received according to third party agreements	1,347	1,087	(964)	1,470
Advance payments received for goods and services	311	382	(393)	300
Advance payments received according to Federal legislation or agreements	335	560	(605)	290
Unrealized (gains) losses on sinking fund investments	-	(9)	51	42
Other advance payments received	28	202	(195)	35
Total deferred revenue	**$ 6,464**	**$ 12,019**	**$ (10,931)**	**$ 7,552**

The following balances are included in the above deferred revenue amounts. The other balance includes advance payments received in support of various initiatives, including: 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:

	2023			
	Opening balance	Additions	Recognized to income	Ending balance
Development charges	$ 2,714	$ 1,854	$ (1,460)	$ 3,108
Water / wastewater capital payments	1,211	1,083	(919)	1,375
Parkland acquisitions / development	878	276	(157)	997
Section 37 / 45 Planning Act	517	120	(22)	615
Community and Social Services programs	87	7,077	(6,753)	411
Rapid Housing Initiative	131	203	(99)	235
Building Code Act Service Improvement	220	31	(21)	230
Advance payments for building permits	158	109	(121)	146
Unrealized (gains) losses on sinking fund investments	-	(9)	51	42
Canada Community-Building Fund	167	352	(503)	16
Other	381	923	(927)	377
Total deferred revenue	**$ 6,464**	**$ 12,019**	**$ (10,931)**	**$ 7,552**

(in millions of dollars, unless otherwise stated) Annual Financial Report 2023 • City of Toronto

10. Deferred revenue (cont.)

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

	2022			
	Opening balance	Additions	Recognized to income	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 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:

	2022			
	Opening balance	Additions	Recognized to income	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**

11. Provision for property and liability claims

	2023	2022
Property and liability claims provision	$ 352	$ 357
TTC unsettled accident claims	141	138
Total provision for property and liability claims	**$ 493**	**$ 495**

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 $65 (2022 – $66) that can be used to finance payments for vehicle, property and liability insurance claim payments, as well as related legal and adjusting expenses.

(in millions of dollars, unless otherwise stated) Annual Financial Report 2023 • City of Toronto

12. Environmental and contaminated site liabilities

		2023		2022 Restated (Note 2)
Contaminated site liabilities	$	258	$	270
Environmental liabilities (TTC)		18		9
Total environmental and contaminated site liabilities	**$**	**276**	**$**	**279**

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.

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 $208 (2022 – $219), which is an undiscounted balance, at December 31, 2023. 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.

13. Mortgages payable

		2023		2022
TCHC secured mortgages, collateralized by TCHC housing properties, with interest rates between 0.7% and 12.8% (2022 – 0.7% to 12.8%) per annum and maturity dates ranging from 2024 to 2053 (2022 – 2023 to 2053)	$	451	$	413
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% (2022 – 3.3%) per annum. The balance of the loan was paid on May 3, 2023		-		27
Total mortgages payable	**$**	**451**	**$**	**440**

Mortgages payable have been presented in accordance with the City's accounting policy (Note 1). As at December 31, 2023, mortgages payable are recorded at fair value. As at December 31, 2022, mortgages payable were recorded at cost.

Principal repayments on mortgages are due as follows:

		2023
2024	$	31
2025		33
2026		32
2027		32
2028		30
Thereafter		342
Total	**$**	**500**

Principal re-payments made in 2023 were $30 (2022 – $30) on the TCHC mortgages and $27 (2022 – $1) on the BTI mortgages. As at December 31, 2023, the BTI mortgage was settled in full.

(in millions of dollars, unless otherwise stated) Annual Financial Report 2023 • City of Toronto

14. Long-term debt

		2023		2022 (Note 28)
Unsecured debentures issued by the City, bearing interest at various rates ranging from 0.0% to 5.3% (2022 – 0.0% to 5.3%), maturing from 2024 to 2052 (In 2022 – 2023 to 2052)	$	8,092	$	7,655
Unsecured green bonds issued by the City, bearing interest at various rates ranging from 2.2% to 4.4% (2022 – 2.2% to 4.4%), maturing from 2031 to 2048 (In 2022 – 2031 to 2048)		1,059		1,650
Unsecured social bonds issued by the City, bearing interest at 1.6% to 4.6%(2022 – 1.6% to 4.6%), maturing from 2030 to 2042 (2022 – 2030 to 2042)		638		435
Less: sinking fund deposits bearing interest at rates between 2.0% to 4.0% (2022 – 2.0% to 4.0%)		(2,512)		(2,231)
Unsecured debentures, net of sinking fund deposits		**7,277**		**7,509**
TCHC loans from Infrastructure Ontario secured by various floating and fixed income investments at floating and fixed rates between 2.8% and 4.5% (2022 – 3.1% and 4.5%), subject to financial covenants, maturing between 2043 to 2051(2022 – 2043 to 2049). TCHC is compliant with all financial covenants as at December 31, 2023		788		866
TCHC debentures, unsecured, consisting of Series A bonds of $250 at 4.9% (2022 – 4.9%), maturing in 2037 (2022 – 2037) and Series B bonds of $200 at 5.4% (2022 – 5.4%), maturing in 2040 (2022 – 2040)		489		446
TCHC non-revolving, 10-year loan to assist with the financing of the construction for Phase 1 of its Building Renewal Program, which was completed in 2009. The loan was provided at a fixed interest rate of 3.4% with repayment beginning March 15, 2018		11		14
Lakeshore Arena Corporation credit facilities from Infrastructure Ontario, secured by a property mortgage, a general security agreement and assignments of rents and leases, bearing interest at 3.5%, with a maturity date of October 31, 2042		21		23
Others, bearing interest between 4.0% to 6.0% (2022 – 4.0% to 6.0%) maturing in 2028 (In 2022 – 2026 to 2028)		-		1
Consolidated entities debentures		**1,309**		**1,350**
Total net long-term debt	**$**	**8,586**	**$**	**8,859**

The City's ability to issue long-term debt is governed by Provincial legislation. Long-term debt can only be issued to finance capital expenditures. In addition, long-term debt has been presented with the City's accounting policy (Note 1). As at December 31, 2023, long-term debt has been measured and recognized at fair value. As at December 31, 2022, long-term debt was recognized at cost.

2023 principal repayments total $523 (2022 – $465). Principal repayments are due as follows:

		2023
2024	$	619
2025		599
2026		574
2027		549
2028		480
Thereafter		5,781
Total	**$**	**8,602**

(in millions of dollars, unless otherwise stated) Annual Financial Report 2023 • City of Toronto

15. 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.

		2023		2022
Sick leave benefits	$	418	$	402
Worker Safety Insurance Board (WSIB) obligations		1,096		912
Other employment and post-employment benefits		2,532		2,376
Total employee accrued benefit obligation		**4,046**		**3,690**
Unamortized actuarial gain		764		979
Total employee benefit liabilities	**$**	**4,810**	**$**	**4,669**

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:

	2023							
		Post-retirement and post-employment		**TTC pension plan (Note 15, h(ii))**		**City pension plans (Note 15, h(iii))**		**Total**
Accrued benefit obligation (Note 15(c))	$	4,046	$	3,157	$	124	$	7,327
Fair value of plan assets (Note 15(d))		-		4,159		159		4,318
Funding deficit (surplus)		**4,046**		**(1,002)**		**(35)**		**3,009**
Unamortized actuarial gain		764		-		-		764
Valuation allowance		-		1,002		35		1,037
Employee benefit liability (Note 15(e))	**$**	**4,810**	**$**	**-**	**$**	**-**	**$**	**4,810**

	2022							
		Post-retirement and post-employment		**TTC pension plan**		**City pension plans**		**Total**
Accrued benefit obligation (Note 15(c))	$	3,690	$	2,877	$	148	$	6,715
Fair value of plan assets (Note 15(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 15(e))	**$**	**4,669**	**$**	**-**	**$**	**-**	**$**	**4,669**

(in millions of dollars, unless otherwise stated)

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

	2023			
	Post-retirement and post-employment	TTC pension plan (Note 15, h(ii))	City pension plans (Note 15, h(iii))	Total
Balance – beginning of year	$ 3,690	$ 2,877	$ 148	$ 6,715
Current service cost	383	75	-	458
Interest cost	168	210	6	384
Actuarial loss (gain)	139	104	(13)	230
Benefits paid	(336)	(220)	(17)	(573)
Plan amendments	2	111	-	113
Balance – end of year	**$ 4,046**	**$ 3,157**	**$ 124**	**$ 7,327**

	2022			
	Post-retirement and post-employment	TTC pension plan	City pension plans	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**

d. Continuity of the plan assets:

	2023			
	Post-retirement and post-employment	TTC pension plan (Note 15, h(ii))	City pension plans (Note 15, h(iii))	Total
Balance – beginning of year	$ -	$ 3,898	$ 161	$ 4,059
Employer contributions	336	141	-	477
Actual return on assets	-	342	15	357
Employer surplus distribution	-	-	-	-
TTC pension administrative expenses	-	(2)	-	(2)
Benefits paid	(336)	(220)	(17)	(573)
Balance – end of year	**$ -**	**$ 4,159**	**$ 159**	**$ 4,318**

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

	2022			
	Post-retirement and post-employment	TTC pension plan	City pension plans	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**

The City has established reserve funds to help reduce the future impact of the employee benefit obligation. As at December 31, 2023, the balance in the Employee Benefits Reserve Fund was $641 (2022 – $555), which includes $69 (2022 – $63) for Sick Leave and $17 (2022 – $15) 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:

	2023			
	Post-retirement and post-employment	TTC pension plan (Note 15, h(ii))	City pension plans (Note 15, h(iii))	Total
Balance – beginning of year	$ 4,669	$ -	$ -	$ 4,669
Current service cost	383	77	-	460
Interest cost (revenue)	168	(64)	(1)	103
Amortization of actuarial gain	(76)	(75)	(22)	(173)
Employer contributions	(336)	(141)	-	(477)
Plan amendments	2	111	-	113
Change in valuation allowance	-	92	23	115
Balance – end of year	**$ 4,810**	**$ -**	**$ -**	**$ 4,810**

	2022			
	Post-retirement and post-employment	TTC pension plan	City pension plans	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**

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

	2023							
		Post-retirement and post-employment		TTC pension plan (Note 15, h(ii))		City pension plans (Note 15, h(iii))		Total
Current service cost	$	383	$	77	$	-	$	460
Interest cost (revenue)		168		(64)		(1)		103
Amortization of actuarial gain		(76)		(75)		(22)		(173)
Plan amendments		2		111		-		113
Change in valuation allowance		-		92		23		115
Total expenses	**$**	**477**	**$**	**141**	**$**	**-**	**$**	**618**

	2022							
		Post-retirement and post-employment		TTC pension plan		City pension plans		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 expenses	**$**	**509**	**$**	**135**	**$**	**-**	**$**	**644**

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 2023:

	Discount rate for accrued benefit obligation		Discount rate for benefit costs	
	2023	2022	2023	2022
Post-employment	3.5% to 4.0%	3.8% to 4.3%	3.8% to 4.3%	1.6% to 2.2%
Post-retirement	4.2%	4.6% to 4.7%	4.6% to 4.7%	2.6% to 2.7%
Sick leave	3.7% to 4.1%	3.9% to 4.4%	3.9% to 4.4%	1.8% to 2.5%
WSIB	4.0%	4.3%	4.3%	2.3% to 2.4%
Rate of compensation increase	2.5% to 4.5%	2.5% to 3.5%	2.5% to 4.5%	1.3% to 3.5%
Health care inflation – LTD, hospital and other medical	5.0% to 5.9%	5.0% to 6.1%	4.0% to 5.7%	4.0% to 5.8%
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	5.9% to 6.6%	6.0% to 6.7%	6.0% to 10.1%	6.0% to 10.2%

For 2023 benefit costs and year end 2023 benefit obligations, the health care inflation rate for LTD, hospital, other medical, and drugs is assumed to reduce to a range of 4.0% to 5.0% by 2030 based on the latest actuarial valuation.

h. Pension benefits

i. OMERS pension plan

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

The City does not recognize any share of the pension plan deficit based on the fair market value of OMERS assets, as 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 $249 (2022 – $220) and are expensed in the Consolidated Statement of Operations and Accumulated Surplus. Employees' contributions amounted to $249 (2022 – $220). The City is current with all payments to OMERS. As at December 31, 2023, OMERS has a deficit of $4,202 (2022 – deficit $6,678).

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 Toronto Transit Commission and five are appointed from the Amalgamated Transit Union Local 113 (ATU). Pursuant to the Sponsors Agreement between the ATU and the TTC, the TTC Pension Fund was registered as a Jointly Sponsored Pension Plan (JSPP) effective January 1, 2011.

The plan is accounted for as a joint defined benefit plan as the TTC and its employees jointly share the risk in the plan and share control of decisions related to the plan administration and to the level of benefits and contributions on an ongoing basis. The TTC is required to account for its portion of the plan (i.e. 50%) and therefore, recognized 50% of the pension expense incurred during the year and 50% of the plan's assets and 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, 2023 the base year for the TTC pension plan and the funded supplemental pension plans was updated to December 31, 2022 from December 31, 2021. In addition, the survivor benefit date was updated to January 1, 2023 (from January 1, 2022) and an ad hoc increase of up to 5.4% (December 31, 2022 – 2.4%) 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, 2023. 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, 2023.

As a result of market conditions throughout 2023, plan assets experienced a temporary decline in market value and lower rates of return than prior years, however, no long-term impairment is expected.

(in millions of dollars, unless otherwise stated)

ii. TTC pension plan (cont.)

Actuarial assumptions for the TTC Pension Plan are as follows:

	2023	2022
Discount rate	6.8%	7.1%
Actual rate of return on plan assets	9.3%	(6.5%)
Expected rate of return on plan assets	7.1%	6.2%
Rate of increase in salaries	2.5% to 4.5%	1.3% to 3.3%
Inflation rate	2.0%	2.0%

iii. City pension plan

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 City continues to administer the Toronto Fire Department Superannuation and Benefit Fund, a defined benefi 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, 2023. The next required accounting valuation for funding purposes will be performed as at December 31, 2024.

As at December 31, 2023, there were 204 (2022 – 237) fire pensioners with an average age of 83.9 years (2022 – 84.3 years) and 276 (2022 – 285) survivors and beneficiaries with an average age of 83.6 years (2022 – 83.9 years), in receipt of a pension. Pension payments during the year were $17 (2022 – $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 plan, which includes assets that will be distributed to members in future fiscal years, as at December 31, 2023 is as follows:

	2023			2022
	Pension assets – market value, end of year	Actuarial pension obligation, end of year	Net actuarial surplus	Net actuarial surplus
Toronto Firefighters Pension Plan	$ 159	$ 124	$ 35	$ 13
Total of City Pension Plan	**$ 159**	**$ 124**	**$ 35**	**$ 13**

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

	2023	2022
Discount rate	4.2%	4.4%
Actual rate of return on plan assets	9.9%	11.1%
Expected rate of return on plan assets	4.2%	4.4%
Inflation rate	2.0%	2.0%

(in millions of dollars, unless otherwise stated)

16. Asset retirement obligation

The City's asset retirement obligation consists of the following obligations:

a. Closure and post-closure of landfills

The City owns a number of landfill sites for which closure and post-closure activities are prescribed through legislation. Therefore a liability for the closure of operational sites and post-closure care has been recognized.

i. Active landfill sites

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

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, adjusted for estimated inflation and discounted using the City's average long-term borrowing rate of 4.67% (2022 – 4.25%). The estimated present value of future expenditures for closure and post-closure as at December 31, 2023 was $24 (2022 – $25).

In order to help reduce the future impact of these obligations, the City has established a reserve fund for the care of these sites. This reserve fund account is included as part of the State of Good Repair Reserve Fund.

		2023		2022
Green Lane Perpetual Care Reserve Fund (GLPC)	**$**	**10**	$	8

2023 contributions to the GLPC reserve of $0.9 (2022 – $0.6) are based on a contribution rate of $2.04 (2022 – $1.30) per tonne of waste disposed. This rate is updated annually.

ii. Inactive landfill sites

The estimated liability for the care of 160 inactive landfill sites is the present value of future cash flows associated with closure and post-closure costs, adjusted for estimated inflation and discounted using the City's average long-term borrowing rate of 4.67% (2022 – 4.25%). The estimated present value of future expenditures for post-closure care as at December 31, 2023 was $111 (2022 – $90).

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.

		2023		2022
Solid Waste Management Perpetual Care Reserve Fund	**$**	**21**	$	22

b. Asbestos abatement obligation

The City owns and operates a significant amount of buildings and other structures that are known to contain asbestos. Asbestos is a designated substance declared as a human carcinogen for which the removal and disposal are regulated through legislation. Therefore the City has recognized an obligation relating to the removal and post-removal care of the asbestos in these buildings and other structures.

The estimated liability associated with the removal and post-removal care of asbestos in City owned buildings and other structures is based on the undiscounted expected cost of the activities required to settle the legal obligation. Site assessment reports that include the type and quantity of contamination are used with experience and expert advice to determine the cost of retiring asbestos. The estimated cost for retirement activities as at December 31, 2023 was $808 (2022 – $814).

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c. Other obligations

Other obligations include $26 (2022 – $nil) relating to the dismantling of a decommissioned rail transit structure as required by land easement agreements and $21 (2022 – $19) relating to activities associated with the retirement of fuel storage tanks as required by legislation.

Changes to the asset retirement obligation in the year are as follows:

	2023			
	Closure and post-closure of landfills	Asbestos abatement obligation	Other obligations	Total
Asset retirement obligation – beginning of year (Note 1 and 2)	$ 115	$ 814	$ 26	$ 955
Liabilities incurred during the year	-	-	26	26
Liabilities settled during the year	(9)	(6)	(2)	(17)
Increase in liabilities due to accretion	4	-	-	4
Changes in estimates of liabilities	25	-	-	25
Asset retirement obligation – end of year	**$ 135**	**$ 808**	**$ 50**	**$ 993**

	2022 Restated (Note 2)			
	Closure and post-closure of landfills	Asbestos abatement obligation	Other obligations	Total
Asset retirement obligation, transition adjustment for asset retirement obligation (Note 1 and 2) – beginning of year	$ 118	$ 814	$ 26	$ 958
Liabilities settled during the year	(8)	-	-	(8)
Increase in liabilities due to accretion	5	-	-	5
Asset retirement obligation – end of year	**$ 115**	**$ 814**	**$ 26**	**$ 955**

17. Inventories

	2023	2022
Inventories	$ 294	$ 287
Properties held for resale	3	38
Total inventories	**$ 297**	**$ 325**

(in millions of dollars, unless otherwise stated) Annual Financial Report 2023 • City of Toronto

18. Tangible capital assets

	2023 Cost	2023 Accumulated amortization	2023 Net book value	2022 Restated (Note 2) Net book value
General				
Land	$ 4,530	$ -	$ 4,530	$ 4,458
Land improvements	5,432	2,336	3,096	2,893
Buildings and building improvements	12,209	4,376	7,833	7,641
Machinery and equipment	3,292	2,155	1,137	1,026
Motor vehicles	3,235	2,003	1,232	1,048
Total general	**28,698**	**10,870**	**17,828**	**17,066**
Infrastructure				
Land	140	-	140	140
Buildings and building improvements	1,036	302	734	707
Machinery and equipment	3,402	1,688	1,714	1519
Water and wastewater linear	9,085	2,869	6,216	5,047
Roads linear	6,289	2,831	3,458	3,017
Transit	12,112	5,833	6,279	6,220
Total infrastructure	**32,064**	**13,523**	**18,541**	**16,650**
Assets under construction	**6,484**	**-**	**6,484**	**6,684**
Total tangible capital assets	**$ 67,246**	**$ 24,393**	**$ 42,853**	**$ 40,400**

Prior year net book value of tangible capital assets was restated due to adjustment on adoption of the PS 3280 – Asset Retirement Obligations standard (Note 2).

The value of donated assets received during the year was $9 (2022 – $8).

The City recognized no write down of assets under construction during the year (2022 – $nil).

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19. Accumulated Surplus

		2023		2022 Restated (Note 2)
Historical surplus	$	198	$	1,350
Reserves and reserve funds (a)		5,288		5,427
Net investment in TCA (b)		32,547		29,867
Liabilities to be funded from future revenues (c)		(5,303)		(5,164)
Total accumulated surplus	**$**	**32,730**	**$**	**31,480**

(a) Reserves and reserve funds

		2023		2022 Restated (Note 2)
Reserves:				
Corporate	$	1,092	$	866
Stabilization		891		1,956
Water and wastewater		61		104
Donations		2		2
Total reserves		**2,046**		**2,928**
Reserve funds:				
Employee benefits		651		612
Corporate		2,090		1,402
Community initiatives		155		165
State of Good Repair (Note 16)		346		320
Total reserves funds		**3,242**		**2,499**
Total reserves and reserve funds	**$**	**5,288**	**$**	**5,427**

(b) Net investment in TCA

		2023		2022 Restated (Note 2)
Tangible capital assets (Note 18)	$	42,853	$	40,400
Mortgages payable (Note 13)		(451)		(440)
Long-term debt (Note 14)		(8,586)		(8,859)
Environmental and contaminated site liabilities (Note 12)		(276)		(279)
Asset retirement obligation (Note 16)		(993)		(955)
Total net investment in TCA	**$**	**32,547**	**$**	**29,867**

(c) Liabilities to be funded from future revenues

		2023		2022 Restated (Note 2)
Employee benefit liabilities (Note 15)	$	(4,810)	$	(4,669)
Provision for property and liability claims (Note 11)		(493)		(495)
Total liabilities to be funded from future revenues	**$**	**(5,303)**	**$**	**(5,164)**

20. 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% 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 are recognized as taxation revenue in the fiscal year 2023. Taxpayers/residents are required to provide their vacant property declarations by the due date in 2023. Complaints/appeals can also be filed by the taxpayers/residents regarding their vacant home tax bills by the due date in 2024. A reasonable estimate of potential resulting adjustments required from the complaints/appeals is also established in the fiscal year 2023.

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, 2023 all loans and lines of credit are in good standing and no provision has been recorded in the City's financial statements (2022 – $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 2023, the City provided capital loan guarantees to various organizations amounting to $30 (2022 – $31). The City's guarantees are set to expire between 2024 and 2049 (2022 – 2023 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 2023, the City provided line of credit guarantees that have an aggregate value of $6 (2022 – $6).

21. 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.

(in millions of dollars, unless otherwise stated)

i. City of Toronto:

Contractual rights	Amounts to be received: 2024	2025	2026	2027	2028	Thereafter	Total
City of Toronto Lease agreements (ranging from 13 to 75 years remaining)	$ 10	$ 10	$ 10	$ 10	$ 9	$ 486	$ 535
Blue Bin Recycling Program	45	47	-	-	-	-	92
Total contractual rights	**$ 55**	**$ 57**	**$ 10**	**$ 10**	**$ 9**	**$ 486**	**$ 627**

ii. City Agencies, Corporations, and Government Business Enterprises:

Contractual rights	Amounts to be received: 2024	2025	2026	2027	2028	Thereafter	Total
Advertising agreement with Pattison	$ 26	$ 26	$ 27	$ 28	$ 29	$ 155	$ 291
Meridian Credit union naming rights sponsorship agreement	2	2	2	2	2	13	23
Total contractual rights	**$ 28**	**$ 28**	**$ 29**	**$ 30**	**$ 31**	**$ 168**	**$ 314**

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 that 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

Commitments	Amounts to be paid in: 2024	2025	2026	2027	2028	Thereafter	Total
Service agreements for winter maintenance services	$ 133	$ 133	$ 133	$ 133	$ 133	$ 705	$ 1,370
Various agreements for purchase of goods and services for multiple capital projects	385	204	96	27	34	40	786
Various agreements for purchase of goods and services for miscellaneous operational needs	282	177	143	85	51	2	740
Construction agreements for the Ashbridges Bay Treatment Plant	97	77	92	29	25	15	335
Construction and engineering services agreements for the Basement Flooding Protection Program	100	63	27	24	27	59	300
Construction and engineering services agreements for the F.G. Gardiner Expressway	72	73	73	73	-	-	291

(in millions of dollars, unless otherwise stated)

i. City of Toronto (cont.)

Commitments	Amounts to be paid in: 2024	2025	2026	2027	2028	Thereafter	Total
Highland Creek Treatment Plant Biosolids Implementation Project and South Facility Upgrades Project	31	31	39	36	45	44	226
Service agreements for curbside collection services	52	53	32	13	13	14	177
School Crossing Guard Services	33	33	34	35	22	-	157
Service agreements for waste transport services in the City	18	19	19	20	21	43	140
Contracts with non-profit organizations for additional shelter services	85	6	-	-	-	-	91
Port Lands flood protection	80	8	-	-	-	-	88
Provision of information technology infrastructure	22	22	22	22	-	-	88
Service agreement for landfill operations, management and construction services	10	10	10	10	10	31	81
Waterfront Toronto Lakeshore bridge extension	61	20	-	-	-	-	81
Reconstruction of the Wallace-Emerson community recreation facility and above base park improvements	41	30	-	-	-	-	71
Provision of operation and maintenance services of the Disco Rd organics processing facility	12	12	12	12	12	5	65
Construction for liquid train upgrades and rehabilitation at the Highland Creek Treatment Plant	16	14	2	2	2	13	49
Short term hotel accommodations for meeting the increased demand of shelter beds that cannot be provided by the regular shelter system	47	-	-	-	-	-	47
Construction for the Coxwell Bypass Tunnel	24	18	-	-	-	-	42
Construction of North East Scarborough Community Centre and Child Care Centre	27	12	-	-	-	-	39
Construction of a new 900-600mm transmission watermain	24	10	5	-	-	-	39
Service agreement for Financial Information System	21	4	-	-	-	-	25
Total commitments	**$ 1,673**	**$ 1,029**	**$ 739**	**$ 521**	**$ 395**	**$ 971**	**$ 5,328**

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

	Amounts to be paid in:						
Commitments	**2024**	**2025**	**2026**	**2027**	**2028**	**Thereafter**	**Total**
Agreement for the provision of 340 Battery Electric Buses	$ 29	$ 397	$ 19	$ -	$ -	$ -	$ 445
Various agreements for the purchase of goods and services for multiple TTC capital projects	124	127	89	54	9	6	409
Train Operating and Funding Agreement (TOFA) with Metrolinx associated with the new Eglinton Crosstown LRT (Line 5) operations	33	34	35	36	37	209	384
Agreement for the provision of 264 Light Rail vehicles to the TTC – 210 delivered to date	192	78	-	-	-	-	270
Various agreements for the purchase of goods and services for multiple TCHC capital projects	14	122	68	4	7	24	239
Agreement for the provision of 336 Hybrid Electric Buses to the TTC – 245 delivered to date	143	-	-	-	-	-	143
Various agreements for the purchase of goods and services for multiple Toronto Zoo capital projects	55	-	-	-	-	-	55
Various agreements for the purchase of goods and services for the Toronto Parking Authority capital projects and operational needs	20	-	-	-	-	9	29
Agreement for the provision of 212 Low Floor Wheel trans Mini-Buses to the TTC – 138 delivered to date	12	6	-	-	-	-	18
Total commitments	**$ 622**	**$ 764**	**$ 211**	**$ 94**	**$ 53**	**$ 248**	**$ 1,992**

c. Lease commitments

At December 31, 2023, 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:

	2023
2024	$ 70
2025	47
2026	35
2027	23
2028	16
Thereafter	98
Total lease commitments	**$ 289**

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22. Budget data

Budget data presented in these Statements is based on the 2023 operating and capital budgets approved by City 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 (i.e., recognition of TCA), as well as the recognition of debt proceeds as a liability and non-cash expenditures such as amortization on TCAs. 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	$ 5,409	$ -	$ -	$ -	$ (112)	$ 5,297
Government transfers	4,284	833	19	(3)	92	5,225
User charges	1,784	1,242	1,932	(87)	(1,169)	3,702
Municipal land transfer tax	944	-	-	-	-	944
Development charges	-	689	-	-	-	689
Rent and concessions	58	-	-	448	-	506
Investment income	288	-	-	-	12	300
Other revenue sources	1,663	2,814	86	(8)	(3,649)	906
Total revenues	**14,430**	**5,578**	**2,037**	**350**	**(4,826)**	**17,569**
Expenses:						
Transportation	2,997	2,236	142	(52)	(910)	4,413
Social and family services	3,828	352	-	-	(84)	4,096
Protection to persons and property	2,057	159	-	-	(78)	2,138
Environmental services	124	1,546	1,895	-	(2,091)	1,474
General government	3,174	701	-	-	(2,430)	1,445
Recreation and cultural services	1,037	402	-	(34)	(123)	1,282
Social housing	469	1	-	417	261	1,148
Health services	684	44	-	-	(24)	704
Planning and development	60	137	-	8	7	212
Total expenses	**14,430**	**5,578**	**2,037**	**339**	**(5,472)**	**16,912**
Annual surplus	**$ -**	**$ -**	**$ -**	**$ 11**	**$ 646**	**$ 657**

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)

22. Budget data (cont.)

a. Revenue adjustments (decrease of $4,826):

- Contributions to the City's operating fund, capital fund, and reserve and discretionary reserve funds ($2,532 – decrease)
- Proceeds from the issuance of long-term debt ($1,714 – decrease)
- Consolidated entities' budgets – revenues ($39 – decrease)
- Sale of properties and other adjustments required for accrual accounting ($541 – decrease)

b. Expenditure adjustments (decrease of $5,472):

- Withdrawals from City's operating fund, capital fund and reserve and discretionary reserve funds ($2,390 – decrease)
- Capitalization of tangible capital assets and recognition of amortization ($1,916 – decrease)
- Debt principal repayments ($495 – decrease)
- Consolidated entities' budgets – expenditures ($23 – decrease)
- Other adjustments required for accrual accounting ($648 – decrease)

23. Property taxes and taxation from other governments

	2023	2022
Tax levies from annual return of the property assessment roll	$ 5,210	$ 4,825
Tax levies from supplementary and omitted returns of the property assessment roll	63	47
Payments in lieu of tax	86	81
Heads and beds levy on public hospitals, provincial mental health facilities, universities, colleges, and correctional institutions	20	19
Other	1	2
Total property taxes and taxation from other governments	**$ 5,380**	**$ 4,974**

24. Government transfers

a. Government transfers by function

	2023	2022
Social and family services	$ 2,874	$ 2,238
Transportation	589	461
Health services	349	318
General government	100	218
Social housing	90	56
Protection to persons and property	76	63
Environmental services	36	46
Recreation and cultural services	26	26
Planning and development	21	51
	4,161	**3,477**
Add:		
COVID-19 impacts	90	935
Ministry of Health COVID-19 vaccination program	27	51
Total transfers by function	**$ 4,278**	**$ 4,463**

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b. Government transfers by source

	2023	2022
Operating transfers		
Federal	$ 978	$ 555
Provincial	2,667	3,236
Other	18	20
Total operating transfers	**3,663**	**3,811**
Capital transfers		
Federal	477	520
Provincial	132	126
Other	3	2
Total capital transfers	**612**	**648**
Other transfers	**3**	**4**
Total transfers by source	**$ 4,278**	**$ 4,463**

The Safe Restart Agreement (Agreement) concluded in 2022, and the City did not receive additional transfer payments from the Province of Ontario for this program in 2023. In previous years, it was used 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. No revenues were recognized in 2023 for municipal transit costs and lost revenues (2022 – $453).

Additionally in 2022, the City incurred significant costs related to the pandemic and the provincial government assisted for a portion of the City's operating budget shortfall. No similar revenues were recognized in 2023 (2022 – $235).

Other pandemic related amounts recognized includes Social Services Relief Funding and other funding of $23 (2022 – $114), and amounts allocated for Toronto Public Health's efforts of $69 (2022 – $114).

The City recognized $192 (2022 – $71) as part of the Government of Canada's Interim Housing Assistance Program. These additional transfer payments were provided by the federal government to recognize the City's efforts in offering interim housing services to asylum claimants in 2023.

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

25. Other revenue sources

	2023	2022 (Note 28)
Sale of properties and recycled materials	$ 193	$ 196
Utilities cut and other recoveries	138	89
Hotel, lodging and sign tax	105	67
Other income	509	397
Total other revenue sources	**$ 945**	**$ 749**

Other income consist of individual balances that are immaterial for disclosure purposes.

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26. Total expenses

		2023		2022 Restated (Note 2)
Salaries, wages and benefits	$	7,069	$	6,679
Contracted services		2,209		1,969
Transfer payments to agencies, corporations, and other external organizations		1,860		1,530
Amortization (Schedule 1)		1,776		1,651
Materials		1,387		1,269
Interest on long-term debt		421		375
Other		353		402
Total expenses	**$**	**15,075**	**$**	**13,875**

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

27. Fair value hierarchy and risk management

a. Fair value hierarchy

The fair value hierarchy of the City's financial instruments as at December 31, 2023 is as follows:

	2023							
		Level 1		Level 2		Level 3		Total
Investments	$	6,055	$	973	$	-	$	7,028
Bank indebtedness		-		143		-		143
Mortgages payable		-		451		-		451
Long-term debt		7,176		1,410		-		8,586
Total	**$**	**13,231**	**$**	**2,977**	**$**	**-**	**$**	**16,208**

There were no transfers between levels during 2023.

b. Risk management

The City's activities expose it to a range of financial risks, including credit risk, liquidity risk, and market risk (which includes interest rate risk and other price risk). The City's overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the City's financial performance.

Credit risk

Credit risk on financial instruments is the risk of financial loss occurring as a result of default or insolvency of a counterparty on its obligations to the City. The City is subject to credit risk with respect to its fixed income investments, accounts receivable, and loans receivable.

The fair value of the investment in debt securities represents the maximum credit risk exposure at the date of the financial statements. Credit risk is managed by the City's internal investment managers, as well as third-party investment managers, which are responsible for regular monitoring of credit exposures. The credit quality of financial assets is generally assessed by reference to external credit ratings where available, or to historical information about counterparty default rates. The City further mitigates its credit risk by limiting its investment portfolio to investments at the investment grade.

The City's exposure to credit risk associated with accounts receivable is assessed as low as a significant portion is due from other governments. A provision is recognized for any doubtful accounts, further mitigating credit risk.

With respect to loans receivable, the City manages and controls credit risk by dealing primarily with recognized, creditworthy third parties (Note 4).

b. Risk management (cont.)

Liquidity risk

Liquidity risk is the risk that the City will encounter difficulty in meeting obligations associated with its financial liabilities. The City is subject to liquidity risk through its accounts payable and debt. To manage its liquidity risk, the City performs extensive budgeting exercises, ongoing monitoring of its short-term cash flows, and has highly liquid securities that can be easily converted to cash to ensure it meets all short-term obligations. The City also has access to other liquid resources, such as council-directed reserve funds and revolving credit facilities. Furthermore, accounts payable are primarily due and settled within 30 days of receipt of an invoice. The contractual maturities of mortgages payable and long-term debt are disclosed in notes 13 and 14, respectively.

Market risk

Market risk is the risk that the fair value of future cash flows of investments and debt will fluctuate as a result of changes in market conditions, whether those changes are caused by factors specific to the individual investment, or factors affecting all securities traded in the market. Market risk encompasses a variety of financial risks, such as foreign currency risk, interest rate risk, and other price risk. The City recognizes that it is subject to market risk primarily through interest rate risk and other price risk.

i. Interest rate risk:

Interest rate risk is the risk that either future cash flows or the fair value of a financial instrument will fluctuate because of changes in market interest rates. The City is exposed to significant interest rate risk as a result of fixed income investments and fixed and floating rate debt.

- ***Fixed income investments:***

  The City is exposed to the risk of fluctuation in the fair value of its fixed income investments due to changes in interest rates. The City invests in debt instruments with varying terms to maturity. Those in the short-term investment portfolio have terms to maturity of eighteen months or less and as such have minimal sensitivity to changes in interest rates since these debt instruments have short maturity profiles and are usually held to maturity. However, debt instruments in the long-term investment portfolio are traded frequently at a high volume and rarely held to maturity – these have a greater sensitivity to changes in interest rates, which can cause fluctuations in fair value. For every 1% increase in the public market interest rates, the fair value of the investments held by the City as at December 31, 2023 would have decreased by approximately $182. For every 1% decline in public market interest rates, the fair value of the investments held by the City as at December 31, 2023 would have increased by approximately $182.

- ***Fixed and floating rate debt carried at fair value:***

  The City's net long-term debt, comprised mainly of debentures and mortgages, have lengthy terms and are not extinguished until maturity. They are therefore sensitive to changes in interest rates, which can cause fluctuations in fair value. For every 1% increase in public market interest rates, the net long-term debt held by the City as at December 31, 2023 would have decreased by $149. For every 1% decrease in public market interest rates, the net long-term debt held by the City as at December 31, 2023 would have increased by $168.

ii. Other price risk:

Other price risk refers to the risk that the fair value of financial instruments or future associated cash flows will fluctuate because of changes in market prices (other than those arising from interest rate risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar instruments traded in the market.

The City is exposed to other price risk due to its investments in a variety of marketable securities, including equities and fixed income instruments. Risk and volatility of investment returns are mitigated through diversification of investments. To minimize other price risk, the City operates within the constraints of an investment policy. Compliance to this policy is monitored by management, the Toronto Investment Board, and Council.

28. Comparative amounts

Certain 2022 comparative amounts have been regrouped from the Statements previously presented, to conform with the presentation adopted in 2023.

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

Toronto's climate action strategy (TransformTO Net Zero Strategy) aims to create a future Toronto that is zero carbon, equitable, healthy, prosperous and resilient. To achieve this, the City set an ambitious target to reduce community-wide greenhouse gas (GHG) emissions. 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 2021 sector-based GHG emissions inventory which shows Toronto's community wide emissions were 14.5 megatonnes (MT) of carbon dioxide equivalent (CO_2e), a four per cent increase over the 14 MT CO_2e emitted in 2020. Emissions were 41 per cent less than 1990 levels. The upward trend in emissions seen in 2021 is expected to continue. Toronto's next target, its 2025 target of a 45 per cent GHG emissions reduction from 1990 levels, is at risk if the upward trend in GHG emissions continues. Toronto must continue to scale up its GHG reduction programs and initiatives to reach its interim targets and net zero by 2040.

(in millions of dollars, unless otherwise stated)

Schedule 1: Consolidated schedule of tangible capital assets

As at and for the year ended December 31, 2023

	Cost						Accumulated Amortization				
	Beginning, as restated (Note 2)	Additions	Disposals / transfers	Revaluation	Donated	Ending	Beginning, as restated (Note 2)	Amortization	Disposals	Ending	Net book value
General											
Land	$ 4,458	$ 93	$ (21)	$ -	$ -	$ 4,530	$ -	$ -	$ -	$ -	$ 4,530
Land improvements	4,989	436	-	(2)	9	5,432	2,096	241	(1)	2,336	3,096
Buildings and building improvements	11,755	511	(57)	-	-	12,209	4,114	311	(49)	4,376	7,833
Machinery and equipment	3,056	349	(113)	-	-	3,292	2,030	236	(111)	2,155	1,137
Motor vehicles	2,932	411	(108)	-	-	3,235	1,884	225	(106)	2,003	1,232
Total general	**27,190**	**1,800**	**(299)**	**(2)**	**9**	**28,698**	**10,124**	**1,013**	**(267)**	**10,870**	**17,828**
Infrastructure											
Land	140	-	-	-	-	140	-	-	-	-	140
Buildings and building improvements	983	53	-	-	-	1,036	276	26	-	302	734
Machinery and equipment	3,103	299	-	-	-	3,402	1,584	104	-	1,688	1,714
Water and wastewater linear	7,794	1,312	(21)	-	-	9,085	2,747	132	(10)	2,869	6,216
Roads linear	5,708	586	(5)	-	-	6,289	2,691	144	(4)	2,831	3,458
Transit	11,696	416	-	-	-	12,112	5,476	357	-	5,833	6,279
Total infrastructure	**29,424**	**2,666**	**(26)**	**(2)**	**-**	**32,064**	**12,774**	**763**	**(14)**	**13,523**	**18,541**
Assets under construction	**6,684**	**505**	**(705)**	**-**	**-**	**6,484**	**-**	**-**	**-**	**-**	**6,484**
Total	**$ 63,298**	**$ 4,971**	**$ (1,030)**	**$ (2)**	**$ 9**	**$ 67,246**	**$ 22,898**	**$ 1,776**	**$ (281)**	**$ 24,393**	**$ 42,853**

(in millions of dollars, unless otherwise stated) Annual Financial Report 2023 • City of Toronto

Schedule 1: Consolidated schedule of tangible capital assets

As at and for the year ended December 31, 2022 (Restated – Note 2)

	Cost						Accumulated Amortization					
	Beginning	Transition adjustment for PS 3280 (Note 2)	Additions	Disposals / Transfers	Donated	Ending	Beginning	Transition adjustment for PS 3280 (Note 2)	Amortization	Disposals	Ending	Net book value
General												
Land	$ 4,187	$ -	$ 295	$ (32)	$ 8	$ 4,458	$ -	$ -	$ -	$ -	$ -	$ 4,458
Land improvements	4,605	13	385	(14)	-	4,989	1,877	8	211	-	2,096	2,893
Buildings and building improvements	10,661	222	903	(31)	-	11,755	3,670	165	304	(25)	4,114	7,641
Machinery and equipment	2,901	-	211	(56)	-	3,056	1,866	-	220	(56)	2,030	1,026
Motor vehicles	2,897	-	109	(74)	-	2,932	1,744	-	212	(72)	1,884	1,048
Total general	**25,251**	**235**	**1,903**	**(207)**	**8**	**27,190**	**9,157**	**173**	**947**	**(153)**	**10,124**	**17,066**
Infrastructure												
Land	140	-	-	-	-	140	-	-	-	-	-	140
Buildings and building improvements	974	-	9	-	-	983	252	-	24	-	276	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	2,651	-	110	(14)	2,747	5,047
Roads linear	5,219	-	489	-	-	5,708	2,574	-	117	-	2,691	3,017
Transit	11,300	12	384	-	-	11,696	5,107	9	360	-	5,476	6,220
Total infrastructure	**28,049**	**12**	**1,393**	**(30)**	**-**	**29,424**	**12,075**	**9**	**704**	**(14)**	**12,774**	**16,650**
Assets under construction	**6,323**	**-**	**391**	**(30)**	**-**	**6,684**	**-**	**-**	**-**	**-**	**-**	**6,684**
Total	**$ 59,623**	**$ 247**	**$ 3,687**	**$ (267)**	**$ 8**	**$ 63,298**	**$ 21,232**	**$ 182**	**1,651**	**$ (167)**	**$ 22,898**	**$ 40,400**

(in millions of dollars, unless otherwise stated)

Appendix 1: Consolidated schedule of government business enterprises

As at and for the year ended December 31, 2023 with comparatives to 2022

Condensed financial results ($)	Toronto Hydro Corporation		Toronto Parking Authority		Total	
Fiscal year ended	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Financial position						
Assets						
Current	$ 652	$ 526	$ 89	$ 119	$ 741	$ 645
Capital	6,597	6,144	275	230	6,872	6,374
Other	345	277	39	42	384	319
Total assets	**7,594**	**6,947**	**403**	**391**	**7,997**	**7,338**
Liabilities						
Current	1,089	1,183	63	55	1,152	1,238
Long-term	4,402	3,703	3	5	4,405	3,708
Total liabilities	**5,491**	**4,886**	**66**	**60**	**5,557**	**4,946**
Net equity	**$ 2,103**	**$ 2,061**	**$ 337**	**$ 331**	**$ 2,440**	**$ 2,392**
City's share (Note 7)	**$ 2,091**	**$ 2,049**	**$ 337**	**$ 331**	**$ 2,428**	**$ 2,380**
Results of operations						
Revenues	$ 3,713	$ 3,741	$ 152	$ 129	$ 3,865	$ 3,870
Expenses	3,573	3,576	114	97	3,687	3,673
Net income	**$ 140**	**$ 165**	**$ 38**	**$ 32**	**$ 178**	**$ 197**
City's share (Note 7)	**$ 140**	**$ 165**	**$ 38**	**$ 32**	**$ 178**	**$ 197**
Distribution to City (Note 7)	98	85	32	26	130	111
Net book value of assets sold from the City to Toronto Hydro Corporation	12	12	-	-	12	12

(in millions of dollars, unless otherwise stated)

Appendix 2: Consolidated schedule of segment disclosure — service

As at and for the year ended December 31, 2023

	General government	Protection to persons and property	Transportation	Environmental	Health	Social and family	Social housing	Recreation and cultural	Planning and development	Consolidated
Taxation*	$ 6,131	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 6,131
User charges	92	268	1,158	1,619	1	66	17	193	43	3,457
Government transfers**	208	76	589	36	353	2,879	90	26	21	4,278
Net GBE income	178	-	-	-	-	-	-	-	-	178
Other	530	96	487	276	9	29	504	173	177	2,281
Total revenues	**7,139**	**440**	**2,234**	**1,931**	**363**	**2,974**	**611**	**392**	**241**	**16,325**
Salaries, wages, and benefits	610	2,019	1,897	312	505	760	242	650	74	7,069
Materials	185	24	367	180	25	291	157	154	4	1,387
Contracted services	111	52	572	202	27	1,029	109	85	22	2,209
Interest on long-term debt	38	7	219	17	1	31	80	15	13	421
Transfer payments	(155)	65	6	134	46	1,408	181	124	51	1,860
Other	144	18	85	22	3	50	17	12	2	353
Amortization	129	56	928	276	5	1	282	97	2	1,776
Total expenses	**1,062**	**2,241**	**4,074**	**1,143**	**612**	**3,570**	**1,068**	**1,137**	**168**	**15,075**
Annual surplus (deficit)	**$ 6,077**	**$ (1,801)**	**$ (1,840)**	**$ 788**	**$ (249)**	**$ (596)**	**$ (457)**	**$ (745)**	**$ 73**	**$ 1,250**

*Taxation revenues are allocated to General Government for presentation purposes however fund all divisional activities and consolidated entities as required.
** Government transfers includes $90 of revenues recognized for COVID-19 Impacts and $27 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, 2022 (Restated – Note 2)

	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	297	174	10	16	479	170	42	1,737
Total revenues	**7,850**	**371**	**1,697**	**1,864**	**410**	**2,369**	**553**	**353**	**166**	**15,633**
Salaries, wages, and benefits	575	1,898	1,826	282	520	705	228	585	60	6,679
Materials	270	50	292	144	23	220	146	121	3	1,269
Contracted services	46	31	532	289	33	818	119	85	16	1,969
Interest on long-term debt	26	7	209	11	1	21	75	12	13	375
Transfer payments	(128)	53	(2)	125	55	1,222	154	95	(44)	1,530
Other	157	13	58	27	6	80	31	29	1	402
Amortization	135	52	872	240	4	14	250	82	2	1,651
Total expenses	**1,081**	**2,104**	**3,787**	**1,118**	**642**	**3,080**	**1,003**	**1,009**	**51**	**13,875**
Annual surplus (deficit)	**$ 6,769**	**$ (1,733)**	**$ (2,090)**	**$ 746**	**$ (232)**	**$ (711)**	**$ (450)**	**$ (656)**	**$ 115**	**$ 1,758**

*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 3: Consolidated schedule of segment disclosure — entity

As at and for the year ended December 31, 2023

	City	Toronto Police Service	Toronto Transit Commission	Toronto Public Library	Toronto Community Housing Corporation	Other Agencies and Corporations	Total
Taxation*	$ 6,131	$ -	$ -	$ -	$ -	$ -	$ 6,131
User charges	2,340	46	949	2	17	103	3,457
Government transfers	3,528	72	571	6	76	25	4,278
Net GBE income	178	-	-	-	-	-	178
Other	1,270	44	295	15	501	156	2,281
Total revenues	**13,447**	**162**	**1,815**	**23**	**594**	**284**	**16,325**
Salaries, wages, and benefits	3,577	1,317	1,663	175	211	126	7,069
Materials	1,070	-	252	3	156	(94)	1,387
Contracted services	1,645	44	353	38	109	20	2,209
Interest on long-term debt	333	5	-	-	80	3	421
Transfer payments	3,564	15	(1,287)	38	(278)	(192)	1,860
Other	272	6	61	2	17	(5)	353
Amortization	645	45	769	39	268	10	1,776
Total expenses	**11,106**	**1,432**	**1,811**	**295**	**563**	**(132)**	**15,075**
Annual surplus (deficit)	**$ 2,341**	**$ (1,270)**	**$ 4**	**$ (272)**	**$ 31**	**$ 416**	**$ 1,250**

*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, 2022 (Restated – Note 2)

	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	187	11	466	81	1,737
Total revenues	**13,330**	**131**	**1,401**	**19**	**532**	**220**	**15,633**
Salaries, wages, and benefits	3,350	1,237	1,616	162	213	101	6,679
Materials	1,000	28	226	3	145	(133)	1,269
Contracted services	1,431	23	334	36	116	29	1,969
Interest on long-term debt	291	5	-	-	75	4	375
Transfer payments	3,481	12	(1,389)	(218)	(293)	(63)	1,530
Other	312	4	41	4	31	10	402
Amortization	563	43	749	37	250	9	1,651
Total expenses	**10,428**	**1,352**	**1,577**	**24**	**537**	**(43)**	**13,875**
Annual surplus (deficit)	**$ 2,902**	**$ (1,221)**	**$ (176)**	**$ (5)**	**$ (5)**	**$ 263**	**$ 1,758**

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

Our sinking funds financial statements

What this section contains

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INDEPENDENT AUDITOR'S 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, 2023
- the statement of operations and accumulated deficit 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, 2023, and its results of operations and its 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 ***"Auditor's Responsibilities for the Audit of the Financial Statements"*** section of our auditor's 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.

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Page 2

Emphasis of Matter - Prospective Change in Accounting Policy

We draw attention to Note 4 to the financial statements which indicates that the Entity has adopted certain public sector accounting standards on a prospective basis. Note 4 also explains the adjustments that were applied to restate certain current period information as a result of the prospective application of these changes in accounting policies.

Our opinion is not modified in respect of this matter.

Emphasis of Matter - Comparative Information

We draw attention to Note 4 to the financial statements which explains that certain comparative information presented for the year ended December 31, 2022 has been restated.

Note 4 explains the reason for the restatement and also explains the adjustments that were applied to restate certain comparative information. Our opinion is not modified with respect of this matter.

As part of our audit of the financial statements for the year ended December 31, 2023, we also audited the adjustments that were applied to restate certain comparative information presented for the year ended December 31, 2022.

In our opinion, such adjustments are appropriate and have been properly applied.

Other Matter - Comparative Information

As part of our audit of the financial statements for the year ended December 31, 2023, we also audited the adjustments that were applied to restate certain comparative information presented for the year ended December 31, 2022. In our opinion, such adjustments are appropriate and have been properly applied.

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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

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Page 3

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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

- 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.

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Page 4

- 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 24, 2024

(in thousands of dollars, unless otherwise stated)

Statement of financial position

As at December 31, 2023 with comparatives to 2022

		2023		2022 Restated (Note 3, 4 and 11)
Financial assets				
Cash and cash equivalents	$	364,815	$	312,770
Accounts receivable		7,690		5,960
Investments (Note 5)		2,139,822		1,965,014
Total financial assets		**2,512,327**		**2,283,744**
Liabilities				
Accounts payable and accrued liabilities		38		81
Deferred revenue (Note 7)		41,546		-
Actuarial requirements (Note 6)		2,525,286		2,285,397
Total liabilities		**2,566,870**		**2,285,478**
Total accumulated deficit		**(54,543)**		**(1,734)**
Total liabilities and accumulated deficit	**$**	**2,512,327**	**$**	**2,283,744**

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

(in thousands of dollars, unless otherwise stated)

Statement of operations and accumulated deficit

For the year ended December 31, 2023 with comparatives to 2022

		2023		2022 Restated (Note 3 and 4)
Revenues				
Contributions	$	471,691	$	416,277
Investment income (Note 8)		15,308		18,793
Total revenues		**486,999**		**435,070**
Expenses				
Other expenses		(81)		-
Changes in actuarial requirements (Note 6)		539,889		473,946
Total expenses		**539,808**		**473,946**
Annual deficit		**(52,809)**		**(38,876)**
Accumulated (deficit) surplus – beginning of year		(1,734)		160,929
Adjustment for change in accounting policy (Note 3 and 4)		-		(123,787)
Adjusted accumulated (deficit) surplus – beginning of year		(1,734)		37,042
Accumulated deficit – end of year	**$**	**(54,543)**	**$**	**(1,734)**

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, 2023 with comparatives to 2022

	2023	2022 Restated (Note 3 and 4)
Cash flows provided by (used in):		
Operating activities		
Annual deficit	$ (52,809)	$ (38,876)
Deduct items not involving cash:		
Amortized discount on investments	-	(9,779)
	(52,809)	(48,655)
Changes in non-cash assets and liabilities:		
Accounts receivable	(1,730)	(7,164)
Accounts payable and accrued liabilities	(43)	-
Actuarial requirements	539,889	473,946
Cash provided by operating activities	**485,307**	**418,127**
Investing activities		
Purchase of investments	(748,681)	(686,377)
Proceeds from maturities of investments	88,726	35,894
Proceeds from sale of investments	526,693	273,543
Cash used in investing activities	**(133,262)**	**(376,940)**
Financing activities		
Maturity of debenture	(300,000)	-
Cash used in financing activities	**(300,000)**	**-**
Net increase in cash and cash equivalents during the year	**52,045**	**41,187**
Cash and cash equivalents – beginning of year	312,770	271,583
Cash and cash equivalents – end of year	**$ 364,815**	**$ 312,770**

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

Notes to the financial statements

For the year ended December 31, 2023

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 Funds debt when it matures. When the accumulated Sinking Funds exceeds the maturity value of the related debenture, the excess may be applied against other Sinking Funds accounts created for the same purpose.

Note 9 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

a. Basis of presentation

These financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards (PSAS) as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

b. Use of estimates and measurement uncertainty

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

c. Investments

Investments are measured at fair value and consist mainly of government and corporate bonds, money market securities, and guaranteed investment certificates, as well as equity pooled funds. Where there is a permanent loss in value, the investment value is written down to recognize the loss, with the corresponding write-down reflected in the Statement of Operations and Accumulated Deficit.

Investment transactions are recorded on a trade date basis and transaction costs are expensed as incurred.

Unrealized gains and losses arising from a change in fair value of investments are recognized as deferred revenue until the investments mature or are sold.

Realized gains and losses arising from disposition or maturity of investments are recognized in the Statement of Operations and Accumulated Deficit.

d. Financial instruments and fair value hierarchy

The following is a list of the Sinking Funds' financial instruments and their related measurement basis:

Financial assets	Measurement basis
Cash and cash equivalents	Cost / amortized cost
Accounts receivable	Cost / amortized cost
Investments	Fair value

Financial liabilities	Measurement basis
Accounts payable and accrued liabilities	Cost / amortized cost
Actuarial requirements	Cost / amortized cost

All financial instruments must be classified in accordance with the significance of the inputs used in making fair value measurements. The fair value hierarchy prioritizes the valuation techniques used to determine the fair value of a financial instrument based on whether the inputs to those techniques are observable or unobservable:

i. Level 1 – Derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

ii. Level 2 – Derived from quoted prices for similar assets and liabilities, quoted prices in markets that are not active, or models using inputs that are observable.

iii. Level 3 – Derived using discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable.

The fair value of the Sinking Funds' investments as at December 31, 2023, are Level 1.

e. Revenue recognition

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

Investment income includes interest income and realized gains and losses, net of bank service charges.

3. Change in accounting policies

a. Transition to public sector accounting standards

Up to December 31, 2022, these financial statements were prepared under a disclosed basis of accounting rather than PSAS, to allow for the use of fair value as the measurement basis for the Sinking Funds' investments, which was not a recognized measurement approach under PSAS.

As a result of the introduction of PS 3450 – Financial Instruments, PSAS now permits the use of fair value measurement on a prospective basis and therefore, effective January 1, 2023, the Sinking Funds' financial statements have been prepared in accordance with PSAS.

Under PSAS, a change in accounting policy is applied retroactively and requires restatement of the Sinking Funds' 2022 comparative figures. The comparative figures are now presented at amortized cost, which was the recognized measurement basis for investments under PSAS, prior to January 1, 2023.

For 2022, the year of transition, adjustments are made to the opening balances as a result of the change in accounting policy as seen in Note 4.

b. PS 3450 – Financial instruments

Effective January 1, 2023, the Sinking Funds adopted PS 3450 – Financial Instruments. In accordance with transitional provisions, this standard was adopted prospectively from the date of adoption and does not impact the Sinking Funds' 2022 comparative figures. This new standard provides comprehensive requirements for the recognition, measurement, presentation and disclosure of financial instruments.

Under PS 3450, all financial instruments, including investments, are included on the Statement of Financial Position and are measured either at fair value or amortized cost based on the characteristics of the instrument and the City's accounting policy choices (see above – Financial instruments and fair value hierarchy).

c. PS 1201 – Financial statement presentation

Effective January 1, 2023, the Sinking Funds adopted PS 1201 – Financial Statement Presentation. No significant changes were required as a result of implementing this new standard.

d. PS 2601 – Foreign currency translation

The Sinking Funds also adopted PS 2601 – Foreign Currency Translation, effective January 1, 2023. No significant changes were required as a result of implementing this new standard.

(in thousands of dollars, unless otherwise stated) Annual Financial Report 2023 • City of Toronto

4. Accounting changes

Effective January 1, 2023 the Sinking Funds' financial statements were prepared in accordance with PSAS including the prospective adoption of PS 3450 – Financial instruments resulting in the following restatement of the 2022 comparative figures:

	December 31, 2022		
	As previously reported	**Adjustments**	**As restated**
Statement of financial position			
Financial assets	$ 2,103,579	$ 180,165	$ 2,283,744
Liabilities	2,285,478	-	2,285,478
Accumulated deficit	**(181,899)**	**180,165**	**(1,734)**
Statement of operations and accumulated deficit			
Revenues	131,118	303,952	435,070
Expenses	473,946	-	473,946
Annual deficit	(342,828)	303,952	(38,876)
Accumulated surplus – beginning of year	160,929	-	160,929
Adjustment for change in accounting policy	-	(123,787)	(123,787)
Accumulated deficit – end of year	**(181,899)**	**180,165**	**(1,734)**
Statement of cash flows			
Annual deficit	(342,828)	303,952	(38,876)
Amortized discount on investments	(9,798)	19	(9,779)
Unrealized loss on investments	303,970	(303,970)	-
Accounts receivable	(2,502)	(4,662)	(7,164)
Actuarial requirements	473,946	-	473,946
Purchase of investments	(691,030)	4,653	(686,377)
Proceeds from maturities of investments	35,894	-	35,894
Proceeds from sale of investments	273,543	-	273,543
Net increase in cash and cash equivalents during the year	**41,195**	**(8)**	**41,187**
Cash and cash equivalents – beginning of year	271,583	-	271,583
Cash and cash equivalents – end of year	**$ 312,778**	**$ (8)**	**$ 312,770**

(in thousands of dollars, unless otherwise stated) Annual Financial Report 2023 • City of Toronto

5. Investments

		2023		2022 Restated (Note 3, 4 and 11)
Debt investments issued or guaranteed by:				
Provincial governments	$	1,239,076	$	1,170,341
City of Toronto		10,905		20,669
Other Canadian municipalities		24,273		27,092
Corporations		319,007		312,745
Total debt investments		**1,593,261**		**1,530,847**
Equity investments issued or guaranteed by:				
Corporations		546,561		434,167
Total equity investments		**546,561**		**434,167**
Total investments	**$**	**2,139,822**	**$**	**1,965,014**

The weighted average yield on the cost of the bond investment portfolio during the year was 1.2% (2022 – 0.9%). Average term to maturity on investments in the portfolio range is 12.6 years (2022 – 15.3 years).

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. Actuarial requirements

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

		2023		2022
Actuarial requirements – beginning of year	$	2,285,397	$	1,811,451
Add: change in actuarial liability requirements		539,889		473,946
		2,825,286		2,285,397
Less: value of debentures matured during the year		(300,000)		-
Actuarial requirements – end of year	**$**	**2,525,286**	**$**	**2,285,397**

7. Deferred revenue

Deferred revenue consists of unrealized gains and losses arising from the change in fair value on investments. The following table provides a summary of significant components of the deferred revenue balance:

	2023							
		Opening balance		In-year unrealized (losses)		In-year realized losses		Ending balance
Total deferred revenue	**$**	**-**	**$**	**(8,962)**	**$**	**50,508**	**$**	**41,546**

(in thousands of dollars, unless otherwise stated) Annual Financial Report 2023 • City of Toronto

8. Investment income

		2023		2022 Restated (Note 3 and 4)
Investment (loss) income	$	(6,980)	$	11,826
Interest income		22,288		6,967
Total investment income	**$**	**15,308**	**$**	**18,793**

9. Schedule of projected debenture maturities

For the year ended December 31, 2023, the following is a list of the projected maturities of the Sinking Funds debentures, held within the City of Toronto (2022 for comparison). The list only includes years when debentures are expected to mature.

		2023		2022
2023	$	-	$	300,000
2024		300,000		300,000
2025		300,000		300,000
2026		300,000		300,000
2027		700,000		700,000
2029		600,000		600,000
2030		200,000		200,000
2031		150,000		150,000
2032		300,000		300,000
2033		335,000		-
2035		400,000		400,000
2036		750,000		750,000
2039		330,000		330,000
2040		1,106,250		1,106,250
2041		650,000		650,000
2042		1,150,000		835,000
2044		300,000		300,000
2046		500,000		500,000
2048		300,000		300,000
2049		600,000		600,000
2051		350,000		350,000
2052		715,000		365,000
Total projected debenture maturities	**$**	**10,336,250**	**$**	**9,636,250**

10. Risk management

The Sinking Funds are subject to a range of financial risks including credit risk, liquidity risk, and market risk (which includes interest rate risk and other price risk) with respect to the investment portfolio. The Sinking Funds' overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Sinking Funds' financial performance.

a. Credit risk

Credit risk on financial instruments is the risk of financial loss occurring as a result of default or insolvency of a counterparty on its obligations to the Sinking Funds. The Sinking Funds are subject to credit risk with respect to fixed income investments.

The fair value of the investments in debt securities represents the maximum credit risk exposure at the date of the financial statements. Credit risk is managed by the Sinking Funds' internal investment managers, as well as third-party investment managers, which are responsible for regular monitoring of credit exposures. The credit quality of financial assets is generally assessed by reference to external credit ratings where available, or to historical information about counterparty default rates. The Sinking Funds further mitigate credit risk by limiting the investment portfolio to investments at the investment grade.

10. Risk management (cont.)

b. Liquidity risk

Liquidity risk is the risk that the Sinking Funds will be unable to settle or meet commitments as they come due. These commitments include payment of the funding obligations of the Sinking Funds. To manage liquidity risk, the Sinking Funds invest in a broader range of marketable securities, including equities and fixed income instruments that are actively traded and can be easily converted to cash.

c. Market risk

Market risk is the risk that the fair value of future cash flows of investments will fluctuate as a result of changes in market conditions, whether those changes are caused by factors specific to the individual investment, or factors affecting all securities traded in the market. Market risk encompasses a variety of financial risks, such as foreign currency risk, interest rate risk, and other price risk. The Sinking Funds are subject to market risk primarily through interest rate risk and other price risk.

i. Interest rate risk:

Interest rate risk is the risk that either future cash flows or the fair value of a financial instrument will fluctuate because of changes in market interest rates. The Sinking Funds are exposed to the risk of fluctuation in the fair value of their fixed income investments due to changes in interest rates. The Sinking Funds invest in debt instruments with varying terms to maturity. Debt instruments in the long-term investment portfolio are traded frequently at a high volume and rarely held to maturity – these have a greater sensitivity to changes in interest rates, which can cause fluctuations in fair value. For every 1% increase in the public market interest rates, the fair value of the fixed income investments held by the Sinking Funds as at December 31, 2023 would have decreased by approximately $202,523. For every 1% decrease in the public market interest rates, the fair value of the fixed income investments held by the Sinking Funds as at December 31, 2023 would have increased by approximately $202,523.

This fixed income investment sensitivity is mitigated by the liabilities of the Sinking Funds which have a similar duration and will have an opposite change in value under the same circumstances. Overall, due to the matching of the assets and liabilities, public market interest rate fluctuations will have a minimal impact on the net value of the Sinking Funds.

ii. Other price risk:

Other price risk refers to the risk that the fair value of financial instruments or future associated cash flows will fluctuate because of changes in market prices (other than those arising from interest rate risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar instruments traded in the market.

The Sinking Funds are exposed to other price risk due to investments in a variety of marketable securities, including equities and fixed income instruments. Risk and volatility of investment returns are mitigated through diversification of investments. To minimize other price risk, the Sinking Funds operate within the constraints of an investment policy. Compliance to this policy is monitored by management, the Toronto Investment Board, and City Council.

11. Comparative figures

Certain 2022 comparative figures have been regrouped from the financial statements previously presented, to conform with the presentation adopted in 2023.

Our consolidated trust funds financial statements

What this section contains

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INDEPENDENT AUDITOR'S 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, 2023
- the consolidated statement of operations and changes in fund balances for the year then ended
- the consolidated statement of cash flows 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, 2023, and its results of operations and fund balances and its cash flows for the year then ended in accordance with the basis of accounting described in Note 1 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 ***"Auditor's Responsibilities for the Audit of the Financial Statements"*** section of our auditor's 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.

Page 2

Emphasis of Matter - Financial Reporting Framework

We draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the Members of the City Council of the City of Toronto 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 the City Council of the City of Toronto 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 1 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of 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.

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Page 3

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

- 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 24, 2024

(in thousands of dollars, unless otherwise stated)

Consolidated statement of financial position

As at December 31, 2023 with comparatives to 2022

	2023	2022
Assets		
Cash	$ 6,113	$ 5,884
Accounts receivable	246	154
Due from City of Toronto (Note 3)	13,925	13,608
Investments (Note 4 and 6)	89,896	91,127
Total assets	**110,180**	**110,773**
Liabilities		
Accounts payable	173	158
Fund balances (Note 6)	**110,007**	**110,615**
Total liabilities and fund balances	$ **110,180**	$ **110,773**

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, 2023 with comparatives to 2022

		2023		2022
Revenues				
Investment income (loss) (Note 5 and 6)	$	9,795	$	(7,085)
Contributions and other income		15,957		14,960
Total revenues		**25,752**		**7,875**
Expenses		**26,360**		**13,441**
Annual deficit (Note 6)		**(608)**		**(5,566)**
Fund balances – beginning of year		110,615		116,181
Fund balances – end of year	**$**	**110,007**	**$**	**110,615**

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

(in thousands of dollars, unless otherwise stated)

Consolidated statement of cash flows

For the year ended December 31, 2023 with comparatives to 2022

	2023	2022
Cash flows provided by (used in):		
Operating activities		
Annual deficit	$ (608)	$ (5,566)
Add (deduct) items not involving cash:		
Unrealized (gain) loss on investments which does not involve cash	(8,553)	10,879
	(9,161)	5,313
Change in non-cash operating items:		
Accounts receivable – accrued interest on bank balance	(73)	(35)
Accounts receivable – other	1	(7)
Due from Toronto Police Services	(20)	5
Due from City of Toronto	(317)	(297)
Accounts payable	15	(12)
Cash (used in) provided by operating activities	**(9,555)**	**4,967**
Investing activities		
Purchase of investments	(20,350)	(22,235)
Proceeds from maturities of investments	6,335	6,449
Proceeds from sale of investments	23,799	11,016
Cash provided by (used in) investing activities	**9,784**	**(4,770)**
Net increase in cash during the year	**229**	**197**
Cash – beginning of year	5,884	5,687
Cash – end of year	**$ 6,113**	**$ 5,884**

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

(in thousands of dollars, unless otherwise stated)

Consolidated statement of continuity of fund balances

As at and for the year ended December 31, 2023

	Balance, beginning of year	Contributions	Investment income	Expenses	Balance, end of year
Investments held in trust for:					
Toronto Atmospheric Fund	$ 82,995	$ 12,887	$ 8,563	$ 22,885	$ 81,560
Keele Valley Site Post-Closure	7,703	-	99	-	7,802
Homes for the Aged Residents	6,411	2,845	288	3,020	6,524
Community Centre Development Levy Trust	5,463	-	275	-	5,738
Toronto Police Services Board Mounted Unit	2,015	-	167	41	2,141
Indemnity Deposit – Waterpark Place	1,212	-	69	-	1,281
Contract Aftercare Project	1,192	-	51	-	1,243
Community Services and Facilities	847	-	43	57	833
Regent Park Legacy Trust	785	-	40	-	825
Music Garden Trust Fund	628	-	26	8	646
Queen's Quay Community Services	366	-	18	28	356
Lakeshore Pedestrian Bridge	280	-	16	-	296
Children's Green House Trust	131	-	7	-	138
Green Lane Small Claims	124	-	6	-	130
Toronto Police Services Board	98	-	104	105	97
Public Art Maintenance Trust	79	-	4	-	83
Preservation Trust	57	-	3	-	60
Hugh Clydesdale	50	-	2	-	52
Michael Sansone	45	-	1	-	46
Tenant Displacement	33	-	2	-	35
90 Lisgar Street Trust	24	-	1	-	25
Other Trust Funds	77	225	10	216	96
Total	**$ 110,615**	**$ 15,957**	**$ 9,795**	**$ 26,360**	**$ 110,007**

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

(in thousands 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	Expenses (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.

Notes to the consolidated financial statements

For the year ended December 31, 2023

1. Summary of accounting policies

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

Expenses 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 expenses in the period incurred in the Consolidated Statement of Operations and Changes in Fund Balances.

2. 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/loss at the reporting date and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Due from City of Toronto

As at December 31, 2023 the Trust Funds have amounts due from the City of Toronto of $13,925 (2022 – $13,608) 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 2023 • City of Toronto

4. Investments

Investments consist of the following:

	2023		2022	
	Fair value	Book value	Fair value	Book value
Short-term investments	$ 6,573	$ 6,394	$ 6,418	$ 6,355
Mutual fund investments	83,323	64,125	84,709	76,666
Total investments	**$ 89,896**	**$ 70,519**	**$ 91,127**	**$ 83,021**

	2023	2022
Weighted average rate of return	6.07%	2.91%
Range of maturity dates	2024-2034	2023-2034
Excess of fair value over book value	$ 19,376	$ 8,106

5. Investment income (loss)

	2023	2022
Investment income	$ 215	$ 2,770
Interest income	1,027	1,081
Unrealized gain (loss) on change in fair value (Note 7)	8,553	(10,936)
Total investment income (loss)	**$ 9,795**	**$ (7,085)**

6. 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.

7. Capital management

In managing capital, the Trust Funds focus on liquid resources available for reinvestment. The Trust Funds' objective is to have sufficient liquid resources to meet payout requirements. The need for sufficient liquid resources is considered in the investment process. As at December 31, 2023, the Trust Funds have met their objective of having sufficient liquid resources to meet their current requirements.

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

	2023	2022	2021	2020	2019
Population (Note 1)	3,110,984	3,025,647	2,974,293	2,988,408	2,965,173
Households (Note 1)	1,292,432	1,256,980	1,211,822	1,217,573	1,208,300
Areas in square kilometres	634	634	634	634	634
Full-time employees	51,590	49,980	48,285	47,657	48,684
Housing starts	30,516	20,864	17,959	20,982	18,877
Building permit values	$ 14,189	$ 12,489	$ 12,911	$ 11,928	$ 11,144

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

	2023	2022	2021	2020	2019
Residential, multi-residential, new multi-residential, farmlands, and managed forest	$ 639,652	$ 631,031	$ 620,468	$ 610,239	$ 565,886
Commercial, industrial and pipeline	135,075	135,228	135,309	136,164	129,255
Total	**$ 774,727**	**$ 766,259**	**$ 755,777**	**$ 746,403**	**$ 695,141**
Total per capital	**$ 249,030**	**$ 253,255**	**$ 254,103**	**$ 249,766**	**$ 234,435**

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 reflects Current Value Assessment (CVA).

(in millions of dollars, unless otherwise stated)

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

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

	2023	2022	2021	2020	2019
City purposes	0.5132740	0.4789330	0.4580130	0.4467040	0.4537700
School board purposes	0.1530000	0.1530000	0.1530000	0.1530000	0.1610000
Total	**0.6662740**	**0.6319330**	**0.6110130**	**0.5997040**	**0.6147700**

b. Multi-residential (expressed in per cent)

	2023	2022	2021	2020	2019
City purposes	0.9748480	0.9403840	0.9403840	0.9403840	1.0323420
School board purposes	0.1530000	0.1530000	0.1530000	0.1530000	0.1610000
Total	**1.1278480**	**1.0933840**	**1.0933840**	**1.0933840**	**1.1933420**

c. Commercial (expressed in per cent)

	2023	2022	2021	2020	2019
City purposes	1.2898170	1.2420090	1.2001860	1.1918090	1.2467510
School board purposes	0.8800000	0.8800000	0.9024760	0.9800000	1.0300000
Total	**2.1698170**	**2.1220090**	**2.1026620**	**2.1718090**	**2.2767510**

d. Industrial (expressed in per cent)

	2023	2022	2021	2020	2019
City purposes	1.2909260	1.2046810	1.1853460	1.1736660	1.2178330
School board purposes	0.8800000	0.8800000	0.8800000	1.0672200	1.1108780
Total	**2.1709260**	**2.0846810**	**2.0653460**	**2.2408860**	**2.3287110**

e. Pipeline (expressed in per cent)

	2023	2022	2021	2020	2019
City purposes	0.9873160	0.9212560	0.8810160	0.8592620	0.8728550
School board purposes	0.8800000	0.8800000	0.8800000	1.2500000	1.2900000
Total	**1.8673160**	**1.8012560**	**1.7610160**	**2.1092620**	**2.1628550**

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 reflects Current Value Assessment (CVA).

4. Property taxes receivable – end of year

	2023	2022	2021	2020	2019
Amount	$ 684	$ 462	$ 381	$ 466	$ 255
Per capita	$ 220	$ 153	$ 128	$ 156	$ 86

(in millions of dollars, unless otherwise stated) Annual Financial Report 2023 ○ City of Toronto

5. Net long-term debt – end of year

		2023		2022		2021		2020		2019
Amount	$	8,586	$	8,859	$	8,146	$	7,654	$	7,104
Per capita	$	2,760	$	2,928	$	2,739	$	2,561	$	2,396

6. Interest charges for net long-term debt

		2023		2022		2021		2020		2019
Amount	$	421	$	365	$	364	$	343	$	334
Per capita	$	135	$	121	$	122	$	115	$	113

7. Long-term debt supported by property taxes

		2023		2022		2021		2020		2019
Gross long-term debt	$	9,037	$	9,299	$	8,535	$	8,003	$	7,393
Net long-term debt (net of sinking fund deposits)	$	8,586	$	8,859	$	8,146	$	7,654	$	7,104

8. Long-term debt and mortgages charges

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

		2023		2022		2021		2020		2019
Amount	$	1,030	$	880	$	902	$	666	$	776
Percentage of total consolidated expenses		6.83%		6.35%		6.81%		5.35%		6.09%

9. Legal debt limit (Note 3)

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

		2023		2022		2021		2020		2019
Property tax levy amount	$	5,273	$	4,872	$	4,672	$	4,559	$	4,312
Debt limit	$	791	$	731	$	701	$	684	$	647

10. Taxes collected

		2023		2022		2021		2020		2019
City collection	$	6,182	$	$6,129	$	6,093	$	5,239	$	5,302
Taxes transferred to the school board		2,119		2,083		2,075		2,229		2,193
Total	**$**	**8,301**	**$**	**8,212**	**$**	**8,168**	**$**	**7,468**	**$**	**7,495**

11. Trust funds balance – end of year

		2023		2022		2021		2020		2019
Trust funds – end of year	$	110	$	111	$	116	$	106	$	73

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) Annual Financial Report 2023 ○ City of Toronto

12. Summary of consolidated revenues and expenses

a. Consolidated revenues by source

	2023	2022 Restated	2021	2020	2019
Residential and commercial property taxation	$ 5,273	$ 4,872	$ 4,672	$ 4,559	$ 4,312
Transfers from other governments	4,278	4,463	4,682	4,070	3,493
User charges	3,457	3,224	2,798	2,864	3,526
Municipal land transfer tax	751	1,038	1,172	804	799
Rental and concessions	553	513	477	511	534
Development charges	446	344	365	263	398
Investment income	337	131	147	187	335
Government business enterprise earnings	178	197	146	129	234
Taxation from other government	107	102	95	91	98
Other	945	749	687	597	654
Total	**$ 16,325**	**$ 15,633**	**$ 15,241**	**$ 14,075**	**$ 14,383**

b. Consolidated expenses by function

	2023	2022 Restated	2021	2020	2019
Transportation	$ $4,074	$ 3,787	$ 3,648	$ 3,472	$ 3,581
Social and family services	3,570	3,080	2,658	2,627	2,553
Protection to persons and property	2,241	2,104	1,985	1,946	1,930
Environment services	1,143	1,118	1,148	1,008	1,043
Recreation and cultural services	1,137	1,009	969	938	1,073
Social housing	1,068	1,003	950	877	830
General government	1,062	1,081	1,066	919	886
Health services	612	642	687	536	497
Planning and development	168	51	132	130	358
Total	**$ $15,075**	**$ 13,875**	**$ 13,243**	**$ 12,453**	**$ 12,751**

c. Annual surplus

	2023	2022 Restated	2021	2020	2018
Annual surplus	**$ 1,250**	**$ 1,758**	**$ 1,998**	**$ 1,622**	**$ 1,632**

(in millions of dollars, unless otherwise stated) Annual Financial Report 2023 ○ City of Toronto

13. Accumulated surplus

		2023		2022 Restated		2021		2020		2019
Financial assets	$	17,301	$	16,702	$	14,941	$	14,113	$	12,310
Liabilities		26,903		26,089		23,320		22,718		20,530
Net debt		**(9,602)**		**(9,387)**		**(8,379)**		**(8,605)**		**(8,220)**
Non-financial assets		43,304		40,867		38,805		37,033		35,026
Accumulated surplus	**$**	**$33,702**	**$**	**31,480**	**$**	**30,426**	**$**	**28,428**	**$**	**26,806**

14. Consolidated summary of funding transfers from other governments

		2023		2022		2021		2020		2019
Social assistance	$	957	$	843	$	758	$	922	$	958
Child care assistance		901		694		482		398		497
Government of Canada transfer – TTC		557		342		203		57		504
Social housing		518		244		375		411		382
Health services		151		149		157		187		179
Pandemic support		117		986		1,743		1,191		-
Government of Canada transfer – capital		36		178		172		50		16
Province of Ontario transfer – capital		16		126		147		171		308
Other		1,025		901		645		683		649
Total	**$**	**4,278**	**$**	**4,463**	**$**	**4,682**	**$**	**4,070**	**$**	**3,493**

15. Consolidated expenses by object

		2023		2022 Restated		2021		2020		2019
Salaries, wages and benefits	$	7,069	$	6,679	$	6,418	$	6,127	$	6,042
Contracted services		2,209		1,969		1,754		1,584		1,910
Transfer payments		1,860		1,530		1,427		1,533		1,721
Amortization		1,776		1,651		1,554		1,432		1,383
Materials		1,387		1,269		1,284		1,078		866
Interest on long-term debt & TCHC mortgage		421		375		361		346		337
Other		353		402		445		353		492
Total	**$**	**15,075**	**$**	**13,875**	**$**	**13,243**	**$**	**12,453**	**$**	**12,751**

16. Reserve & reserve fund balance – end of year

		2023		2022		2021		2020		2019
Amount	**$**	**5,288**	**$**	**5,427**	**$**	**4,103**	**$**	**3,263**	**$**	**2,241**

(in millions of dollars, unless otherwise stated)

17. Tangible capital assets

	2023	2022 Restated	2021	2020	2019
Cost					
Infrastructure	$ 32,064	$ 29,424	$ 27,405	$ 26,682	$ 25,267
General assets	28,698	27,190	25,871	24,554	23,107
Assets under construction	6,484	6,684	6,323	5,141	4,812
Total – cost	**67,246**	**63,298**	**59,599**	**56,377**	**53,186**
Accumulated amortization					
General assets	10,870	10,124	9,370	8,666	8,027
Infrastructure	13,523	12,774	11,843	11,183	10,595
Total – accumulated amortization	**24,393**	**22,898**	**21,213**	**19,849**	**18,622**
Net book value	**$ $42,853**	**$ 40,400**	**$ 38,386**	**$ 36,528**	**$ 34,564**

18. Capital expenses by function

	2023	2022	2021	2020	2019
Transportation	$ 1,231	$ 837	$ 922	$ 860	$ 1,522
General government	148	169	(52)	55	101
Planning and development	84	7	71	86	258
Recreation and cultural services	79	60	91	85	98
Environment services	53	74	203	51	110
Protection to persons and property	16	27	12	34	22
Social housing	(0)	0	0	(5)	-
Health services	(1)	(1)	(0)	1	3
Social and family services	(5)	23	7	(5)	16
Total	**$ $1,605**	**$ $1,196**	**$ $1,254**	**$ $1,162**	**$ $2,130**

19. Property tax breakdown

	2023	2022	2021	2020	2019
Property taxes	**$ $5,273**	**$ 4,872**	**$ 4,672**	**$ 4,559**	**$ 4,312**
Payments in Lieu (PIL) of taxes (Note 4)					
Net assessment based	86	81	71	68	75
Non-assessment based	21	21	24	23	23
Total – PIL of taxes	**107**	**102**	**95**	**91**	**98**
Total property taxes	**$ 5,380**	**$ 4,974**	**$ 4,767**	**$ 4,650**	**$ 4,410**

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.