Our road to recovery

2021 Annual Financial Report
For the year ended December 31, 2021
Prepared by the Accounting Services division and the Environment & Energy division

City of Toronto, Canada

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Our mayor's message

I am pleased to share with you the City of Toronto's 2021 Annual Financial Report.

The story of 2021 is one of adversity and hope, a year of rallying together and embracing firsts.

Toronto entered 2021 in the second year of the COVID-19 pandemic, but hope was on the horizon as vaccine doses were arriving in Toronto and we got to work on an ambitious campaign to vaccinate eligible residents – starting with large scale mass vaccination clinics and prioritizing our most vulnerable residents and front-line workers.

In June, we made history with Toronto Vaccine Day, where close to 27,000 vaccines were administered in a single day, surpassing the North American record. The hugely successful event was made possible through private and public sector partnerships and the help of nearly 1,500 staff and volunteers.

From there, smaller, mobile vaccine teams were deployed to high priority neighbourhoods, and we engaged in a micro-targeted, multi-lingual campaign to reach equity-deserving and vaccine hesitant communities to remove any vaccine access barriers. The goal was to make COVID-19 vaccines as accessible and convenient as possible and to bring vaccines to where residents live, work and play.

Standing by our commitment to Toronto's vulnerable residents, we launched a pilot focused on helping people in crisis using a supportive approach lead by multidisciplinary teams of crisis workers. In partnership with the federal government, we announced the development of 128 modular homes and 334 homes with support services for people in need.

As the City experienced a decline in revenues, particularly a reduction in transit revenue, we worked collaboratively with our partners at the federal and provincial governments to secure much-needed emergency funding. This funding provided relief to small businesses, protected capital investments in transit, enhanced homeless shelters and respite sites and increased affordable housing among other important investments.

Throughout the year we kept our focus on resilience and rebuilding. The City continued to rapidly evolve, modernize and digitize service delivery to improve access to services while providing a consistent service experience. We implemented a 15 per cent property tax reduction for small businesses to help put them on track for success and celebrated expansion in the film, television and digital media sector. The completion of Union Station's Bay concourse – a major infrastructure project - signalled our readiness to welcome people back to downtown Toronto.

The challenges we faced in 2021 pushed us to innovate and collaborate in new ways to meet the needs of our businesses and residents and keep Toronto's spirit alive. I know that in the year ahead Toronto will be focused on moving forward and reopening – where we can celebrate a time of coming together after so long apart. We are committed to coming back stronger than ever and the work done in 2021, including our responsible fiscal management, will ensure that comeback.

July 19, 2022
Mayor John Tory

Financial highlights

"At the end of 2020, the future felt uncertain, but there was hope, with the introduction of the COVID-19 vaccine and support from our provincial and federal partners...we will build back better and stronger."

What this section contains

Our chief financial officer and treasurer's message

In 2021, the world continued to experience challenges brought about by the COVID-19 pandemic; the City of Toronto was no different. We remained in a state of emergency, prioritizing efforts to maintain operations and deliver essential services, particularly to members of vulnerable communities, while closely monitoring the state of our finances. One of our top priorities was the execution of the City's mass immunization program, guided by our Immunization Task Force and administered by Team Toronto. Through the efforts of countless individuals, Team Toronto administered over 7 million vaccinations through five City-run mass immunization clinics, over 2,500 mobile and pop-up clinics, and a host of other locations across the city. By the end of 2021, more than 90% of residents in long-term care homes had received their fourth dose of the COVID-19 vaccine, while 89% of residents aged 12 and older received at least one dose of the COVID-19 vaccine. By the end of the year, the Ministry of Health provided more than $80 million of additional program funding to support our immunization efforts – the receipt of this revenue allowed us to continue protecting our community and start our road to recovery.

A significant portion of our 2021 revenues came from program funding provided by senior levels of government. In total, we received close to $1.8 billion in program funding, which was distributed as part of the Provincial Safe Restart Agreement, the Social Services Relief Fund, and the Ministry of Health COVID-19 Vaccination Program. It's important to note the significance of these revenues – in 2021, program funding supported 35.4% of our operating expenses as compared to a five year average of 26.4% of our pre-pandemic operating costs. The City's revenues were made whole by the Provincial and Federal governments, whose support was crucial to our ability to continue our services, our safe restart, and our continuing recovery efforts.

Our 2021 expenses of $13.2 billion increased by $790 million, or 6.3%, over 2020. We sustained delivery of essential and frontline services, such as waste collection, water treatment and transportation, supporting residents and businesses with activities considered normal service delivery. However, our ongoing pandemic response resulted in added costs in the areas of transit, public health, shelter services and long term care, with particular emphasis on protecting the most vulnerable sectors of our community.

Despite a challenging year, we kicked-off our modernization initiative, the Financial Systems Transformation Project that will enhance financial information available to decision-makers and support financial sustainability. In addition, 2021 saw the release of our first-ever Environmental, Social and Governance (ESG) Report, which showcases our focus on ESG-related opportunities and risks across strategic priorities, sustainable finance and socioeconomic outcomes, as well as leadership in advancing the importance of sustainability reporting by becoming the first Canadian government to provide this report to the public and investment community. Our commitment to investments that enhance social and sustainability outcomes was evidenced by the issuance of a $100 million social debenture offering and a $150 million green debenture offering, which supplemented our conventional bond offerings, totalling $1 billion obtained to finance critical capital projects. Our leadership in this space was recognized at the 2021 Environmental Finance Bond Awards with a "Social Bond of the Year – Local Authority/Municipality" award.

Our prudent and conservative financial measures allowed us to continue investing in City infrastructure, increase the level of financial funding we provided to various community and social support programs, sustain property tax and rent relief programs, offer outreach and engage our most vulnerable residents, and bring access to COVID-19 vaccinations to as many communities as possible – these initiatives allowed us to ensure the health and well-being of all residents in our city.

Through sound governance, prudent fiscal planning, robust debt policies, and the support of senior levels of government who recognized the importance of a whole of government partnership, Toronto maintained strong credit ratings in 2021, comparable to other Canadian cities like Ottawa, Calgary and Edmonton. Our sensible financial management strategies continue into 2022, as we build on recovery efforts, sustain critical services, and expand environmentally and socially responsible investments.

As the City experienced a decline in revenues, particularly a reduction in transit revenue, we worked collaboratively with our partners at the federal and provincial governments to secure much-needed emergency funding. This funding provided relief to small businesses, protected capital investments in transit, enhanced homeless shelters and respite sites and increased affordable housing among other important investments.

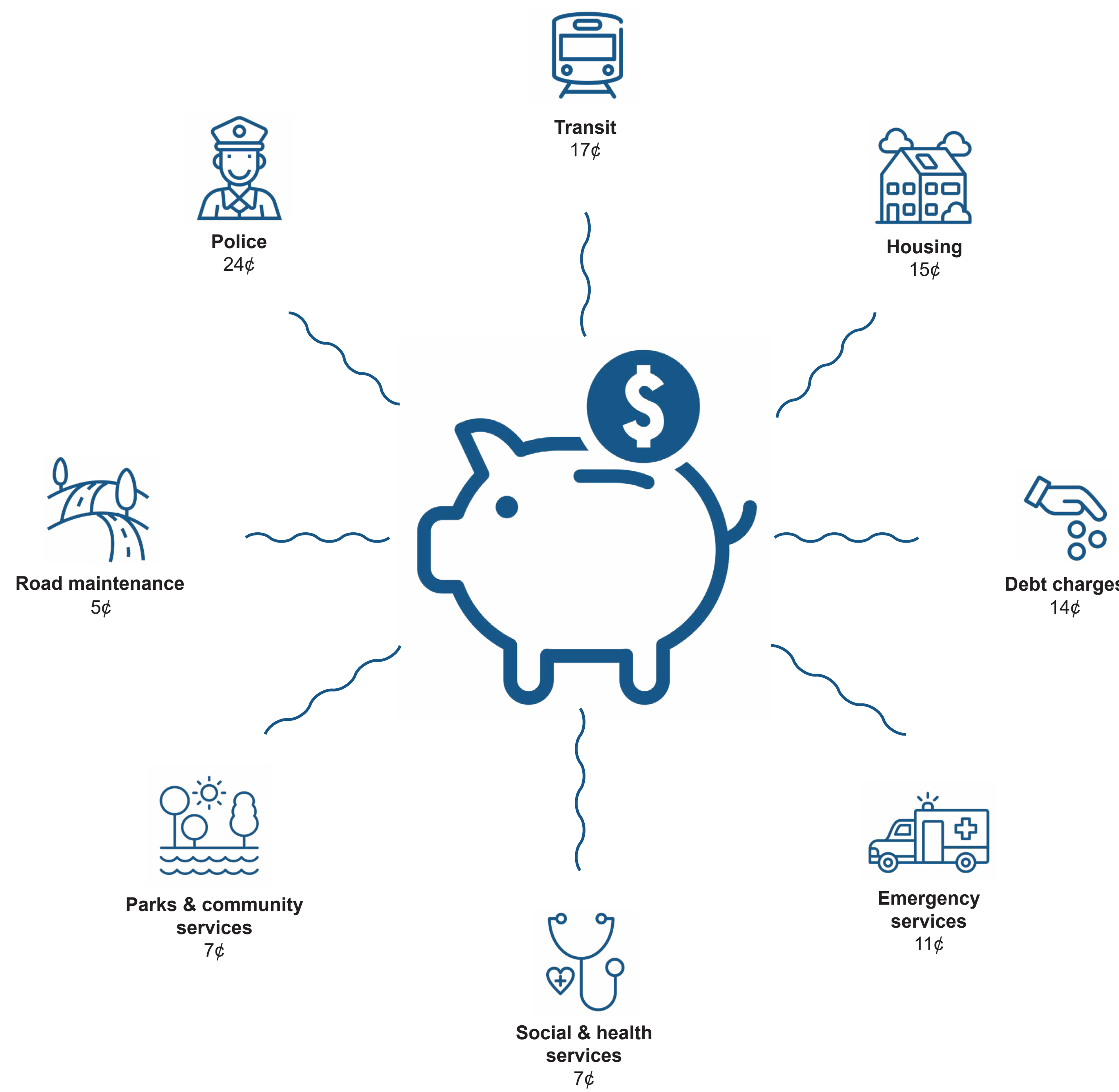
At the end of 2020, the future felt uncertain, but there was hope, with the introduction of the COVID-19 vaccine and support from our provincial and federal partners. We continued to focus on public health and finding innovative approaches to minimize financial losses, on the road to recovery as the end of 2021 approached. Our credit rating agencies also demonstrated their confidence in our city, as well as our strong financial management, by affirming our credit ratings for 2021. Although pandemic related impacts continued into 2022, we are in a better place and know that with ongoing fiscal restraints and supports, we will build back better and stronger.

I continue to be grateful for the contributions made by City staff and the partnerships that we have developed over the past few years that allowed us to provide the most assistance possible to Toronto residents. As we close off 2021, our focus on the financial balance sheet and financial health of the City will allow us to continue to execute on the services that make us proud to call Toronto home.

July 19, 2022
Heather Taylor
Chief Financial Officer and Treasurer

Where your money goes

Every dollar that we spend goes to support:



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How we reconcile our budget

On an annual basis, we prepare a balanced budget, which incorporates our expectations of expenditures and sources of revenue required to provide planned services. Once prepared, we present the financial information to City Council to share details of our planned operating and capital activities, and receive their approval for property tax rate increases for the year.

Components of the budget consider how the City plans to pay for (i.e. "fund") its future cash requirements. In order to support this perspective, we present the budget using a methodology known as the "modified cash" basis, which allows us to recognize current year cash inflows and outflows, as well as expenditures that need to be paid shortly after the end of our fiscal year. Key components of the budget include:

- Funding sources: collection of property taxes and user fees, receipt of provincial and federal government grants, issuance of long-term debt, or use of the City's reserves and discretionary reserve funds.
- Estimated expenditures: recognition of amounts used to sustain daily operations, and support key initiatives, including the rollout of vaccination clinics and education programs, partnerships with Black-mandated and Indigenous-led organizations, and investments in infrastructure to respond to known and emerging needs in our growing city.

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

In contrast, we use the financial statements to provide key financial information to the public. Specifically, the financial statements demonstrate how we used existing resources to pay for expenditures, and to disclose what type of future commitments we have made to external individuals and organizations to carry out our services. As we provide a long-term perspective of our financial condition and performance, we are required to use a presentation approach known as "accrual accounting", which is established by the Chartered Professional Accountants of Canada, and the Public Sector Accounting Board as part of the Public Sector Accounting Standards.

Accrual accounting requires that financial transactions be recorded and reported when they occur, regardless of when cash is ultimately collected or paid. 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.

Given that modified cash and accrual accounting methodologies offer different perspectives regarding the types of transactions and when they are recognized, we have provided a reconciliation of the revenues and expenses included in our budget and financial statements. The table below summarizes how our balanced budgets for the operating fund, capital fund, programs funded by user fees versus property taxes (e.g. solid waste management and water and wastewater management), and consolidated entities (i.e. Agencies and Corporations) are altered to conform with accrual accounting principles.

Our adjustments allow us to eliminate cash inflows and outflows that are not considered as sources of revenue and expenses under accrual accounting principles. As a result, the budget in our financial statements:

- Does not recognize contributions to or withdrawals from our reserves and discretionary reserve funds, receipt of proceeds from the issuance and principal repayments of our long-term debt, recovery of costs from our internal programs, and miscellaneous re-classifications between revenues and expenses (done to correct the presentation of balances, such as the provision of waste management rebates or to transfer payments collected from residents to child care operators); and
- Recognizes tangible capital assets 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 modified cash basis to accrual accounting basis, we often recognize an accounting surplus. As noted above, this is due to the accrual accounting method which recognizes revenue when amounts are earned, regardless of whether cash has been received – circumstances like these are captured in the financial statements and therefore, contribute to the recognition of an overall accounting surplus.

The below table summarizes the adjustments to the budget information that is originally prepared on a modified cash basis to accrual accounting basis:

	Approved by Council					
	Operating	Capital	Non-levy	Consolidated entities	Adjustments	Total adjusted budget
Revenues						
Property and taxation from other governments	$ 4,818	$ -	$ -	$ -	$ (128)	$ 4,690
Government transfers	4,154	596	-	(2)	92	4,840
User charges	1,117	1,231	1,896	(45)	(1,117)	3,082
Municipal land transfer tax	694	-	-	-	-	694
Other revenue sources	1,207	2,757	-	14	(3,409)	569
Rent and concessions	60	-	-	397	-	457
Development charges	-	552	-	-	-	552
Investment income	257	-	-	38	(29)	266
Total revenues	**12,307**	**5,136**	**1,896**	**402**	**(4,591)**	**15,150**
Expenses						
Transportation	2,683	1,902	155	(21)	(390)	4,329
Social and family services	2,970	467	-	-	(260)	3,177
Protection to persons and property	1,919	118	-	-	(42)	1,995
Recreation and cultural services	913	371	-	(28)	(91)	1,165
Environmental services	166	1,438	1,749	-	(1,982)	1,371
General government	2,538	524	-	-	(1,786)	1,276
Social housing	443	161	-	360	214	1,178
Health services	618	19	-	-	(12)	625
Planning and development	57	136	(8)	16	12	213
Total expenses	**12,307**	**5,136**	**1,896**	**327**	**(4,337)**	**15,329**
Annual surplus / (deficit)	**$ -**	**$ -**	**$ -**	**$ 75**	**$ (254)**	**$ (179)**

(in millions of dollars, unless otherwise stated)

Our financial position and performance

Quick recap: key accounting terms

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

- **Financial assets**: resources, either cash or readily convertible to cash, such as accounts receivable and investments. These resources are used to settle ongoing obligations to external individuals and organizations and are not generally used to provide goods and/or services.
- **Liabilities**: obligations, such as accounts payable and long-term debt, to external individuals and organizations that we need to settle in future years.
- **Net debt**: balance, which is also a key financial indicator that reflects whether we have sufficient resources on hand or will need to rely on additional revenues in the future in order to successfully settle our liabilities. When there are more financial assets than liabilities, we recognize a "net asset" 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 and inventories, which are used or directly consumed to provide services. Tangible capital assets are a significant economic resource and a key component in the delivery of our services to residents. They include diverse items such as roads, bridges, buildings, vehicles, equipment, land, water and wastewater infrastructure, and computer hardware and software. These assets have an estimated useful life, which allows us to monitor what proportion of the asset has been consumed in the delivery of services and the approximate age of our assets to identify potential asset replacement needs.
- **Revenues**: amounts recognized into earnings upon the provision of a good and/or service or as a result of a specified event (e.g. issuance of a parking ticket). Common sources of revenue include property taxes, provincial and federal grants and user fees.
- **Expenses**: costs incurred to maintain City operations, as well as support service delivery to residents and businesses. Common examples of expenses include cost of snow removal and garbage collection, operating cost of emergency and temporary shelters for vulnerable residents, and the cost of public health nurses and other medical personnel, as well as various facilities which were rented to provide residents with access to vaccination clinics throughout the city.
- **Annual surplus**: accrual accounting based balance that results when revenues exceed expenses in a given year. For financial statement purposes, this balance helps us determine whether we were able to collect and recognize sufficient revenues used to support operations and service delivery.
  - **Is this the same as a budgeted surplus**? No, the budgeted surplus and accounting surplus are determined using a different set of principles. Specifically, the budgeted surplus is calculated using the modified cash basis of accounting to allow us to trace the movement of our cash balance during the year, whereas the accounting surplus is determined using accrual accounting principles, which allows us to recognize revenue in the year in which it is earned and expenses when incurred, regardless of when cash is received or paid.

Our balance sheet: what do we owe or own?

Our Statement of Financial Position (balance sheet) provides an overview of all resources that we own, as well as the obligations that are owed to our employees, other individuals and organizations at the end of the reporting period (i.e. December 31st). Key financial statement line items that are featured in the balance sheet, and year-over-year changes, are as follows:

	2021	2020	Increase / (decrease)	Per cent change
Total financial assets	$ 14,941	$ 14,113	$ 828	5.9
Total liabilities	23,320	22,718	602	2.6
Net debt	8,379	8,605	(226)	(2.6)
Total non-financial assets	$ 38,805	$ 37,033	$ 1,772	4.8

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

- **Financial assets** increased mainly as a result of the growth of our cash and cash equivalents balance, which reflected our ability to resume our collection of outstanding accounts and taxes receivables, the accumulation of development charges to be used towards eligible capital projects in future periods, issuance of long-term debt, and receipt of dividends from our government business enterprises (Toronto Hydro Corporation and Toronto Parking Authority). It was important for us to maintain a greater amount of resources, which could be easily convertible to cash, to allow us to quickly respond to pandemic-related needs.
- **Liabilities** increased this year in response to our efforts recovering from the pandemic. We observed that a greater number of planning applications (e.g. community development and building applications) were submitted by external developers, which resulted in increased collection of development charges – these cash advances will eventually be recognized as part of our revenues once the development activities occur. We also issued long-term debt in the current year to allow us to continue investing in our infrastructure to improve and strengthen our service delivery to residents and businesses. Finally, our estimated costs associated with future environmental remediation activities, obligations owed to employees as part of our employee benefit plans, and clean-up of our landfills were affected by overall increase in price of materials, contracted services, and equipment, changes in actuarial assumptions used to determine our future costs, as well as increased labour costs largely due to use of external and internal labour to supplement critical frontline services and allow us to respond to the pandemic.
- **Net debt** decreased on an overall basis due to us recognizing more financial assets than liabilities in the current year. Although this downward trend is favourable for us, it is important to note that the presence of this balance indicates that we will have to raise additional revenues in the future to pay for our current obligations.
- **Non-financial assets** increased during the year primarily due to our continued investments in our tangible capital assets for purposes of supporting service delivery to residents and businesses. Examples of infrastructure we acquired and constructed during the year include additional cycle tracks built around the city, opening of new permanent shelters and enhancements of existing shelters to continue meeting public health protocols and guidelines, and rehabilitation of various bridges and roads.

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

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

	2021	2020	Increase / (decrease)	Per cent change
Total revenues	$ 15,241	$ 14,075	$ 1,166	8.3
Total expenses	13,243	12,453	790	6.3
Annual accounting surplus	$ 1,998	$ 1,622	$ 376	23.2

- **Revenue** increased mainly due to increases in taxation rates, government grants which supported our response to the pandemic, municipal land transfer taxes collected from real estate sales, and previously collected development charges applied to eligible capital projects for community investment purposes. It is important to note that we relied on government grants more significantly than in prior periods. In 2021, government grants recognized as revenue supported 35.4 per cent of our operating expenses whereas in pre-pandemic years, government grants, on average, only supported 26.4 per cent of our operating costs.
- **Expenses i**ncreased primarily as a result of our pandemic response efforts. More emphasis was placed on the delivery of essential and frontline services, including the operation of mass immunization clinics and expanded shelter services, with additional costs also incurred to ensure we had sufficient personnel sustaining our critical frontline services and vulnerable sectors of the community.
- **Annual accounting surplus** represents the excess of revenues over expenses, which results from accrual accounting principles reflected in the Statement of Operations. In 2021, the City sustained its operations through government grants provided by senior levels of government for purposes of responding to ongoing financial pressures caused by the pandemic and maintaining the City's provision of critical frontline services.

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Our investments and debt portfolio

Managing our investments

Our overall cash requirements are dynamic and dependent on daily operations, as well as long-term activities. In order to accommodate our cash needs, we monitor and review our working capital and in particular, our investments portfolio, to ensure that we have, or will have, sufficient resources on hand to finance our short-term and long-term expenditures. We recognize the importance of minimizing our exposure to market volatility and therefore, take prudent measures to diversify the types of investments that we acquire.

We recognized investments of $3.7 billion as at December 31, 2021, which is reflected on our balance sheet. This balance excludes our sinking fund investments, which are discussed in the next section, as they offset our long-term debt balance. On an overall basis, our investments remained relatively stable when compared to the previous period – the ending balance only grew by $6 or less than 1.0 per cent.

Our investment portfolio that we use to finance our daily operations and future commitments consists of both short-term and long-term assets:

- **Short-term investment portfolio**: we held a greater amount of investments in this portfolio to allow us to have more resources that are cash and cash equivalents that could be easily converted to cash and used to support our essential pandemic-related efforts.
- **Long-term investment portfolio**: we maintained a diversified asset mix in accordance with our investment policy. These investments were managed by external investment managers that are overseen by the Toronto Investment Board.

Consistent with trends noted in 2020, the Bank of Canada's policy decision to sustain low interest rates during the pandemic limited the rate of return achieved by our investments and ultimately resulted in lower investment income, a major source of revenue, in comparison to what was originally estimated and prior year's results. Key figures associated with each of our portfolios is as follows:

Investment portfolio type	Average balance	Rate of return
Short-term	$ 5.2 billion	0.7%
Long-term	$ 3.7 billion	1.9%

Overview of our long-term debt

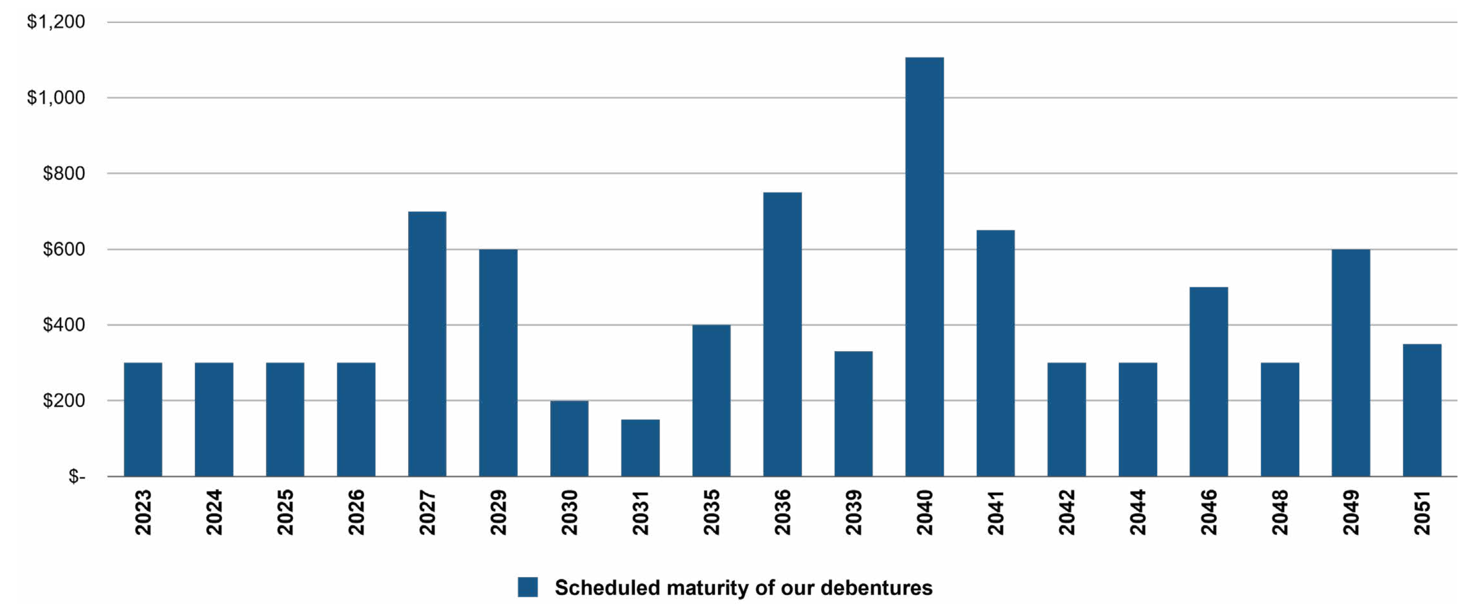
In 2021, our long-term debt balance increased by $492 or 6.4 per cent, to $8,146 mainly as a result of the issuance of additional debentures ($1.0 billion), in excess of the retirement of maturing debt ($650), net of applicable accounting adjustments. We continued to sustain our long-term borrowing activities in order to support our investments in critical capital infrastructure intended to strengthen our affordable housing program, the quality and reliability of transit services, and improve our ability to respond to and address climate-related risks. We also issued long-term debt to construct, improve, or extend the useful life of bridges, roads, libraries, fire/ambulance stations, community centres, and other major infrastructure assets. Debt was issued conservatively to support our investments in critical infrastructure aimed at strengthening our ability to deliver services.

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

- **Green debenture program**: initially started in 2018, we use the proceeds from green debentures to help finance capital projects that meet our environmental objectives, including: climate change mitigation and adaptation, greenhouse gas abatement and avoidance, waste management, and control and avoidance of various pollutants. In 2021, we issued $150 million of green debentures.
- **Social debenture program**: initially started in 2020, this program helps advance positive social action and sustainability in our city. Examples of capital projects financed using social debentures include affordable housing and basic infrastructure and socioeconomic advancement and empowerment. In 2021, we issued $100 million of social debentures.

Overview of our long-term debt (cont.)

We have a series of long-term debt scheduled to mature between 2023 and 2051 (see Figure 1). In order to sustain our long-term borrowing programs, we recognize that it is also important to monitor our exposure to financing risks. Specifically, we maintain a separate set of investments known as sinking funds to help us prepare for future debt repayments. The duration of our sinking fund investments are aligned with the repayment periods of our long-term debt, which allows us to better manage the interest rate risk associated with the portfolio. In 2021, our sinking funds had an average balance of $2.2 billion and generated a rate of return of 0.9 per cent. The below figure highlights all of the debentures that will be settled (i.e. paid in full) over time.



Our credit ratings

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

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

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

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

In 2021, the credit rating agencies reaffirmed our credit ratings and acknowledged that despite the financial impacts resulting from the COVID-19 pandemic, we were able to sustain our financial performance through a combination of prudent financial management practices, broad tax base, and continued receipt of financial support from the provincial and federal governments. Our long-term debt levels were also considered to be reasonable and in line with other Canadian municipalities. For instance, in the current year, we would have been able to support 56.8% of our long-term debt using our operating revenues, which was considered to be a moderate debt burden for a municipality of our size based on the rating scale used by our credit rating agencies.

S&P	DBRS	Moody's
AA	AA	Aa1

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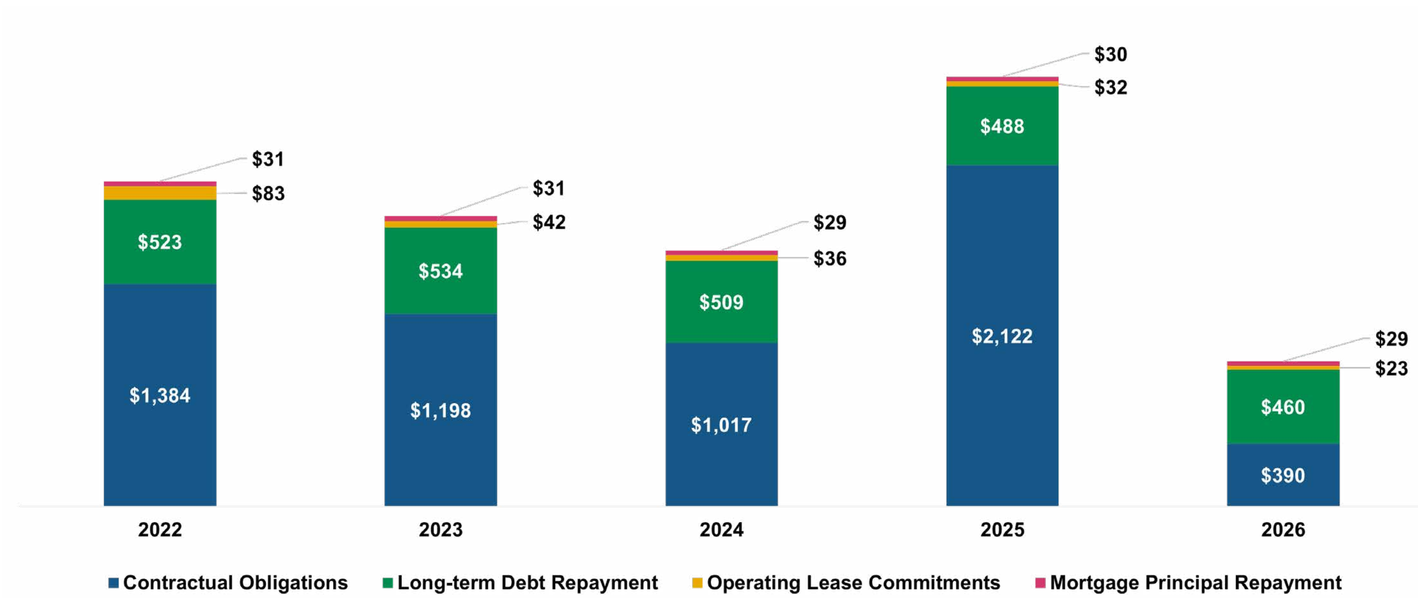
Our upcoming cash requirements

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

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



As shown on the graph, our annual cash requirements will vary on an annual basis in response to scheduled events or activities, such as when we expect to pay an external vendor for their services and/or goods (e.g. upon delivery of light rail vehicles or to settle our existing long-term debt). These cash requirements are variable in nature and are subject to change based on operational priorities or changes in the external environment (e.g. changes to legislation and occurrence of an unanticipated event). In order to ensure we have sufficient cash on hand to pay for future commitments, it is important to monitor our cash balances and prioritize our spending.

A closer look at our finances

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

Ratios help evaluate the overall financial condition of the City by making comparisons of our financial performance year-over-year, over a five-year average, and comparing against our municipal counterparts. Below are some key financial ratios:

	Our ratio			Municipal benchmarking ratio		
Key financial ratios	**2021**	**2020**	**5-year average**	**Minimum**	**Maximum**	**Average**
Financial assets as a percentage of our liabilities	64.0%	62.1%	60.5%	53.7%	170.7%	117.8%

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

Our ratio shows we have less financial assets than liabilities.

Compared against our 2020 results and five-year average, our ratio experienced a small improvement of 1.9 per cent and 3.5 per cent respectively. The improvement is a result of increasing the amount of assets that were easily convertible to cash in order to strengthen our ability to respond to immediate cash requirements resulting from our continuing and unexpected pandemic efforts.

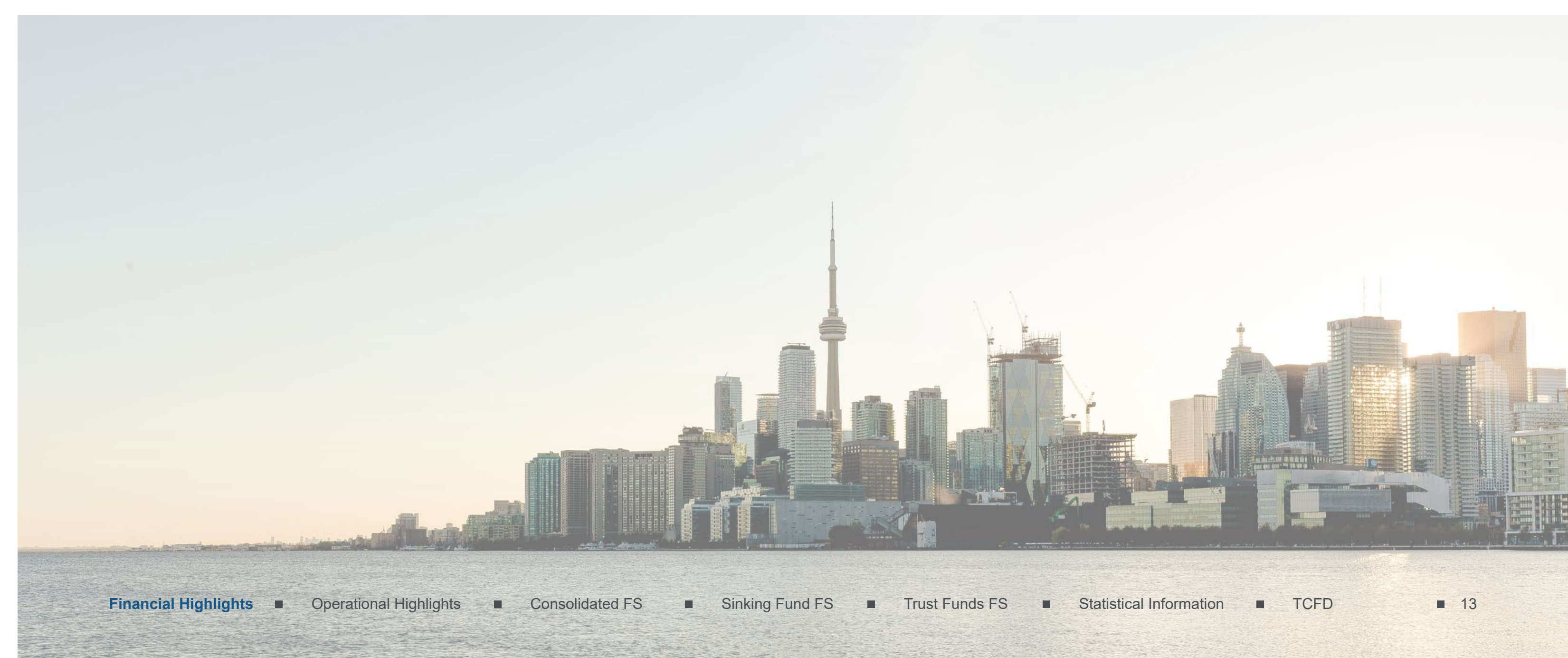
Compared to our municipal counterparts, our ratio is on the lower end of the range. Each municipality has and manages its liabilities differently. Given the complexity and size of our City as well as different medium-term and long-term financing requirements, we are actively managing our cash balances to meet our cash flow obligations.

	2021	2020	5-year average	Minimum	Maximum	Average
Accounts receivable turnover	6.0	5.6	7.0 (includes pandemic years) 8.2 (only pre-pandemic years)	1.6	13.3	6.9

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

Over the past two years, our collection activities have slowed down when we compare our turnover ratios to the years not impacted by the pandemic (i.e. 2015 to 2019). During the past two years we had to operate differently to prioritize critical frontline services for residents and businesses affected by the pandemic. This resulted in slower than usual collection of amounts that were owed to us. However, we are starting to see a gradual improvement of our turnover ratio back to pre-pandemic levels.

Compared to our municipal counterparts, our accounts receivable turnover is relatively consistent with the average ratio. Each municipality has a different accounts receivable collections policy and unique composition of receivables, and operates under different economic constraints – these circumstances cause the ratio to fluctuate, but based on our complexity and size, our turnover ratio is reasonable.



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

Key financial ratios	Our ratio 2021	Our ratio 2020	Our ratio 5-year average	Municipal benchmarking ratio Minimum	Municipal benchmarking ratio Maximum	Municipal benchmarking ratio Average
Net book value (NBV) of tangible capital assets (TCAs) as a percentage of historical costs	64.4%	64.8%	64.7%	61.7%	77.2%	67.4%
Total assets consumption ratio	35.6%	35.2%	35.3%	22.8%	38.3%	32.6%
Long-term debt proceeds as a percentage of asset acquisitions	31.3%	31.6%	32.0%	0.0%	65.5%	23.2%

Net book value (NBV) of tangible capital assets (TCAs) as a percentage of historical costs

This ratio represents the age of our tangible capital assets. A lower ratio would indicate that we own and use older assets to deliver services to residents and businesses, and require more ongoing investments to maintain service capacity and preserve asset condition.

Our ratio is over 50 per cent – we currently have a mixture of infrastructure that has gone into service in recent years, as well as assets that may need to be rehabilitated or replaced as they have been in service for a long period of time. Based on the five-year average, it is important to note that we balance our capital investments to ensure that we have reliable infrastructure available to minimize the risk of service interruptions to our residents and businesses. This conservative monitoring is also aligned with our asset management plans, which are used to help us complete annual assessments of the condition of our assets and prioritize how to update or replace existing infrastructure.

Compared to our municipal counterparts, our ratio is on the lower end of the range. This shows that relative to other municipalities, our assets are moderately new, which allows us to continue to support the needs of residents and businesses.

Total assets consumption ratio

This ratio assesses how much of our assets have been consumed, highlighting the relative age of our overall tangible capital assets balance. Based on the Ministry of Municipal Affairs and Housing, a ratio of 25 per cent or under considers assets to be relatively new; 26 to 50 per cent to be moderately new; 51 to 75 per cent to be moderately old and over 75 per cent to be old.

Our ratio is 35.6 per cent which indicates our assets are moderately new and this is in line with the ratio discussed above. Both the NBV as a percentage of historical asset cost and the consumption ratios are similar, showing that our assets are relatively new. The ratios reflect a high NBV compared to historical cost and a low asset consumption. These ratios indicate that we continue to monitor our assets and replace them as they are depreciating, therefore we are not only using old assets to service the community.

Compared against our 2020 results and five-year average, our ratio has been stable. On average, municipalities have an average consumption ratio of 32.6 per cent, which is comparable to our ratio of 35.6 per cent. Generally, municipalities have a significant tangible capital asset base to help provide services to residents and businesses. Our ratios show that, relative to other municipalities, we continue to monitor the age and maintain our assets well.

Long-term debt proceeds as a percentage of asset acquisitions

This ratio represents how much of our tangible capital assets are funded through the use of additional long-term debt. Generally, the lower the ratio, the better, as this means tangible capital assets were purchased through other financing measures, such as cash on hand, and generated revenue.

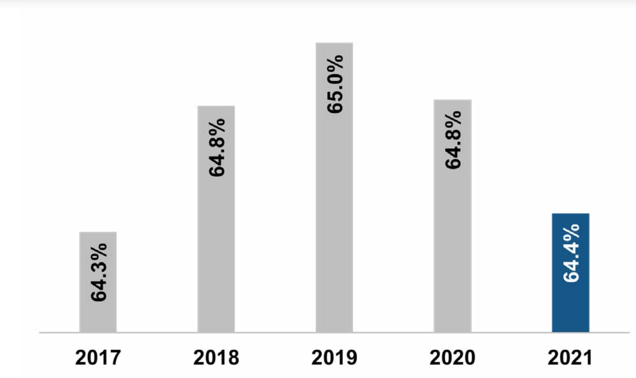
Our ratio is 31.3 per cent which shows a moderately strong ability to purchase tangible capital assets using our own funds.

Compared against our 2020 results and five-year average, our ratio has been stable. This shows our ability to effectively use our own funds to pay for tangible capital assets over the past five years.

On average, municipalities have a ratio that ranges from 0.0 to 65.5 per cent with an average of 23.2 per cent. Our ratio compared against the benchmark for municipalities is favourable. While we have a moderately strong ability to use our own funds to pay for tangible capital assets, we will continue to monitor our overall debt levels to maintain an optimal financing strategy that does not cause adverse impacts on residents and businesses.

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

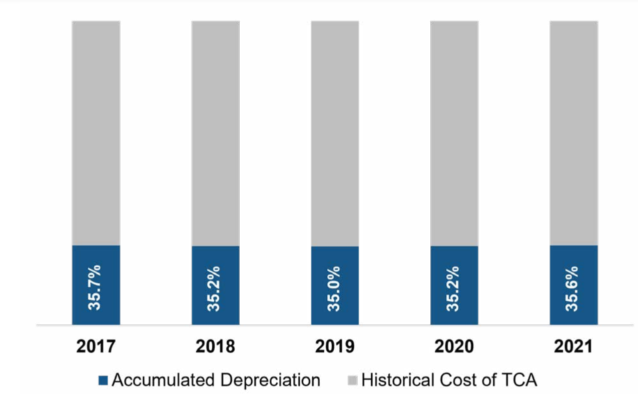
NBV of TCAs as a percentage of historical costs



So…how are we doing?

Compared to other municipalities, our TCAs are on the newer side.

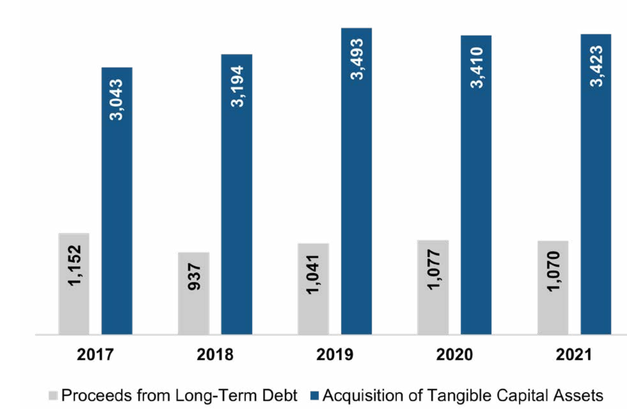
Total assets consumption ratio



So…how are we doing?

Compared to other municipalities, we are monitoring and maintaining our assets well.

Long-term debt proceeds as a percentage of asset acquisitions



So…how are we doing?

Compared to other municipalities, we are using debt conservatively when acquiring our TCAs.

(in millions of dollars, unless otherwise stated)

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

	Our ratio			Municipal benchmarking ratio		
Key financial ratios	**2021**	**2020**	**5-year average**	**Minimum**	**Maximum**	**Average**
Debt service charges as a percentage of total revenues	5.6%	5.4%	5.2%	0.2%	22.0%	7.3%
Reliance on property taxes	31.3%	33.0%	32.0%	31.3%	51.9%	43.1%
Reliance on government transfers as a percentage of total revenues	30.7%	28.9%	26.3% (include pandemic years) 23.6% (only pre-pandemic years)	3.9%	30.7%	18.5%

Debt service charges as a percentage of total revenues

This ratio represents the percentage of revenues that must be used to pay for debt service on our debt. Generally, ratios that are less than 5 per cent indicate a stronger than average ability to effectively pay down existing principal and interest on debt.

Debt service is the amount of principal and interest that we must pay each year to service the debt. We only incur debt for tangible capital asset investments and only where other sources of funding are not available. As debt service increases, it reduces the amount of revenue we have available to provide services.

Our ratio is 5.6 per cent which shows we have kept our debt service at a reasonable level while maintaining the services provided to our residents and businesses.

Compared against our 2020 results and five-year average, our ratio has been stable. Compared against our municipal counterparts, our ratio is on the lower end of the range. Despite having tangible capital assets that vary in size and nature, such as our transit system, we continue to show a strong ability to pay debt service while providing essential services to our residents and businesses.

Reliance on property taxes

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

Our 31.3 per cent ratio shows a moderate reliance on property taxes and the presence of other sources of revenue.

Compared against our 2020 results and five-year average, our ratio has been consistent is a reflection of City Council's priority to keep living in Toronto affordable.

Compared against our municipal counterparts, our ratio is the lowest. Our taxation strategies are conservative and we have other revenue sources such as the land transfer tax, to create and enforce our public policy objectives and aid in keeping property taxes low.

Reliance on government transfers as a percentage of total revenues

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

Our ratio is 30.7 per cent which shows a moderate reliance on government transfers to sustain our operations and services.

Compared against our 2020 results and five-year average, our ratio experienced an increase of 1.8 per cent and 4.4 per cent respectively. Before the COVID-19 pandemic, our reliance on government transfers was low in relation to other revenue sources (average of 23.6 per cent in the five-year period preceding the pandemic). Due to the pandemic, we relied on the Province of Ontario and Government of Canada to respond to municipal operating pressures as we continued to provide services to residents and businesses. We also received government grants to support financial pressures caused by sustained low transit ridership figures.

Compared against our municipal counterparts, our ratio is the highest. Each municipality had to respond to various operating and transit pressures due to COVID-19 and given the complexity and size of Toronto, we had to rely on government transfer payments (e.g. Safe Restart Agreement).

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

	Our ratio			Municipal benchmarking ratio		
Key financial ratios	**2021**	**2020**	**5-year average**	**Minimum**	**Maximum**	**Average**
Reliance on government transfers as a percentage of total expenses	35.4%	32.7%	29.7% (include pandemic years) 26.4% (only pre-pandemic years)	4.4%	41.4%	22.5%

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

Our ratio is 35.4 per cent which shows a moderate reliance on government transfers to fund operating activities.

Compared against our 2020 results and five-year averages, our ratio experienced moderate increases. This shows our reliance on government transfers to fund operating activities increased. In 2021, we continued to face financial pressures as we responded to the pandemic, including but not limited to increases in public health protocols and initiatives, provision of emergency shelter services to address public health guidelines, sustained reduction in transit ridership figures, and other recovery and support efforts for residents and businesses. As a result, we continued to receive transfer payments from the Province of Ontario as part of the Safe Restart Agreement, in addition to government transfers intended to support our regular lines of business, such as child care operations, the shelter system and housing support.

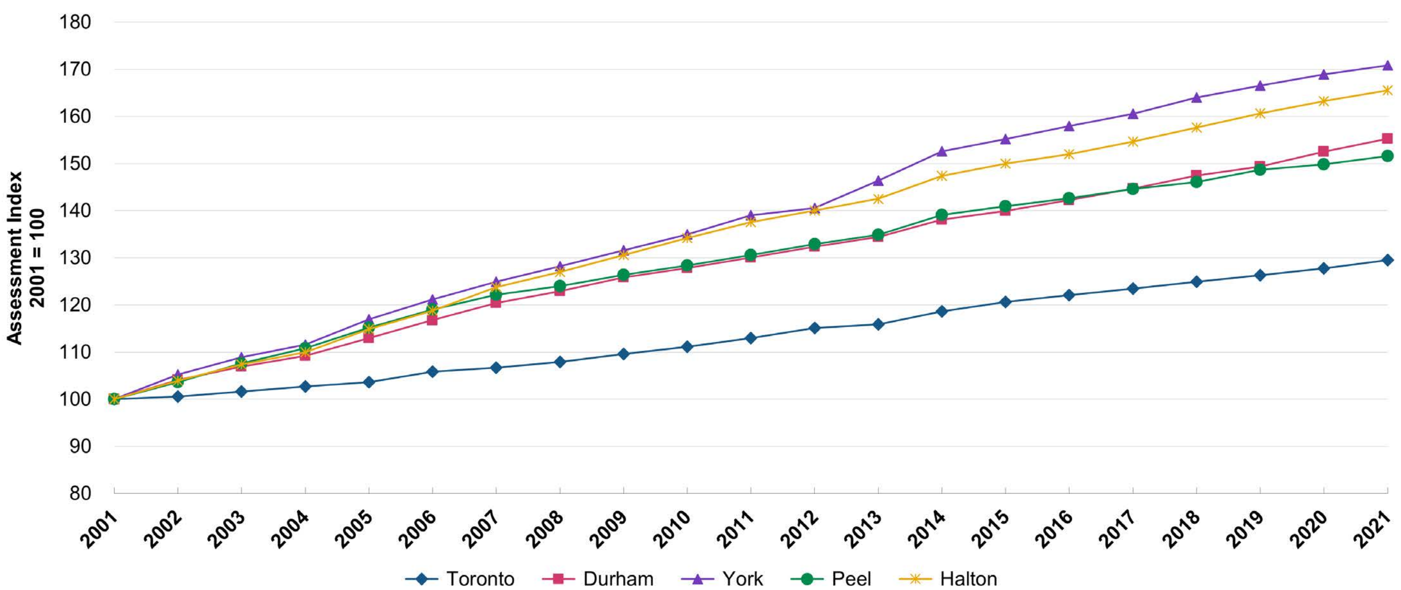
Compared against our municipal counterparts, our ratio is on the higher end of the range. As discussed in the above ratio, each municipality had to respond to various operating pressures due to COVID-19. Given the complexity and size of Toronto, such as our large transit system, we had to rely on government transfers to help fund operations and services provided to residents and businesses in order to minimize the risk of service interruptions for our critical frontline services.

(in millions of dollars, unless otherwise stated)

Our property taxes

With a diverse mix of revenue streams, we continue to provide services and programs to our residents and businesses. The largest source of revenue is from property taxes, which accounts for approximately 31.3 per cent of our total revenues. City Council continues to maintain property tax increases at or below inflation and considers and approves comprehensive tax policy intended to enhance competitiveness.

The chart below shows Toronto's property assessment in comparison to other Greater Toronto Area (GTA) regions in the Province. From 2001 to 2021, other GTA regions had cumulative assessment increases of 50 per cent or higher due to the bulk of new construction in these areas. By contrast, Toronto is approximately 30 per cent above its 2001 level, partly due to the conversion of certain industrial properties into residential properties. Toronto's 2021 property assessment value remains the same as 2020, at $698.8 billion, as the reassessment was postponed by the Province.



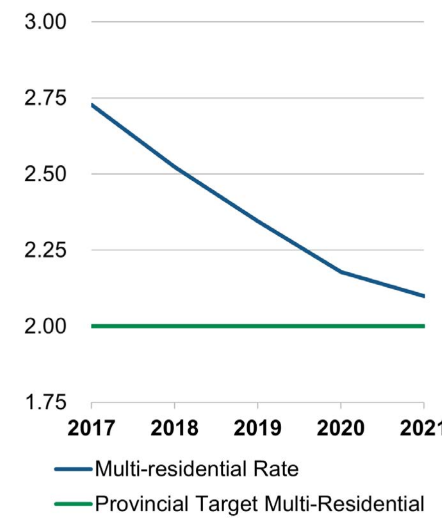
The amount of property taxes payable by a property is determined by multiplying the current value assessment of that property by the applicable tax rate for that class of property, such as residential, commercial, industrial, or multi-residential. The total tax rate in the City of Toronto for a property class consists of a municipal tax rate that we use for our operational requirements, an education tax rate required by the Province for education funding and the City Building Fund, a dedicated levy to support the expansion of transit infrastructure and affordable housing.

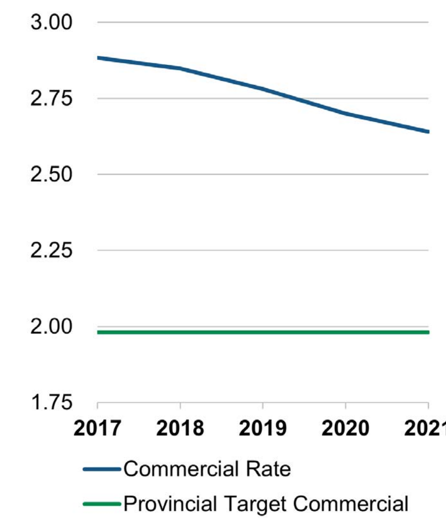
In 2021, an average household in Toronto with an assessed value of $698,800 (unrounded) paid the following:

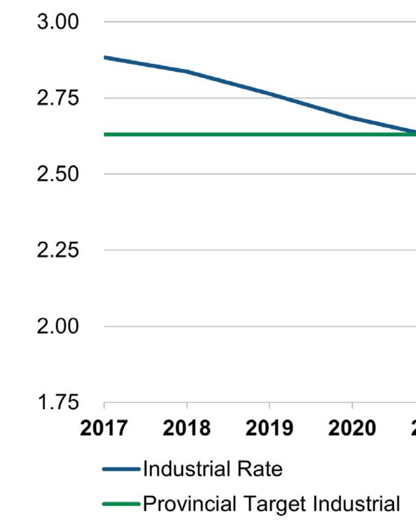
	2021 tax rate		2021 property rate (unrounded)
Municipal purposes	0.451291%	$	3,154
Education purposes	0.153000%		1,069
City building fund	0.006722%		47
Total	**0.611013%**	**$**	**4,270**

The table below shows our tax ratios by property type (multi-residential, commercial and industrial) along with the Provincial threshold ratio. Tax ratios for the multi-residential and commercial tax classes exceed the provincial thresholds.

	2021 taxation year	Provincial threshold ratios
Multi-residential	2.098351	2.000000
Commercial	2.640000	1.980000
Industrial	2.623305	2.630000

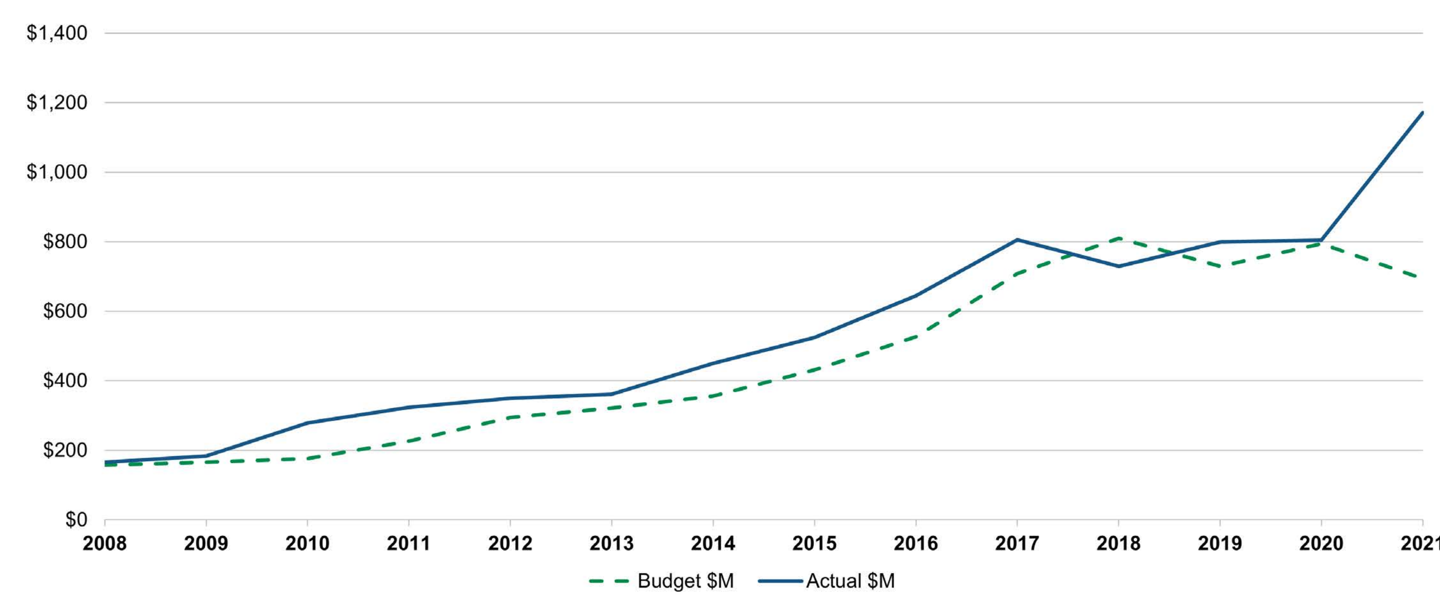






Toronto is the only Ontario municipality with the legislative authority to levy taxes other than property taxes. The Municipal Land Transfer Tax (MLTT) was implemented in 2008 and represents one of our largest sources of revenues. In 2021, we collected $1.2 billion of municipal land transfer tax revenue. The MLTT represents 7.7 per cent of the total revenue collected in 2021. MLTT allows us to continue providing and expanding services that our community relies on, without a burden on property taxes or other levels of government.

However, MLTT revenues are directly dependent on Toronto's real estate activity, which creates some revenue uncertainty and volatility. In 2021, the housing market experienced higher prices due to low supply. Specifically, the number of home sales in Greater Toronto increased by 28.0 per cent in 2021 to 121,712 from 2020 home sales of 95,066, which is a record high. As a result, 2021 actuals were $367 or 45.7 per cent higher than prior year's revenues.



Operational highlights

“Together we weathered an unimaginable pandemic by following through with incredible vaccination and recovery efforts. We have demonstrated that the Toronto Public Service can be counted on to show up and deliver and I’m certain that our city will emerge stronger in 2022.”

What this section contains

Our city manager's message

I am pleased to share the City of Toronto's 2021 Annual Financial Report. This report provides details about the City's financial performance, progress and achievements.

In 2021, the City rose to enormous and unprecedented challenges brought on by the ongoing COVID-19 pandemic. When vaccine doses arrived in Toronto, staff were ready to launch a multi-phased immunization campaign. The approach included mass clinics to provide doses quickly and efficiently to high numbers of eligible residents and a targeted approach with pop-up and mobile vaccine clinics to reach high priority neighbourhoods and highly impacted residents.

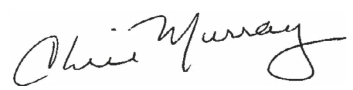
The success of our COVID-19 vaccination strategy and accompanying education campaign was made possible by the tremendous efforts of staff, many redeployed from their normal work functions to form Team Toronto. By the end of the year, Team Toronto had administered more than six million vaccine doses.

Amid our pandemic response, we continued to rapidly evolve, modernize and digitize service delivery to improve equitable access. We launched an improved 311 Toronto service, making it easier and more convenient to use and providing residents with the option to interact with the City using convenient web and mobile platforms – so residents could connect with the City in the avenue easiest for them.

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

I am tremendously proud of the work City staff accomplished while navigating constant changes and personal priorities. Throughout the year, staff were called upon to fill critical roles to provide essential services to our most vulnerable residents. A large part of our workforce continued to attend their workplaces, adapting to changing public health guidelines to keep everyone safe. While nearly a quarter of our employees continued to work remotely – juggling family and caregiving obligations or facing the isolation of living alone – to maintain consistent delivery of City services.

Together we weathered an unimaginable pandemic by following through with incredible vaccination and recovery efforts. We have demonstrated that the Toronto Public Service can be counted on to show up and deliver and I'm certain that our city will emerge stronger in 2022.



July 19, 2022
City Manager Chris Murray

Protecting our future

COVID-19 Response

We opened the first three mass immunization clinics (MICs) on March 17, 2021. Since then, there as been an extensive network of clinics operating steadily in Toronto including a dozen different fixed City-run MICs, more than 2,500 mobile and pop-up clinics and thousands of clinics operated by our Team Toronto Health Sector Partners including hospitals and pharmacies. From June to December 2021, we administered 12 different vaccine events. Some highlights include:

Toronto + Kids Vaccine Day

- Approximately 27,000 vaccine doses administered.
- 25,476 adults vaccinated; 1,295 youth vaccinated.
- 981 residents received their first dose.
- 25,793 residents received their second dose.
- Over 1,500 children aged five to eleven years old vaccinated.

Pop-Up Vaccination Clinics

- Held at 26 local shopping malls, plazas, schools and community centres (Shop and Vax, Vax and Treat, VaxGiving, Vax The Holidays).
- Held at six TTC subway stations (VaxInTheSix).

"Our ambassadors have been really great in supporting barrier-free vaccination support. I don't think Toronto would even be in the place that we're at without their support and their constant engagement."

- Consortium Coordinator

Supportive Clinics

- Held at physically accessible locations in Etobicoke, North York and Scarborough.
- Accommodated specific needs such as: fear of needles, need to sit down while waiting, need a quiet space to get vaccinated, need a companion when vaccinated, and need an American Sign Language (ASL) interpreter.
- Mobilized over 600 Community Ambassadors to provide outreach across communities, door-to-door in buildings, and public spaces. Over 46,000 hours were spent by Community Ambassadors to conduct vaccine outreach and share information in over 43 different languages.

What we are proud about

What makes Toronto great? Here are examples of some of Toronto's achievements that we are proud about:

Overall

Our rank: 18th

Considered as one of 100 global cities that are most desirable for locals, visitors, and businesspeople.

Our rank: 2nd

Recognized as one of the safest cities around the world.

Our rank: 8th

Recognized as a city that has potential for long-term success.

Economy

Our rank: 1st

Recognized as one of the best cities for women to work in business.

Our rank: 1st (Canada)

Recognized as the best Canadian city for startup companies.

Our rank: 4th

Considered to be one of the best cities that attracts and develops tech talent.

Our rank: 14th

Considered to be one of the best cities for tech talent due to Toronto's rich and diverse talent pools, data sovereignty and data privacy.

Our rank: 8th

Recognized as one of the top 10 financial centres in the world.

Sustainability

Our rank: A list

Recognized for our city's actions in developing a robust climate change strategy and tracking and reporting our GHG emissions.

Our rank: 7th

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

Our rank: 1st

Awarded Social Bond of the Year for the Local Authority / Municipality category for being the only Canadian government to offer a Social Debenture Program.

Our financial statements won an award!

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Canadian Award for Financial Reporting to our city for its annual financial report for the fiscal year ended December 31, 2020. The Canadian Award for Financial Reporting program was established to encourage municipal governments throughout Canada to public high-quality financial reports and to provide peer recognition and technical guidance for officials preparing these reports.

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

A Canadian Award for Financial Reporting is valid for a period of one year only. We are continuing this standard of high-quality reporting for the submission and evaluation of the GFOA for the 2021 Award Program.

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, 2020

Christopher P. Morrill
Executive Director/CEO

Annual Financial Report 2021 ■ City of Toronto

Our consolidated financial statements

In 2021, our financial statements reflected how we operated during the COVID-19 pandemic, as well as how we started to recover.

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 approves the consolidated financial statements before they are submitted to Council.

The 2021 consolidated financial statements have been audited by the City of Toronto's external auditors, KPMG LLP. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the City of Toronto's consolidated financial statements.

Toronto, Canada
July 18, 2022

Chris Murray
City Manager

Heather Taylor
Chief Financial Officer and Treasurer

Andrew Flynn
Controller

Independent auditors' report

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

Opinion

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

- the consolidated statement of financial position as at December 31, 2021
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of change in net debt for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the City as at December 31, 2021, and its consolidated results of operations, its consolidated changes in net debt and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the **"Auditors' Responsibilities for the Audit of the Financial Statements"** section of our auditors' report.

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

(in millions of dollars, unless otherwise stated) Annual Financial Report 2021 ■ City of Toronto

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

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

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants
Vaughan, Canada
July 19, 2022

Consolidated statement of financial position

As at December 31

	2021	2020
Financial assets		
Cash and cash equivalents	$ 6,642	$ 5,355
Accounts and taxes receivable (Note 2)	2,076	2,598
Loans receivable (Note 3)	194	187
Other assets (Note 4)	44	50
Investments (Note 5)	3,691	3,685
Investments in Government Business Enterprises (Note 6)	2,294	2,238
Total financial assets	**14,941**	**14,113**
Liabilities		
Bank indebtedness (Note 7)	99	69
Accounts payable and accrued liabilities (Note 8)	3,408	4,280
Deferred revenue (Note 9)	5,823	5,216
Provisions for property and liability claims (Note 10)	480	456
Environmental and contaminated site liabilities (Note 11)	468	393
Mortgages payable (Note 12)	389	349
Long-term debt (Note 13)	8,146	7,654
Employee benefit liabilities (Note 14)	4,507	4,301
Total liabilities	**23,320**	**22,718**
Net debt	**(8,379)**	**(8,605)**
Non-financial assets		
Prepaid expenses	150	171
Inventories (Note 15)	269	334
Tangible capital assets (Note 16, Schedule 1)	38,386	36,528
Total non-financial assets	**38,805**	**37,033**
Accumulated surplus	**$ 30,426**	**$ 28,428**

Contingent assets and liabilities (Note 17)

Contractual rights and obligations (Note 18)

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

(in millions of dollars, unless otherwise stated)

Consolidated statement of operations and accumulated surplus

Year ended December 31

	2021 Budget (Note 19)	2021 Actual	2020 Actual
Revenue			
Property and taxation from other governments	$ 4,690	$ 4,767	$ 4,650
Government transfers (Note 20)	4,840	4,682	4,070
User charges	3,082	2,798	2,864
Municipal land transfer tax	694	1,172	804
Rent and concessions	457	477	511
Development charges	552	365	263
Investment income	266	147	187
Government business enterprises earnings (Note 6)	-	146	129
Other revenue sources (Note 21)	569	687	597
Total revenue	**15,150**	**15,241**	**14,075**
Expenses			
Transportation	4,329	3,648	3,472
Social and family services	3,177	2,658	2,627
Protection to persons and property	1,995	1,985	1,946
Recreation and cultural services	1,165	969	938
Environmental services	1,371	1,148	1,008
General government	1,276	1,066	919
Social housing	1,178	950	877
Health services	625	687	536
Planning and development	213	132	130
Total expenses (Note 22)	**15,329**	**13,243**	**12,453**
Annual surplus (deficit)	**(179)**	**1,998**	**1,622**
Accumulated surplus, beginning of year	28,428	28,428	26,806
Accumulated surplus, end of year	**$ 28,249**	**$ 30,426**	**$ 28,428**

Segmented information is presented in Appendices 2 and 3.

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

Consolidated statement of change in net debt

Year ended December 31

	2021 Budget (Note 19)	2021 Actual	2020 Actual
Annual surplus (deficit)	**$ (179)**	**$ 1,981**	**$ 1,622**
Acquisition of tangible capital assets	(3,423)	(3,423)	(3,410)
Amortization of tangible capital assets	1,554	1,554	1,432
Gain on disposal of tangible capital assets	-	(27)	(31)
Proceeds on disposal of tangible capital assets	-	38	45
Change due to tangible capital assets	(1,869)	(1,858)	(1,964)
Change in prepaid expenses	-	21	(9)
Change in inventories	-	65	(34)
Increase (decrease) in net debt	**(2,048)**	**226**	**(385)**
Net debt, beginning of year	(8,605)	(8,605)	(8,220)
Net debt, end of year	**$ (10,653)**	**$ (8,379)**	**$ (8,605)**

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

(in millions of dollars, unless otherwise stated) Annual Financial Report 2021 ■ City of Toronto

Consolidated statement of cash flows

Year ended December 31

	2021	2020
Cash flows provided by (used in):		
Operating activities		
Annual surplus	$ 1,998	$ 1,622
Items not involving cash:		
Government business enterprise earnings from operations	(146)	(129)
Amortization of tangible capital assets	1,554	1,432
Gain on disposal of tangible capital assets	(27)	(31)
	3,379	2,894
Change in assets and liabilities:		
Accounts and taxes receivable	522	(489)
Accounts payable and accrued liabilities	(872)	574
Deferred revenue	607	999
Provision for property and liability claims	24	(66)
Environmental and contaminated sites liabilities	75	(59)
Employee benefit liabilities	206	168
Prepaid expenses	21	(9)
Inventories	65	(34)
Cash provided by operating activities	**4,027**	**3,978**
Capital activities		
Acquisition/construction of tangible capital assets	(3,423)	(3,410)
Proceeds on disposal of tangible capital assets	38	45
Cash used in capital activities	**(3,385)**	**(3,365)**
Financing activities		
Net change in bank indebtedness	30	(38)
Principal repayments on mortgages payable	(49)	(26)
Issuance of long-term debt	1,070	1,077
Principal repayments on long-term debt	(471)	(402)
Interest earned on sinking funds	(18)	(39)
Cash provided by financing activities	**$ 562**	**$ 572**

Consolidated statement of cash flows (cont.)

Year ended December 31

	2021	2020
Investing activities		
Net change in other assets	$ 6	$ 129
Net change in loans receivable	(7)	(11)
Proceeds from the sale and maturities of investments	5,698	3,744
Purchase of investments	(5,704)	(4,182)
Dividends and distributions from government business enterprises	90	93
Cash provided by (used in) investing activities	**83**	**(227)**
Increase in cash and cash equivalents	**1,287**	**958**
Cash and cash equivalents, beginning of year	5,355	4,397
Cash and cash equivalents, end of year	**$ 6,642**	**$ 5,355**
Supplementary information:		
Cash paid for interest on long-term debt	$ 364	$ 199
Cash received for interest on investments	$ 238	$ 182

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

Notes to consolidated financial statements

Year ended December 31, 2021

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

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. Since the first quarter of 2020, the COVID-19 pandemic has impacted the global economic environment due to government-imposed lockdowns and social distancing requirements as a result of multiple wave of the pandemic. The economic conditions and City's response to the COVID-19 pandemic continued to have an operational and financial impact on the City in 2021. Although all 2021 COVID-19 financial impacts were managed, the full extent of the future financial impact is indeterminable due to the evolving nature of the COVID-19 pandemic.

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 all organizations controlled by the City. In addition, the City proportionately consolidates two entities held in partnership. The Toronto Waterfront Revitalization Corporation is a 33.33% partnership with each of the Canadian and Ontario Governments, and the Toronto 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 Enterprise ("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

i. Agencies and corporations

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

ii. Arenas

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

iii. Community centres

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

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iv. Business improvement areas ("BIA")

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

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

d. Trust funds

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

e. Use of Estimates and Measurement Uncertainty

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

The pandemic has caused fluctuating markets that directly impact the discount rates used for these estimates. The continuing impact of the COVID-19 pandemic, including government and regulatory responses to the pandemic, on the Canadian economy and the City's operations remains uncertain at this time.

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, 2021, all material assets have been disclosed and reported within the City's Statements.

g. Cash and cash equivalents

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

h. Receivables and revenues

Loans Receivable are recorded at the lower of amortized cost and the net recoverable value, when the risk of loss exists. Changes in the valuation of loans receivables are recognized in the Consolidated Statement of Operations and Accumulated Surplus. Interest is accrued on loans receivable to the extent it is deemed collectable. When the terms associated with a loan are considered to be concessionary such that all or a part of the loan is considered to be a grant, the City will expense the grant portion of the transaction in the Consolidated Statement of Operations and Accumulated Surplus at the time the loan is made.

Revenues are accounted for in the period in which the transactions or events occurred.

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 billing purposes, as new properties are occupied or become subject to property tax. The City may receive supplementary assessment rolls over the course of the year from the Municipal Property Tax Assessment Corporation (MPAC) identifying new or omitted assessments. Property taxes for these supplementary and/or omitted amounts are then billed according to the City Council approved tax rate for each property class. Taxation revenues may also be impacted by reductions in assessment values resulting from assessment and/or property tax appeals performed by MPAC. An annual adjustment to 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 recognized in revenues when used to fund the growth-related portion of qualifying capital projects.

i. Investments

Investments consist mainly of government and corporate bonds, debentures, equity and short-term instruments of various financial institutions. Investments are accounted for at amortized cost. Where there is a permanent loss in value, the investment value is written down to recognize the loss, with the corresponding write-down reflected in the 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 considered to be 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 when declared.

j. Deferred revenue

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

k. Provision for property and liability claims

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

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

l. Environmental and contaminated site liabilities

Liabilities related to the remediation of contaminated sites are recorded when all of the following conditions are met:

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

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

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

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

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

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

m. Derivative financial instruments

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

Financial derivatives (heating fuel swaps) are being used to help manage the TTC's exposure to fluctuating fuel prices by setting a fixed price for a future purchase of a fixed quantity of fuel. Derivative contracts are recorded at their fair value as an asset or liability based on quoted market prices, with changes in fair value, if any, recorded in the Consolidated Statement of Operations and Accumulated Surplus.

n. Employee benefit liabilities

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

The costs of WSIB obligations are actuarially determined and recognized in the period they occur. The costs of termination benefits and compensated absences are recognized when the event that obligates the City occurs. Costs include projected future income payments, health care continuation costs and fees paid to independent administrators of these plans, calculated on a present value basis using discount rates derived from the City's long-term borrowing rate.

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

The City accounts for its participation in the Ontario Municipal Employees Retirement System (OMERS), a multi-employer public sector pension fund, as a defined contribution plan. The City does not recognize any share of the pension plan deficit based on the fair market value of OMERS assets, as this is a joint responsibility of all Ontario municipalities and their employees.

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

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o. Non-financial assets

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

i. Tangible capital assets

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

The City categorizes its TCA based on two major categories, general and infrastructure:

- **General capital assets** include those assets which are not part of a network. Land includes all of the City's land except land under roads. Land improvements include outdoor parks and recreation facilities, land improvements around buildings, and the active landfill site. Buildings include office buildings, community centres, police, fire and ambulance stations, TCHC housing units and transit buildings. Machinery and equipment includes equipment used by police, fire and paramedic services, as well as computers and furniture. Corporate fleet and transit buses make up the vehicle assets.
- **Infrastructure assets** include those capital assets which are part of one of three networks: roads, water/wastewater, and transit. The land within this category is the value of the land under the City's roads. Water and wastewater treatment plants, pumping stations, and storm facilities are included within Infrastructure buildings and building improvements. Machinery and equipment include expressway signs and traffic signals, as well as equipment within water and wastewater treatment plants and pumping stations. Water and wastewater infrastructure includes pipe networks delivering water and removing waste water. Road networks are inclusive of road bases, surfaces and sidewalks. Transit infrastructure includes the subway system, rolling stock, track work and power distribution assets.

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

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

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

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

Asset	Useful life
General assets	
Land improvements	10 - 70 years
Buildings and building improvements	10 - 100 years
Machinery and equipment	4 - 75 years
Motor vehicles	5 - 20 years
Infrastructure assets	
Water and wastewater linear	20 - 100 years
Roads linear	4 - 100 years
Transit	10 - 65 years

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

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 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. PSAS does not currently recognize natural assets as assets that must be recognized and reflected as part of public sector entities' financial statements. Separate disclosure, however, has been added for completeness purposes, as well as to demonstrate the City's ongoing commitments in maintaining its natural assets.

ii. Inventory

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

p. Reserves and reserve funds

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

q. Expenses

Expenses are recognized as they are incurred and measurable, as a result of receipt of goods or services and/or the creation of a legal obligation to pay. Interest expenses is 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.

r. Contractual rights and obligations

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

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

For further details regarding the City's contractual rights and obligations, including nature, extent and timing of these types of transactions, please refer to Note 18.

s. Contingent assets and liabilities

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

For the year ended on December 31, 2021, the City is not aware of any contingent assets. However, disclosure regarding the City's contingent liabilities, including the nature, extent, and basis of estimates (if available), can be found in Note 17.

i. Loan and line of credit guarantees

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

t. Related party transactions

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

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

As of December 31, 2021, the City is not aware of any material related party transactions aside from those that have already been disclosed as part of Note 6, Investments in Government Business Enterprises.

(in millions of dollars, unless otherwise stated)

u. Future accounting pronouncements

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

The City has not adopted any new accounting standards for the year ended on December 31, 2021.

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

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

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

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

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

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

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

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

PS 3400 – Revenue establishes standards on how to account for and report on revenue, specifically differentiating between revenue arising from transactions that include performance obligations, referred to as exchange transactions, and transactions that do not have performance obligations, referred to as non-exchange transactions. Taxation revenue is excluded from the scope of this standard.

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

2. Accounts and taxes receivable

		2021		2020
Federal and provincial government receivables	$	953	$	1,309
Property taxes receivables		381		466
Trade and other receivables		742		823
Total accounts and taxes receivable	**$**	**2,076**	**$**	**2,598**

Included in Federal and Provincial Government receivables are:

- Safe Restart Agreement (SRA) – $103 (2020 – $355): intended to support safe restart of the economy following the COVID-19 pandemic;
- Provincial Transit Infrastructure Fund (PTIF) claims – $151 (2020 – $294);
- Provincial Gas Tax (PGT) – $139 (2020 – $139); and
- Interim Housing Assistance Program – $17 (2020 – $14).

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

3. Loans receivable

		2021		2020
TCHC promissory notes, loan agreements and receivables, bearing interest rates between 3.0% and 6.0% (2020 – 3.0% to 6.0%) per annum with maturity dates from 2022 to 2057 (2020 – 2021 to 2057)	$	76	$	72
BTI loan facility and vendor-take-back (VTB) mortgages, bearing interest rates between 3.3% and 5.0% (2020 – 3.3% to 5.0%) per annum with maturity dates from 2022 to 2027 (2020 – 2021 to 2027)		32		32
Loans receivable from community housing organizations bearing interest rates between 0% and 5.0% (2020 – 0% to 5.0%) per annum, with maturity dates from 2022 to 2074 (2020 – 2021 to 2074)		46		47
Energy loans receivable from organizations to enable the implementation of green initiative projects across the City bearing interest rates between 0% and 3.7% (2020 – 0% to 3.7%) per annum, with maturity dates from 2022 to 2040 (2020 – 2021 to 2040)		30		25
Loan receivable from Maple Leaf Sports and Entertainment Ltd. for the expansion of BMO Stadium bearing an interest rate of 4.2% (2020 – 4.2%) per annum with a maturity date of 2034		8		8
Other		2		3
Total loans receivable	**$**	**194**	**$**	**187**

4. Other assets

		2021		2020
TCHC equal contribution equity in revitalization projects and equal interest Co-Tenancy Agreements for construction	$	12	$	13
TCHC externally restricted assets under loan agreements for capital expenditures		6		6
Other		26		31
Total other assets	**$**	**44**	**$**	**50**

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5. Investments

	2021		2020	
	Cost	Market value	Cost	Market value
Government bonds	$ 1,448	$ 1,484	$ 1,554	$ 1,649
Corporate bonds	1,136	1,147	1,099	1,143
Equities	758	957	740	799
Mortgages	118	117	117	124
Money market instruments	112	112	93	93
Foreign corporate bonds	39	39	11	12
Other	80	99	71	88
Total investments	**$ 3,691**	**$ 3,955**	**$ 3,685**	**$ 3,908**

Government bonds previously included 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 $0 (2020 – $67). All bonds requiring collateral have been settled in 2021.

The weighted average yield on the cost of the bond investment portfolio during the year was 3.2% (2020 – 3.3%). Maturity dates on investments in the portfolio range from 2030 to 2049 (2020 – 2040 to 2046).

Included in the City's government bonds portfolio are City of Toronto debentures at coupon rates varying from 1.6% to 4.7% (2020 – 2.2% to 4.7%) with a carrying value of $31 (2020 – $16).

The City is not aware of any significant risks or indicators which suggest that investments are permanently impaired, requiring a formal write-down of these assets. It is the City's intention to hold investments to maturity, where applicable.

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

6. Investments in government business enterprises (GBEs)

	2021	2020
Toronto Hydro Corporation	$ 1,969	$ 1,903
Toronto Parking Authority	325	325
Total investments in GBEs	**$ 2,294**	**$ 2,238**

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

	2021	2020
Balance – beginning of year	$ 2,238	$ 2,202
Income from operations (Appendix 1)	142	128
Dividends received (Appendix 1)	(70)	(93)
Distribution to City (Appendix 1)	(20)	-
Other (Appendix 1)	4	1
Balance - end of year (Appendix 1)	**$ 2,294**	**$ 2,238**

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

	2021	2020
Income from Operations (Appendix 1)	$ 142	$ 128
Other (Appendix 1)	4	1
Government Business Enterprise earnings	**$ 146**	**$ 129**

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:

	2021	2020
Street-lighting, electricity, and maintenance services purchased by the City from Toronto Hydro Corporation	$ 284	$ 305
Property taxes paid to the City from Toronto Parking Authority	21	22
Rent expense paid to the City from Toronto Parking Authority	2	2
Property taxes paid to the City from Toronto Hydro Trade and other receivables	4	4
	$ 311	**$ 333**

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

	Due to others
2022	$ 1
2023	251
2024	1
2025	-
2026	200
Thereafter	1,995
	$ 2,448

Repayments relate to Toronto Hydro Corporation's long term debt series with interest rates ranging from 1.50% to 5.54% per annum and maturity dates ranging between 2023 to 2063 and Toronto Parking Authority debt payable of $0.6 (2020 – $0.6) relating to the purchase of equipment, bearing an effective interest rate of 2.3% per annum and maturing on June 30, 2025.

7. Bank indebtedness

The City has an unsecured demand revolving credit facility in the amount of $100 (2020 – $100) bearing interest at the bank prime rate with an effective rate during 2021 of 2.5% (2020 – 2.5%) per annum.

TCHC has a committed revolving credit facility of $200 (2020 – $200) that is available for short-term advances and letters of credit, with standby charges of 0.3%. 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 $43 (2020 – $nil) have been made in 2021. The entity is in compliance with all bank covenants.

	2021	2020
City, net outstanding cheques	$ 56	$ 69
TCHC	43	-
	$ 99	**$ 69**

8. Accounts payable and accrued liabilities

	2021	2020
Trade payables and accruals	$ 2,798	$ 3,659
Tax appeal assessments on property taxes	383	397
Wages payable	227	224
	$ 3,408	**$ 4,280**

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9. Deferred revenue

	2021	2020
Obligatory deferred revenues		
Restricted by provincial legislation	$ 3,593	$ 2,976
Restricted by agreements with third parties	1,310	1,339
Total obligatory deferred revenues	**4,903**	4,315
Advance payments and contributions	**920**	901
Total deferred revenue	**$ 5,823**	**$ 5,216**

Deferred revenue continuity:

2021	Obligatory deferred revenues	Advance payments and contributions	Total
Balance – beginning of year	$ 4,315	$ 901	$ 5,216
Amount received during the year	2,329	2,542	4,871
Amount recognized as revenue	(1,741)	(2,523)	(4,264)
Balance – end of year	**$ 4,903**	**$ 920**	**$ 5,823**

2020	Obligatory deferred revenues	Advance payments and contributions	Total
Balance – beginning of year	$ 3,808	$ 409	$ 4,217
Amount received during the year	2,107	3,882	5,989
Amount recognized as revenue	(1,600)	(3,390)	(4,990)
Balance – end of year	**$ 4,315**	**$ 901**	**$ 5,216**

10. Provision for property and liability claims

	2021	2020
Property and liability claims provision	$ 341	$ 309
TTC unsettled accident claims	139	147
	$ 480	**$ 456**

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 $63 (2020 – $32) that can be used to finance payments for vehicle, property and liability insurance claim payments, as well as related legal and adjusting expenses.

11. Environmental and contaminated site liabilities

	2021	2020
Inactive landfill sites	$ 150	$ 173
Contaminated site liabilities	267	170
Active landfill site (Green Lane)	21	26
Environmental liabilities (TTC and BTI)	30	24
Total environmental and contaminated site liabilities	**$ 468**	**$ 393**

Environmental and contaminated site liabilities are based on internal expert assessments and/or third-party engineering reports covering estimated costs of remediating sites with known contamination for which City entities are responsible. Given that the estimate of environmental liabilities is based on a number of assumptions, such as remediation methods and average industry remediation rates, actual costs may vary. The estimated amounts of future remediation costs are reviewed annually based on available information and governing legislation, as well as adjusted to account for annual increases in remediation costs.

a. Liability for contaminated sites held by TPLC

TPLC owns a number of properties that are not in productive use, where contamination exceeds environmental standards. Although TPLC is responsible for each of these properties, the anticipated land use is not known at this time, therefore, no remediation efforts have been planned. However, in accordance with PS 3260, Liability for Contaminated Sites, recognizing the uncertainty of the remediation action plan until use of this land is known, management has taken a risk management approach to determine a liability of $216 (2020 – $160), which is an undiscounted balance, at December 31, 2021. While certain contaminated properties may require additional remediation once the land use is known, at this time, it has been determined that risk can be mitigated through the management or containment of the contaminants, where appropriate, through a combination of engineered and operating measures. Management will continue to monitor this risk and update the liability when conditions change or use is known with greater certainty.

b. Active landfill sites

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

The estimated liability for the care of this landfill site is the present value of future cash flows associated with closure and post-closure costs discounted using the City's average long-term borrowing rate of 2.7 per cent (2020 – 2.8 per cent).

The estimated present value of future expenditures for closure and post-closure care as at December 31, 2021 is $21 (2020 – $26), based on the percentage of total approved capacity used of 61 per cent (2020 – 59 per cent). Undiscounted expenditures are $37 (2020 – $35) and the net present value of the total liability has been recorded in the Statement of Financial Position.

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

Reserve balances:

	2021	2020
Green Lane Reserve Fund	$ 4	$ 7
Green Lane Perpetual Care Reserve Fund (GLPC)	8	7
Total	**$ 12**	**$ 14**

2021 contributions to the GLPC reserve of $0.6 (2020 – $0.7) are based on a contribution rate of $1.3 (2020 – $1.3) per tonne of waste disposed. This rate is updated annually.

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c. Inactive landfill sites

The estimated liability for the care of inactive landfill sites is the present value of future cash flows associated with closure and post-closure costs discounted using the City's average long-term borrowing rate of 2.7 per cent (2020 – 2.8 per cent). The estimated present value of future expenditures for post-closure care as at December 31, 2021 was $150 (2020 – $173).

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.

		2021		2020
Solid Waste Management Perpetual Care Reserve Fund	$	24	$	25

12. Mortgages payable

		2021		2020
TCHC secured mortgages, collateralized by TCHC housing properties, with interest rates between 0.7 per cent and 11 per cent (2020 – 0.7 per cent to 11 per cent) per annum and maturity dates ranging from 2022 to 2052	$	361	$	321
BTI mortgage, secured by assets and corporate guarantees of Build Toronto Holdings One Inc., BTI and common shares of PT Studios, with an interest rate of 3.3 per cent per annum, maturing on March 15, 2027		28		28
	$	389	$	349

Principal repayments on mortgages are due as follows:

		2021
2022	$	31
2023		31
2024		29
2025		30
2026		29
Thereafter		239
Total	$	**389**

Principal re-payments made in 2021 were $0.9 (2020 – $0.9) on the BTI mortgages and $48 (2020 – $25) on the TCHC mortgages.

13. Long-term debt

		2021		2020
Unsecured debentures issued by the City, bearing interest at various rates ranging from 0 per cent to 6.8 per cent (2020 – 0 per cent to 6.8 per cent), maturing from 2023 to 2051	$	7,586	$	7,527
Unsecured green bonds issued by the City, bearing interest at various rates ranging from 2.2 per cent to 3.2 per cent (2020 – 2.6 per cent to 3.2 per cent), maturing from 2039 to 2048		780		630
Unsecured social bonds issued by the City, bearing interest at 1.6 per cent (2020 – 1.6 per cent), maturing in 2030		200		100
Less: sinking fund deposits bearing interest at rates between 2 per cent and 5 per cent (2020 – 2 per cent to 5 per cent)		(1,796)		(2,011)
Unsecured debentures, net of sinking fund deposits		**6,770**		6,246
TCHC loans from Infrastructure Ontario secured by various floating and fixed income investments at floating and fixed rates between 2.5 per cent and 4.5 per cent, subject to financial covenants, maturing between 2043 to 2049		888		918
TCHC debentures, unsecured, consisting of Series A bonds of $250 at 4.9 per cent (maturing in 2037) and Series B bonds of $200 at 5.4 per cent (maturing in 2040)		446		446
TCHC non-revolving, 10-year loan to assist with the financing of the construction for Phase 1 of its Building Renewal Program, which was completed in 2009. The loan was provided at a fixed interest rate of 3.4 per cent with repayment beginning March 15, 2018		17		19
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 per cent, with a maturity date of October 31, 2042		25		24
Others, bearing interest between 1.8 per cent to 8.1 per cent maturing from 2021 to 2027		-		1
Consolidated entities debentures		**1,376**		**1,408**
Total net long-term debt	$	**8,146**	$	**7,654**

2021 principal repayments total $471 (2020 – $402). Principal repayments are due as follows:

		2021
2022	$	523
2023		534
2024		509
2025		488
2026		460
Thereafter		5,632
Total	$	**8,146**

14. Employee benefit liabilities

a. Description of benefits

The City of Toronto 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 and the continuation of benefits (hospital, extended health care, drug, dental and life insurance) in respect thereof; accumulated sick leave benefits; and self-insured WSIB Benefits (for Schedule 2 employers).

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

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a. Description of benefits (cont.)

	2021	2020
Sick leave benefits	$ 479	$ 579
Worker Safety Insurance Board (WSIB) obligations	939	932
Other employment and post-employment benefits	2,889	3,195
Total employee accrued benefit obligation	**4,307**	**4,706**
Unamortized actuarial gain/(loss)	200	(405)
Employee benefit liabilities	**$ 4,507**	**$ 4,301**

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:

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

	2020			
	Post-retirement and post-employment	TTC pension plan (Note 14, h(ii))	City pension plans (Note 14, h(iii))	Total
Accrued benefit obligation (Note 14(c))	$ 4,706	$ 3,304	$ 164	$ 8,174
Fair value of plan assets (Note 14(d))	-	3,987	352	4,339
Funding deficit/(surplus)	4,706	(683)	(188)	3,835
Unamortized actuarial gain	(405)	-	-	(405)
Valuation allowance	-	683	188	871
Employee benefit liability (Note 14(e))	**$ 4,301**	**$ -**	**$ -**	**$ 4,301**

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

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

	2020			
	Post-retirement and post-employment	TTC pension plan (Note 14, h(ii))	City pension plans (Note 14, h(iii))	Total
Balance – beginning of year	$ 4,122	$ 3,074	$ 510	$ 7,706
Current service cost	347	91	-	438
Interest cost	111	172	8	291
Actuarial (gain)/loss	408	101	83	592
Benefits paid	(283)	(186)	(95)	(564)
Transfer to OMERS	-	-	(342)	(342)
Plan amendments	1	52	-	53
Balance – end of year	**$ 4,706**	**$ 3,304**	**$ 164**	**$ 8,174**

d. Continuity of the plan assets:

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

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

2020	Post-retirement and post-employment	TTC pension plan (Note 14, h(ii))	City pension plans (Note 14, h(iii))	Total
Balance – beginning of year	$ -	$ 3,658	$ 768	$ 4,426
Employer contributions	283	130	-	413
Actual return on assets	-	387	21	408
TTC pension administrative expenses	-	(2)	-	(2)
Benefits paid	(283)	(186)	(95)	(564)
Transfer to OMERS	-	-	(342)	(342)
Balance – end of year	**$ -**	**$ 3,987**	**$ 352**	**$ 4,339**

The City has established reserve funds to help reduce the future impact of the employee benefit obligation. As at December 31, 2021, the balance in the Employee Benefits Reserve Fund was $486 (2020 – $396), which includes $55 (2020 – $52) for Sick Leave and $17 (2020 – $18) for WSIB.

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

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

2020	Post-retirement and post-employment	TTC pension plan (Note 14, h(ii))	City pension plans (Note 14, h(iii))	Total
Balance – beginning of year	$ 4,133	$ -	$ -	$ 4,133
Current service cost	348	93	-	441
Interest cost/(revenue)	111	(28)	(1)	82
Amortization of actuarial (gain)/loss	(9)	(58)	71	4
Employer contributions	(283)	(147)	-	(430)
Plan amendments	1	52	-	53
Change in valuation allowance	-	88	(70)	18
Balance – end of year	**$ 4,301**	**$ -**	**$ -**	**$ 4,301**

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

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

2020	Post-retirement and post-employment	TTC pension plan (Note 14, h(ii))	City pension plans (Note 14, h(iii))	Total
Current service cost	$ 348	$ 93	$ -	$ 441
Interest cost/(revenue)	111	(28)	(1)	82
Amortization of actuarial (gain)/loss	(9)	(58)	71	4
Plan amendments	1	52	-	53
Change in valuation allowance	-	88	(70)	18
Total expense	**$ 451**	**$ 147**	**$ -**	**$ 598**

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 2021:

	Discount rate for accrued benefit obligation		Discount rate for benefit costs	
	2021	2020	2021	2020
Post-employment	1.6% to 2.2%	1.2%	1.2%	2.4%
Post-retirement	2.6% to 2.9%	2.0%	2.0%	2.7%
Sick leave	1.8% to 2.5%	1.5%	1.5%	2.5%
WSIB	2.3% to 2.4%	2.0%	2.0%	2.7%
Rate of compensation increase	1.3% to 3.5%	1.3% to 3.5%	1.3% to 3.5%	1.3% to 3.3%
Health care inflation – LTD, hospital and other medical	5.0% to 6.2%	4.5% to 6.5%	4.0% to 5.9%	4.0% to 5.3%
Health care inflation – dental care	3.0% to 4.0%	3.0% to 4.0%	3.0% to 4.0%	3.0% to 4.0%
Health care inflation – drugs	6.0% to 6.9%	5.5% to 7.3%	6.0% to 10.3%	5.5% to 10.4%

For 2021 benefit costs and year end 2021 benefit obligations, the health care inflation rate for Long-Term Disability (LTD), hospital, other medical, and drugs is assumed to reduce to a range of 4.0 to 5.0 per cent by 2030 based on the latest actuarial valuation.

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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 contribution. The plan is a joint pension plan of all Ontario municipalities and their employees. Employer contributions for current service amounted to $212 (2020 – $210) and are expensed in the Consolidated Statement of Operations and Accumulated Surplus. Employees' contributions amounted to $212 (2020 – $210). The City is current with all payments to OMERS. As at December 31, 2021, OMERS has a deficit of $3,131 (2020 – deficit $3,211).

The date of the most recently filed actuarial valuation for funding purposes for the OMERS Primary Pension Plan was December 31, 2020. The next required filing of an actuarial valuation for funding purposes will be performed with a date no later than December 31, 2023.

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 per cent) and therefore, recognized 50 per cent of the pension expense incurred during the year and 50 per cent of the plan's assets and obligation.

Effective January 1, 2019, in lieu of the TTC paying the administrative expenses of the TTC Pension Fund Society directly, the TTC and the Society agreed that the TTC would make a fixed contribution to the Society each January. The fixed contribution is adjusted annually based on the Toronto consumer price index.

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

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

Effective January 1, 2020 the base year for the TTC pension plan and the funded supplemental pension plans was updated to December 31, 2019 from December 31, 2018. In addition, the survivor benefit date was updated to January 1, 2021 (from January 1, 2020) and an ad hoc increase of up to 1.0 per cent (December 31, 2020 – 2.0 per cent) was granted to all pensioners. The TTC's share of the prior service cost of these plan amendments have been reflected in the Consolidated Statement of Operations and Accumulated Surplus.

The effective date of the most recent actuarial valuation for funding purposes for the TTC Pension Fund was January 1, 2021. The next required actuarial valuation for funding purposes will be performed as at January 1, 2024. The effective date of the most recent valuation for accounting purposes was December 31, 2021.

ii. TTC pension plan (cont.)

Actuarial assumptions for the TTC Pension Plan are as follows:

	2021	2020
Discount rate	6.2%	5.5%
Actual rate of return on plan assets	11.3%	4.7%
Expected rate of return on plan assets	5.3%	5.5%
Rate of increase in salaries	1.3% to 3.3%	1.3% to 3.3%
Inflation rate	2.0%	2.0%

iii. City Pension Plans

During 2020, the City completed the merger of the Civic, Metro, Police and York pension plans with OMERS. OMERS has taken over responsibility to pay future benefits. As a result, the City has no continuing obligation related to these plans at December 31, 2021. The mergers resulted in $106 of surplus for the City, which represents its share of the pension plan surpluses. This amount was received in full in 2021, and the plans have now been deregistered consistent with regulations of the Pension Benefits Act.

The City continues to administer the Toronto Fire Department Superannuation and Benefit Fund, a defined benefit pension plan that provides benefits to employees who were employed prior to the establishment of the OMERS pension plan. The plan covers a closed group of employees hired prior to July 1, 1968 and provides for pensions based on length of service and final average earnings. The overall accounting valuation for funding purposes for the City's pension plan was completed on December 31, 2021. The next required accounting valuation for funding purposes will be performed as at December 31, 2022.

As at December 31, 2021, there were 264 (2020 – 293) Fire pensioners with an average age of 83.6 (2020 – 83) and 291 (2020 – 296) survivors and beneficiaries with an average age of 83.3 (2020 – 82.7), in receipt of a pension. Pension payments during the year were $18 (2020 – $19). Given that there are no active members in the plan, there are no contributions being made into the plan.

The financial status of the City Pension Plans, which includes assets that will be distributed to members in future fiscal years, as at December 31, 2021 is as follows:

	2021			2020
	Pension assets – market value – end of year	**Actuarial pension obligation – end of year**	**Net actuarial surplus**	**Net actuarial surplus**
Toronto Civic Employee Pension Plan	$ 0.4	$ -	$ 0.4	$ 57
Metropolitan Toronto Pension Plan	0.5	-	0.5	87
Metropolitan Toronto Police Pension Plan	0.1	-	0.1	7
Toronto Firefighters Pension Plan	200	156	44	37
Total of City Pension Plans	**$ 201**	**$ 156**	**$ 45**	**$ 188**

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

	2021	2020
Discount rate	4.9%	4.9%
Actual rate of return on plan assets	9.0%	9.2%
Expected rate of return on plan assets	4.9%	4.9%
Inflation	2.0%	2.0%

(in millions of dollars, unless otherwise stated)

15. Inventories

	2021	2020
Inventories	$ 231	$ 223
Properties held for resale	38	111
	$ 269	**$ 334**

16. Tangible capital assets

	2021 Cost	2021 Accumulated amortization	2021 Net book value	2020 Net book value
General				
Land	$ 4,203	$ -	$ 4,203	$ 4,188
Land improvements	2,238	1,004	1,234	1,082
Buildings and building improvements	12,985	4,555	8,430	7,930
Machinery and equipment	3,452	1,954	1,498	1,447
Motor vehicles	2,993	1,857	1,136	1,241
Total general	**25,871**	**9,370**	**16,501**	**15,888**
Infrastructure				
Land	140	-	140	140
Buildings and building improvements	975	252	723	728
Machinery and equipment	3,098	1,491	1,607	1,618
Water and wastewater linear	7,318	2,650	4,668	4,693
Roads linear	5,219	2,574	2,645	2,562
Transit	10,655	4,876	5,779	5,758
Total infrastructure	**27,405**	**11,843**	**15,562**	**15,499**
Assets under construction	**6,323**	**-**	**6,323**	**5,141**
Total	**$ 59,599**	**$ 21,213**	**$ 38,386**	**$ 36,528**

General machinery and equipment includes the net book value of City capital leases totaling $nil (2020 – $5) and from TCHC totaling $nil (2020 – $2). General building and building improvements includes capital leases totaling $nil (2020 – $1).

The value of donated assets received during the year was $18 (2020 – $14).

The City recognized an additional write down of $2 of assets under construction during the year (2020 – $0.5).

17. 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.

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, 2021 all loans and lines of credit are in good standing and no provision has been recorded (2020 – $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 2021, the City provided capital loan guarantees to various organizations amounting to $35 (2020 – $27). The City's guarantees are set to expire between 2022 and 2049 (2020 – 2021 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 2021, the City provided line of credit guarantees that have an aggregate value of $6 (2020 – $6).

18. Contractual rights and obligations

a. Contractual rights

The City is involved with various contracts and agreements arising in the ordinary course of business. This results in contractual rights to economic resources, leading to both assets and revenues in the future. The City has significant contractual rights to revenues from a lease agreement for a City-owned property that is estimated to generate revenues of $21 over the next five-year period.

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). For instance, City Council authorization is required to negotiate, enter into, and execute significant agreements and contracts.

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b. Contractual obligations (cont.)

The City's most significant contractual obligations and estimates of amounts payable over the coming years have been summarized in the below tables:

i. City of Toronto

	Amounts to be paid in:						
	2022	2023	2024	2025	2026	Thereafter	Total
Service agreements for winter maintenance services	$ 71	$ 130	$ 133	$ 137	$ 142	$ 891	$ 1,504
Transfer payment agreement with the Province of Ontario and Metrolinx for the SmartTrack Program	-	-	-	1,463	-	-	1,463
Construction agreements for the Ashbridges Bay Treatment Plant	169	128	108	85	33	52	575
Construction and engineering services agreements for the Basement Flooding Protection Program	133	134	96	46	9	6	424
Service agreements for curbside collection services	60	49	41	42	26	-	218
Service agreements for single stream recyclable materials processing and marketing activities	38	42	42	42	42	4	210
Service agreements for waste transport services in the City	20	20	20	20	20	78	178
Construction agreements for the Coxwell Bypass Tunnel	54	40	21	-	-	-	115
Construction agreements for Liquid Train Upgrades and rehabilitation at the Highland Creek Treatment Plant	24	22	14	23	3	15	101
Operation and maintenance agreement of the Disco Rd organics processing facility	13	13	13	13	13	32	97
Construction agreement for the North East Scarborough Community Centre and Child Care Centre	18	31	30	-	-	-	79
Service agreement for landfill operations, management and construction services	10	10	10	10	10	29	79
Service agreement for electrical maintenance service	16	16	17	17	11	-	77
Construction agreement for the St. Lawrence Market North Redevelopment	49	25	-	-	-	-	74
Transfer payment agreement agreements with the Province of Ontario for the GO Rail Expansion program	-	-	-	62	-	-	62

i. City of Toronto (cont.)

	Amounts to be paid in:						
	2022	2023	2024	2025	2026	Thereafter	Total
Various agreements for purchase of goods and services for multiple capital projects	308	179	105	45	25	50	712
Various agreements for purchase of goods and services for miscellaneous operational needs	217	158	104	71	52	37	639
Total	**$ 1,200**	**$ 997**	**$ 754**	**$ 2,076**	**$ 386**	**$ 1,194**	**$ 6,607**

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

	Amounts to be paid in:						
	2022	2023	2024	2025	2026	Thereafter	Total
Agreement for the provision of 264 Light Rail vehicles to the TTC - 204 delivered to date	$ 38.4	$ 80.3	$ 219.4	$ 23.2	$ -	$ -	$ 361.3
Various agreements for the purchase of goods and services for multiple TTC capital projects	122	111	44	22.8	3.7	-	303.5
Agreement for the provision of 111 Low Floor Wheel Trans Mini- Buses to the TTC - 2 delivered to date	23.9	9.9	-	-	-	-	33.8
Various agreements for the purchase of goods and services for the Toronto Hydro Corporation's capital projects and operational needs	32.6	4.6	1.9	0.5	3.1	-	42.7
Agreement for the purchase of above grade and/or substrata title to parking structures by the Toronto Parking Authority	0.3	18	5.4	-	-	9.0	32.7
Total	**$ 217.2**	**$ 223.8**	**$ 270.7**	**$ 46.5**	**$ 6.8**	**$ 9.0**	**$ 774.0**

c. Lease commitments

At December 31, 2021, 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

	2021
2022	$ 83
2023	42
2024	36
2025	32
2026	23
Thereafter	115
	$ 331

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19. Budget data

Budget data presented in these Statements is based on the 2021 operating and capital budgets approved by Council. Adjustments to budgeted values were required to provide comparative budget figures based on the full accrual basis of accounting, which includes the capitalization of capital expenditures to TCA, the recognition of debt proceeds as a liability and non-cash expenditures such as amortization on tangible capital assets. The following chart reconciles the approved 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	$ 4,818	$ -	$ -	$ -	$ (128)	$ 4,690
Government transfers	4,154	596	-	(2)	92	4,840
User charges	1,117	1,231	1,896	(45)	(1,117)	3,082
Municipal land transfer tax	694	-	-	-	-	694
Other revenue sources	1,207	2,757	-	14	(3,409)	569
Rent and concessions	60	-	-	397	-	457
Development charges	-	552	-	-	-	552
Investment income	257	-	-	38	(29)	266
Total revenue	**12,307**	**5,136**	**1,896**	**402**	**(4,591)**	**15,150**
Expenses:						
Transportation	2,683	1,902	155	(21)	(390)	4,329
Social and family services	2,970	467	-	-	(260)	3,177
Protection to persons and property	1,919	118	-	-	(42)	1,995
Recreation and cultural services	913	371	-	(28)	(91)	1,165
Environmental services	166	1,438	1,749	-	(1,982)	1,371
General government	2,538	524	-	-	(1,786)	1,276
Social housing	443	161	-	360	214	1,178
Health services	618	19	-	-	(12)	625
Planning and development	57	136	(8)	16	12	213
Total expenses	**12,307**	**5,136**	**1,896**	**327**	**(4,337)**	**15,329**
Annual (deficit)/ surplus	**$ -**	**$ -**	**$ -**	**$ 75**	**$ (254)**	**$ (179)**

19. Budget data (cont.)

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.

a. Revenue adjustments ($4,591):

- Contributions to the City's operating fund, capital fund, and reserve and discretionary reserve funds ($2,318)
- Proceeds from the issuance of long-term debt ($1,994)
- Reclassification between revenue and expense ($318)
- Consolidated entities budgets – net revenues ($33)
- Other adjustments ($72 – increase)

b. Expenditure adjustments ($4,337):

- Withdrawals from City's operating fund, capital fund and reserve and discretionary reserve funds ($2,107)
- Capitalization of tangible capital assets and recognition of amortization ($1,278)
- Reclassification between revenue and expense ($318)
- Debt principal repayments ($438)
- Internal cost recoveries ($164)
- Consolidated entities budgets – net expenditures ($20)
- Other adjustments ($12)

20. Government transfers

a. Government transfers by function

	2021	2020
Social and family services	$ 1,905	$ 1,842
Transportation	363	156
Health services	338	334
General government	100	217
Social housing	75	184
Protection to persons and property	65	62
Environmental services	33	(17)
Planning and development	39	86
Recreation and cultural services	21	15
	2,939	**2,879**
Add:		
COVID-19 impacts	1,662	1,191
Ministry of Health COVID-19 vaccination program	81	-
Total transfers by function	**$ 4,682**	**$ 4,070**

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b. Government transfers by source

	2021	2020
Operating transfers		
Federal	$ 348	$ 333
Provincial	3,795	3,438
Other	14	13
Total operating transfers	**4,157**	**3,784**
Capital transfers		
Federal	375	107
Provincial	147	171
Other	3	8
Total capital transfers	**525**	286
Total transfers by source	**$ 4,682**	**$ 4,070**

In 2021, the City continued to receive transfer payments from the Province of Ontario as part of the Safe Restart Agreement (Agreement) to support municipal operating pressures that arose from the City's responses to the pandemic, including but not limited to increases in public health protocols and initiatives, and municipal transit systems due to a sustained reduction in ridership figures.

The City received and recognized $450 (2020 – $258) of revenues, which were ultimately used to respond to municipal operating pressures, as well as $739 (2020 – $640) of revenues, which were used to respond to municipal transit costs and lost revenues. The City also received Social Services Relief Funding and other funding $306 (2020 – $177) and amounts allocated for Toronto Public Health's Safe Restart efforts $134 (2020 – $14).

The City recognized $19 (2020 – $37) as part of the Government of Canada's Interim Housing Assistance Program. This additional transfer payment was provided by the federal government to recognize the City's efforts in offering interim housing services to asylum claimants in 2021.

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

21. Other revenue sources

	2021	2020
Utilities cut and other recoveries	$ 146	$ 110
Sale of recycled materials and properties	68	48
Hotel, lodging and sign tax	26	22
Other income	447	417
Total other revenue sources	**$ 687**	**$ 597**

22. Total expenses

	2021	2020
Salaries, wages and benefits	$ 6,418	$ 6,127
Contracted services	1,754	1,584
Transfer payments to agencies, corporations, and other external organizations	1,427	1,533
Amortization (Schedule 1)	1,554	1,432
Materials	1,284	1,078
Interest on long-term debt	361	346
Other	445	353
Total expenses	**$ 13,243**	**$ 12,453**

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

23. Comparative igures

Certain 2020 comparative amounts have been regrouped from the Statements previously presented, to conform with the presentation adopted in 2021.

24. Greenhouse gas (GHG) emission reductions (unaudited)

Toronto's climate action strategy (TransformTO Net Zero Strategy) lays out a set of long-term, low-carbon goals and strategies to reduce local greenhouse gas emissions, and improve our health, grow the economy, and progress social equity. Under this strategy, Toronto's targets are to reduce GHG emissions from 1990 levels by 30 per cent by 2020, 65 per cent by 2030 and net zero by 2040. Toronto has released its 2019 inventory on community-wide GHG emissions which indicates that GHG emissions in Toronto were 38 per cent lower in 2019 than in 1990, thereby achieving the target one year earlier.

(in millions of dollars, unless otherwise stated)

Schedule 1: Consolidated schedule of tangible capital assets

As at and for the year ended December 31, 2021

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

(in millions of dollars, unless otherwise stated)

Schedule 1: Consolidated schedule of tangible capital assets

As at and for the year ended December 31, 2020

	Beginning	Additions	Disposals / transfers	Donated	Ending	Beginning	Amortization	Disposals	Ending	Net book value
General										
Land	$ 4,068	$ 123	$ (3)	$ -	$ 4,188	$ -	$ -	$ -	$ -	$ 4,188
Land improvements	1,444	431	-	12	1,887	627	178	-	805	1,082
Buildings and building improvements	11,679	607	(11)	-	12,275	4,105	244	(4)	4,345	7,930
Machinery and equipment	3,040	297	(95)	2	3,244	1,702	190	(95)	1,797	1,447
Motor vehicles	2,876	171	(87)	-	2,960	1,593	213	(87)	1,719	1,241
Total general	**23,107**	**1,629**	**(196)**	**14**	**24,554**	**8,027**	**825**	**(186)**	**8,666**	**15,888**
Infrastructure										
Land	140	-	-	-	140	-	-	-	-	140
Buildings and building improvements	827	131	-	-	958	210	20	-	230	728
Machinery and equipment	2,974	42	(1)	-	3,015	1,307	91	(1)	1,397	1,618
Water and wastewater linear	6,927	326	(6)	-	7,247	2,463	95	(4)	2,554	4,693
Roads linear	4,810	225	(4)	-	5,031	2,372	101	(4)	2,469	2,562
Transit	9,589	712	(10)	-	10,291	4,243	300	(10)	4,533	5,758
Total infrastructure	**25,267**	**1,436**	**(21)**	**-**	**26,682**	**10,595**	**607**	**(19)**	**11,183**	**15,499**
Assets under construction	**4,812**	**344**	**(15)**	**-**	**5,141**	**-**	**-**	**-**	**-**	**5,141**
Total	**$ 53,186**	**$ 3,409**	**$ (232)**	**$ 14**	**$ 56,377**	**$ 18,622**	**$ 1,432**	**$ (205)**	**$ 19,849**	**$ 36,528**

(in millions of dollars, unless otherwise stated)

Appendix 1: Consolidated schedule of government business enterprises

As at and for the year ended December 31, 2021

Condensed financial results ($)	Toronto Hydro Corporation				Toronto Parking Authority				Total			
Fiscal year ended		**2021**		**2020**		**2021**		**2020**		**2021**		**2020**
Financial position												
Assets												
Current	$	490	$	508	$	102	$	83	$	592	$	591
Capital		5,735		5,382		222		220		5,957		5,602
Other		188		184		42		67		230		251
Total assets		**6,413**		**6,074**		**366**		**370**		**6,779**		**6,444**
Liabilities												
Current		808		951		35		27		843		978
Long-term		3,623		3,205		6		8		3,629		3,213
Total liabilities		**4,431**		**4,156**		**41**		**35**		**4,472**		**4,191**
Net equity	**$**	**1,982**	**$**	**1,918**	**$**	**325**	**$**	**335**	**$**	**2,307**	**$**	**2,253**
City's share (Note 6)	**$**	**1,969**	**$**	**1,903**	**$**	**325**	**$**	**335**	**$**	**2,294**	**$**	**2,238**
Results of operations												
Revenues	$	3,633	$	3,975	$	97	$	96	$	3,730	$	4,071
Expenses		3,496		3,857		88		85		3,584		3,942
Net income (loss)	**$**	**137**	**$**	**118**	**$**	**9**	**$**	**11**	**$**	**146**	**$**	**129**
City's share (Note 6)	**$**	**137**	**$**	**118**	**$**	**9**	**$**	**11**	**$**	**146**	**$**	**129**
Distribution to City (Note 6)		-		-		20		-		20		-
Dividends paid to City (Note 6)	$	70	$	93	$	-	$	-	$	70	$	93
Net book value of assets sold from the City to Toronto Hydro Corporation	$	13	$	15	$	-	$	-	$	13	$	15

(in millions of dollars, unless otherwise stated)

Appendix 2: Consolidated schedule of segment disclosure — service

As at and for the year ended December 31, 2021

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

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

(in millions of dollars, unless otherwise stated)

Appendix 2: Consolidated schedule of segment disclosure — service

As at and for the year ended December 31, 2020

	General government	Protection to persons and property	Transportation	Environmental	Health	Social and family	Social housing	Recreation and cultural	Planning and development	Consolidated
Taxation*	$ 5,454	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 5,454
User charges	75	209	670	1,717	-	58	18	74	43	2,864
Government transfers**	1,121	62	156	(17)	372	2,090	184	16	86	4,070
Net GBE income	129	-	-	-	-	-	-	-	-	129
Other	315	69	280	162	6	29	511	132	54	1,558
Total revenues	**7,094**	**340**	**1,106**	**1,862**	**378**	**2,177**	**713**	**222**	**183**	**14,075**
Salaries, wages, and benefits	522	1,749	1,666	288	426	672	203	546	55	6,127
Materials	147	37	354	137	20	147	128	83	25	1,078
Contracted services	79	31	419	204	35	502	117	116	81	1,584
Interest on long-term debt	17	8	197	10	1	10	79	13	11	346
Transfer payments	(59)	66	2	123	44	1,244	96	75	(58)	1,533
Other	110	10	67	26	6	49	41	32	12	353
Amortization	103	45	767	220	4	3	213	73	4	1,432
Total expenses	**919**	**1,946**	**3,472**	**1,008**	**536**	**2,627**	**877**	**938**	**130**	**12,453**
Annual surplus / (deficiency)	**$ 6,175**	**$ (1,606)**	**$ (2,366)**	**$ 854**	**$ (158)**	**$ (450)**	**$ (164)**	**$ (716)**	**$ 53**	**$ 1,622**

*Taxation revenues are allocated to General Government for presentation purposes however fund all consolidated entities as required.
** Government transfers includes $1,191 of revenues recognized for COVID-19 Impacts.

(in millions of dollars, unless otherwise stated)

Appendix 3: Consolidated schedule of segment disclosure — entity

As at and for the year ended December 31, 2021

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

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

(in millions of dollars, unless otherwise stated)

Appendix 3: Consolidated schedule of segment disclosure — entity

As at and for the year ended December 31, 2020

	City	Toronto Police Service	Toronto Transit Commission	Toronto Public Library	Toronto Community Housing Corporation	Other Agencies and Corporations	Total
Taxation*	$ 5,454	$ -	$ -	$ -	$ -	$ -	$ 5,454
User charges	2,265	22	520	1	18	38	2,864
Government transfers	3,692	61	134	6	75	102	4,070
Net GBE income	129	-	-	-	-	-	129
Other	466	27	96	16	841	112	1,558
Total revenues	**12,006**	**110**	**750**	**23**	**934**	**252**	**14,075**
Salaries, wages, and benefits	3,053	1,145	1,478	150	203	98	6,127
Materials	618	20	221	5	128	86	1,078
Contracted services	1,071	21	259	33	117	83	1,584
Interest on long-term debt	258	6	-	-	78	4	346
Transfer payments	3,426	11	(1,370)	(202)	(272)	(60)	1,533
Other	216	3	62	3	41	28	353
Amortization	477	37	659	36	213	10	1,432
Total expenses	**9,119**	**1,243**	**1,309**	**25**	**508**	**249**	**12,453**
Annual surplus / (deficiency)	**$ 2,887**	**$ (1,133)**	**$ (559)**	**$ (2)**	**$ 426**	**$ 3**	**$ 1,622**

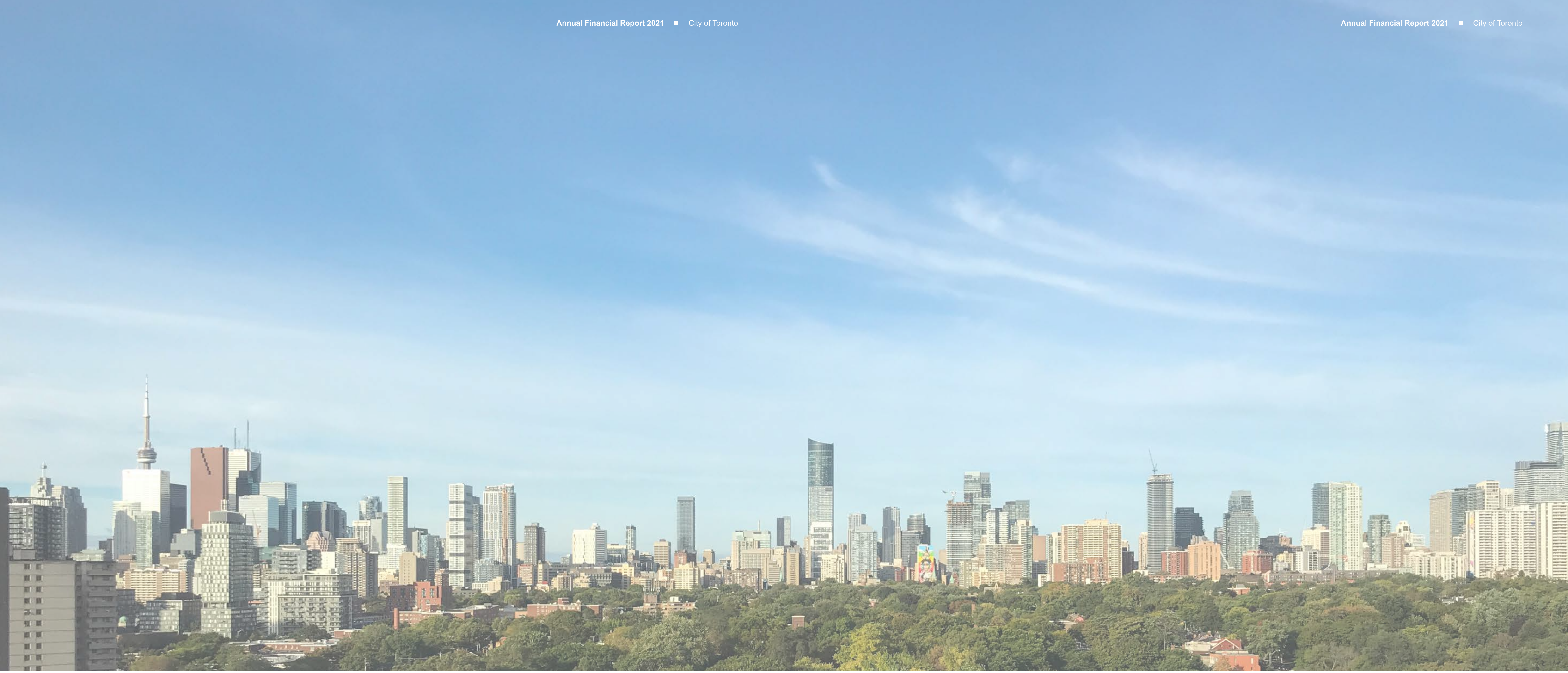
*Taxation revenues are allocated to City for presentation purposes to fund all consolidated entities as required.

(in millions of dollars, unless otherwise stated)

Appendix 3: Consolidated schedule of segment disclosure — tangible capital assets by entity

As at and for the year ended December 31, 2020

	City, including Toronto Public Service	Toronto Transit Commission	Toronto Community Housing Corporation	Toronto Public Library	Other Agencies and Corporations	Total
2021						
General						
Cost	$ 9,522	$ 8,919	$ 6,386	$ 514	$ 530	$ 25,871
Accumulated amortization	2,828	3,639	2,601	215	87	9,370
Net book value	**6,694**	**5,280**	**3,785**	**299**	**443**	**16,501**
Infrastructure						
Cost	16,751	10,654	-	-	-	27,405
Accumulated amortization	6,968	4,875	-	-	-	11,843
Net book value	**9,783**	**5,779**	**-**	**-**	**-**	**15,562**
Assets under construction	**4,380**	**1,374**	**78**	**99**	**392**	**6,323**
Total	**20,857**	**12,433**	**3,863**	**398**	**835**	**38,386**
2020						
General						
Cost	8,990	8,614	5,894	507	549	24,554
Accumulated amortization	2,663	3,315	2,380	205	103	8,666
Net book value	**6,327**	**5,299**	**3,514**	**302**	**446**	**15,888**
Infrastructure						
Cost	16,392	10,290	-	-	-	26,682
Accumulated amortization	6,650	4,533	-	-	-	11,183
Net book value	**9,742**	**5,757**	**-**	**-**	**-**	**15,499**
Assets under construction	**3,338**	**1,238**	**178**	**76**	**311**	**5,141**
Total	**$ 19,407**	**$ 12,294**	**$ 3,692**	**$ 378**	**$ 757**	**$ 36,528**



Our sinking funds financial statements

In 2021, our financial statements reflected how we used and invested in our sinking funds for purposes of managing our long-term debt.

What this section contains

Independent auditors' report

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

Opinion

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

- the statement of financial position as at December 31, 2021
- the statement of operations and changes in unrestricted surplus for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2021, and its results of operations and cash flows for the year then ended in accordance with the basis of accounting described in Note 2 to the financial statements.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the **"Auditors' Responsibilities for the Audit of the Financial Statements"** section of our auditors' report.

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

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

Emphasis of Matter - Financial Reporting Framework

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

Our opinion is not modified in respect of this matter.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the basis of accounting described in Note 2 to the financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants
Vaughan, Canada
July 19, 2022

(in thousands of dollars, unless otherwise stated)

Statement of financial position

As at December 31, 2021

	2021	2020
Assets		
Cash	$ 271,583	$ 435,303
Accounts receivable	298	389
Investments (Note 4)	1,700,580	1,744,129
Total assets	**1,972,461**	**2,179,821**
Liabilities		
Accounts payable and accrued liabilities	81	81
Actuarial requirements (Note 5)	1,811,451	1,980,375
Total liabilities	**1,811,532**	**1,980,456**
Net assets		
Unrestricted surplus (Note 6)	160,929	199,365
	$ 1,972,461	**$ 2,179,821**

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

Statement of operations and changes in unrestricted surplus

For the year ended December 31, 2021

	2021	2020
Revenues		
Contributions	$ 416,524	$ 413,398
Investment income (Note 7)	26,116	128,888
Total revenues	**442,640**	**542,286**
Expenses		
Changes in actuarial requirements (Note 5)	481,076	423,536
(Deficiency) / excess of revenues over expenses	**(38,436)**	**118,750**
Surplus, beginning of year	199,365	80,615
Surplus, end of year	**$ 160,929**	**$ 199,365**

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

(in thousands of dollars, unless otherwise stated) Annual Financial Report 2021 ■ City of Toronto

Statement of cash flows

Year ended December 31, 2021

		2021		2020
Cash flows provided by (used in):				
Operating activities				
(Deficiency) / excess of revenues over expenses	$	(38,436)	$	118,750
Items not involving cash:				
Amortized discount on investments		(8,080)		(9,168)
Increase (decrease) in accrued interest		2,506		(1,473)
Decrease (increase) in accounts receivable:				
Accrued interest on bank		102		(301)
Other		(11)		(10)
Unrealized gain on investments		(7,969)		(89,596)
Increase in actuarial requirements		481,076		423,536
Cash provided by operating activities		**429,188**		**441,738**
Investing activities)				
Purchase of investments		(1,420,363)		(776,883)
Proceeds from maturities of investments		164,432		14,137
Proceeds from sale of investments		1,313,023		256,376
Cash provided by investing activities		**57,092**		**(506,370)**
Financing activities				
Maturity of debenture		(650,000)		-
Cash used in financing activities		**(650,000)**		**-**
Decrease in cash during the year		**(163,720)**		**(64,632)**
Cash, beginning of year		435,303		499,935
Cash, end of year	**$**	**271,583**	**$**	**435,303**

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

Notes to the financial statements

Year ended December 31, 2021

1. Purpose of sinking funds

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

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

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

2. Summary of significant accounting policies

These financial statements have been prepared in accordance with the Chartered Professional Accountants of Canada's Public Sector Accounting Standards, except that investments are recorded at fair value to better reflect their ability to meet debt obligations. The significant accounting policies are summarized below.

a. Investments

Short-term investments are comprised of money market instruments, such as guaranteed investment certificates and are valued based on cost plus accrued investment/ interest income.

The Sinking Funds invest in debentures issued or guaranteed by Provincial and Municipal governments, equity, and corporate bonds; the fair value of investments recorded in the financial statements is based on the latest bid prices and the change in fair value is included in the Statement of Operations and Changes in Unrestricted Surplus as Investment Income. Investment transactions are recorded on a settlement date basis and transaction costs are expensed as incurred.

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

b. Revenue recognition

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

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

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

3. Use of estimates

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

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

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

(in thousands of dollars, unless otherwise stated) Annual Financial Report 2021 ■ City of Toronto

4. Investments

Fair value represents bid price for each investment, while face value represents the original cost of the investment at the purchase date. Sinking Fund investments are held to maturity. In addition, there were no indicators which suggested that the Sinking Funds' investments were permanently impaired as at December 31, 2021 and therefore, no adjustments were recognized.

	2021		2020	
	Fair value	**Face value**	**Fair value**	**Face value**
Debt investments issued or guaranteed by:				
Provincial governments	$ 826,462	$ 1,045,049	$ 1,076,993	$ 1,255,426
City of Toronto	23,113	19,600	25,279	20,400
Other Canadian municipalities	34,747	28,110	64,616	53,047
Corporations	280,863	260,438	341,246	302,951
Total debt investments	**1,165,185**	**1,353,197**	**1,508,134**	**1,631,824**
Equity investments issued or guaranteed by:				
Corporations	535,395	221,497	235,995	14,551
Total equity investments	**535,395**	**221,497**	**235,995**	**14,551**
Total investments	**$ 1,700,580**	**$ 1,574,694**	**$ 1,744,129**	**$ 1,646,375**

	2021	**2020**
Amortized cost, including accrued interest	$ 1,576,793	$ 1,628,311
Weighted average rate of return	0.9%	2.2%
Average term to maturity	17.10 years	15.95 years
Excess of fair value over amortized cost	$ 123,787	$ 115,818

5. Actuarial requirements

	2021	**2020**
Actuarial requirements, beginning of year	$ 1,980,375	$ 1,556,839
Add: change in actuarial liability requirements	481,076	423,536
	2,461,451	1,980,375
Less: value of debentures matured during the year	(650,000)	-
Actuarial requirements, end of year	**$ 1,811,451**	**$ 1,980,375**

6. Net assets

	2021	**2020**
City of Toronto unrestricted surplus based on amortized cost	$ 37,142	$ 83,547
Unrealized gain on investments	123,787	115,818
Total unrestricted surplus	160,929	199,365
Total net assets	**$ 160,929**	**$ 199,365**

7. Investment income

	2021	**2020**
Investment income	$ 15,906	$ 32,539
Interest income	2,241	6,753
Unrealized gain on change in fair value	7,969	89,596
Total investment income	**$ 26,116**	**$ 128,888**

8. Schedule of projected debenture maturities

For the year ended December 31, 2021, the following is a list of the projected maturities of the Sinking Fund debentures, held within the City of Toronto. The list only includes years when debentures are expected to mature.

	2021
2023	$ 300,000
2024	300,000
2025	300,000
2026	300,000
2027	700,000
2029	600,000
2030	200,000
2031	150,000
2035	400,000
2036	750,000
2039	330,000
2040	1,106,250
2041	650,000
2042	300,000
2044	300,000
2046	500,000
2048	300,000
2049	600,000
2051	350,000
	$ 8,436,250

9. Risk exposure

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

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

The Sinking Funds' liquidity risk is the risk of being unable to settle or meet commitments as they come due. These commitments include payment of the funding obligations of the Sinking Funds. Liquidity risk is managed by ensuring the Sinking Funds invest in securities that are actively traded, as well as investing in a broader range of asset classes, including fixed income, equities, and real estate assets.

Our trust funds financial statements

In 2021, our financial statements reflected how we have been managing our trust funds as directed by agreement or statute.

What this section contains

Independent auditors' report

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

Opinion

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

- the consolidated statement of financial position as at December 31, 2021
- the consolidated statement of operations and changes in fund balances for the year then ended
- the consolidated statement of continuity of fund balances for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2021, and its results of operations and fund balances for the year then ended in accordance with the basis of accounting described in Note 2 to the financial statements.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the **"Auditors' Responsibilities for the Audit of the Financial Statements"** section of our auditors' report.

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

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

Emphasis of Matter - Financial Reporting Framework

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

Our opinion is not modified in respect of this matter.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the basis of accounting described in Note 2 to the financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

(in thousands of dollars, unless otherwise stated) Annual Financial Report 2021 ■ City of Toronto

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants
Vaughan, Canada
July 19, 2022

(in thousands of dollars, unless otherwise stated) Annual Financial Report 2021 ■ City of Toronto

Consolidated statement of financial position

As at December 31, 2021

	2021	2020
Assets		
Cash	$ 5,687	$ 5,932
Accounts receivable	116	44
Due from the City of Toronto (Note 4)	13,311	13,516
Investments (Note 5)	97,237	86,497
Total assets	**116,351**	**105,989**
Liabilities		
Accounts payable	170	172
Fund balances	**116,181**	**105,817**
Total liabilities and fund balances	$ **116,351**	$ **105,989**

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

Statement of operations and changes in fund balances

For the year ended December 31, 2021

	2021	2020
Revenues		
Investment income (Note 6)	$ 8,320	$ 9,116
Contributions and other income	18,875	31,565
Total revenues	**27,195**	**40,681**
Expenses		
Expenditures	16,831	7,456
Excess of revenues over expenditures for the year	**10,364**	**33,225**
Fund balances, beginning of year	105,817	72,592
Surplus, end of year	**$ 116,181**	**$ 105,817**

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

For the year ended December 31, 2021

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

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

(in thousands of dollars, unless otherwise stated)

Consolidated statement of continuity of fund balances

For the year ended December 31, 2020

	Balance, beginning of year	Contributions	Investment income (loss)	Expenditures	Balance, end of year
Investments held in trust for:					
Toronto Atmospheric Fund	$ 45,959	$ 28,383	$ 8,463	$ 4,365	$ 78,410
Keele Valley Site Post-Closure	7,644	-	21	-	7,665
Homes for the Aged Residents	5,885	2,944	170	2,793	6,206
Community Centre Development Levy Trust	5,243	-	60	-	5,303
Toronto Police Services Board Mounted Unit	1,833	-	320	65	2,088
Indemnity Deposit – Waterpark Place	1,163	-	15	-	1,178
Contract Aftercare Project	1,144	-	13	-	1,157
Community Services and Facilities	814	-	8	-	822
Regent Park Legacy Trust	754	-	8	-	762
Music Garden Trust Fund	629	-	17	-	646
Queen’s Quay Community Services	350	-	5	-	355
Lakeshore Pedestrian Bridge	268	-	4	-	272
Municipal Elections Candidates’ Surplus	219	1	-	-	220
Children’s Green House Trust	124	-	2	-	126
Green Lane Small Claims	119	-	1	-	120
Public Art Maintenance Trust	109	-	5	-	114
Toronto Police Services Board	97	237	-	222	112
Preservation Trust	56	-	-	-	56
Hugh Clydesdale	47	-	1	-	48
Michael Sansone	43	-	1	-	44
Tenant Displacement	30	-	1	-	31
90 Lisgar Street Trust	21	-	1	-	22
Other Trust Funds	71	-	-	11	60
Total	**$ 72,592**	**$ 31,565**	**$ 9,116**	**$ 7,456**	**$ 105,817**

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

(in thousands of dollars, unless otherwise stated) Annual Financial Report 2021 ■ City of Toronto

Notes to the consolidated financial statements

Year ended December 31, 2021

1. **Purpose of trust funds**

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

2. **Summary of significant accounting policies**

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

a. **Revenue recognition**

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

Investment income includes dividends, interest and realized and unrealized gains and losses and is included in the Consolidated Statement of Operations and Changes in Fund Balances.

b. **Financial instruments and investment income**

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

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

i. Short-term investments are comprised of money market instruments, such as bankers acceptances and are valued based on cost plus accrued income, which approximates fair value.

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

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

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

c. **Expenditures**

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

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

3. **Use of estimates**

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

4. **Due from City of Toronto**

As at December 31, 2021 the Trust Funds have amounts due from the City of Toronto of $13,311 (2020 – $13,516) for investment and banking transactions, since the City maintains bank accounts or holds investments on behalf of the Trust Funds. These amounts are non-interest bearing and are due on demand.

5. **Investments**

Investments consists of the following:

	2021		2020	
	Fair value	Book value	Fair value	Book value
Short-term investments	$ 6,599	$ 6,650	$ 6,301	$ 6,030
Mutual fund investments	90,638	70,323	80,196	62,232
	$ 97,237	**$ 76,973**	**$ 86,497**	**$ 68,262**

	2021	2020
Weighted average rate of return	1.78%	2.77%
Range of maturity dates	2022 – 2034	2021 – 2034
Excess of fair value over book value	$ 20,264	$ 18,235

6. **Investment income**

	2021	2020
Investment income	$ 7,859	$ 6,581
Interest income	747	435
Unrealized gain (loss) on change in fair value	(286)	2,100
Total investment income	**$ 8,320**	**$ 9,116**

7. **Financial instruments**

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

8. **Capital management**

In managing capital, the Trust Funds focus on liquid resources available for reinvestment. The Trust Funds' objective is to have sufficient liquid resources to meet payout requirements. The need for sufficient liquid resources is considered in the investment process. As at December 31, 2021, the Trust Funds have met their objective of having sufficient liquid resources to meet their current requirements.

9. **Consolidated statement of cash flows**

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

Supplemental financial & statistical information

This section contains additional information about Toronto, as well as our operations and finances.

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

	2021	2020	2019	2018	2017
Population (Note 1)	2,974,293	2,988,408	2,965,173	2,956,024	2,878,589
Households (Note 1)	1,211,822	1,217,573	1,208,300	1,222,235	1,190,220
Areas in square kilometres	634	634	634	634	634
Full-time employees	48,285	47,657	48,684	48,801	47,209
Housing starts	17,959	20,982	18,877	22,761	15,112
Building permit values	$ 12,911	$ 11,928	$ 11,144	$ $15,077	$ $14,845

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

	2021	2020	2019	2018	2017
Residential, multi-residential, new multi-residential, farmlands, and managed forest	$ 620,468	$ 610,239	$ 565,886	$ 522,560	$ 480,320
Commercial, industrial and pipeline	135,309	136,164	129,255	121,103	111,940
Total	**$ 755,777**	**$ 746,403**	**$ 695,140**	**$ 643,663**	**$ 592,260**
Total per capital	**$ 254,103**	**$ 249,766**	**$ 234,435**	**$ 217,746**	**$ 205,746**

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

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

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

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

	2021	2020	2019	2018	2017
City purposes	0.4580130	0.4467040	0.4537700	0.4655054	0.4826472
School board purposes	0.1530000	0.1530000	0.1610000	0.1700000	0.1790000
Total	**0.6110130**	**0.5997040**	**0.6147700**	**0.6355054**	**0.6616472**

b. Multi-residential (expressed in per cent)

	2021	2020	2019	2018	2017
City purposes	0.9403840	0.9403840	1.0323420	1.1447559	1.2844065
School board purposes	0.1530000	0.1530000	0.1610000	0.1700000	0.1790000
Total	**1.0933840**	**1.0933840**	**1.1933420**	**1.3147559**	**1.4634065**

c. Commercial (expressed in per cent)

	2021	2020	2019	2018	2017
City purposes	1.2001860	1.1918090	1.2467510	1.3138506	1.3802233
School board purposes	0.9024760	0.9800000	1.0300000	1.0900000	1.1400000
Total	**2.1026620**	**2.1718090**	**2.2767510**	**2.4038506**	**2.5202233**

d. Industrial (expressed in per cent)

	2021	2020	2019	2018	2017
City purposes	1.1853460	1.1736660	1.2178330	1.2862662	1.3698567
School board purposes	0.8800000	1.0672200	1.1108780	1.1607730	1.2164150
Total	**2.0653460**	**2.2408860**	**2.3287110**	**2.4470392**	**2.5862717**

e. Pipeline (expressed in per cent)

	2021	2020	2019	2018	2017
City purposes	0.8810160	0.8592620	0.8728550	0.8954295	0.9284027
School board purposes	0.8800000	1.2500000	1.2900000	1.3400000	1.3900000
Total	**1.7610160**	**2.1092620**	**2.1628550**	**2.2354295**	**2.3184027**

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

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

4. Property taxes receivable, end of the year

	2021	2020	2019	2018	2017
Amount	$ 381	$ 466	$ 255	$ 237	$ 253
Per capita	$ 128	$ 156	$ 86	$ 80	$ 88

(in millions of dollars, unless otherwise stated)

5. Net long-term debt - end of year

	2021	2020	2019	2018	2017
Amount	$ 8,146	$ 7,654	$ 7,104	$ 6,502	$ 5,950
Per capita	$ 2,739	$ 2,561	$ 2,396	$ 2,200	$ 2,067

6. Interest charges for net long-term debt

	2021	2020	2019	2018	2017
Amount	$ 364	$ 343	$ 334	$ 296	$ 307
Per Capita	$ 122	$ 115	$ 115	$ 100	$ 107

7. Long-term debt supported by property taxes

	2021	2020	2019	2018	2017
Gross long-term debt	$ 8,535	$ 8,003	$ $7,393	$ 6,794	$ 6,266
Net long-term debt (net of sinking fund deposits)	$ 8,146	$ 7,654	$ $7,104	$ 6,502	$ 5,950

8. Long-term debt and mortgages charges

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

	2021	2020	2019	2018	2017
Amount	$ 538	$ 666	$ 776	$ 705	$ 781
Percentage of total consolidated expenses	4.06%	5.35%	6.09%	5.73%	6.90%

9. Legal debt limit (Note 3)

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

	2021	2020	2019	2018	2017
Property tax levy amount	$ 4,672	$ 4,559	$ 4,312	$ 4,246	$ 4,102
Debt limit	$ 701	$ 684	$ 647	$ 637	$ 615

10. Taxes collected

	2021	2020	2019	2018	2017
City collection	$ 6,093	$ 5,239	$ 5,302	$ 5,137	$ 4,988
Taxes transferred to the school board	2,075	2,229	2,193	2,169	2,057
Total	**$ 8,168**	**$ 7,468**	**$ 7,495**	**$ 7,306**	**$ 7,045**

11. Trust funds balance - end of year

	2021	2020	2019	2018	2017
Trust funds – end of year	$ 116	$ 106	$ 73	$ 70	$ 71

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.

12. Summary of consolidated revenues and expenses

a. Consolidated revenues by source

	2021	2020	2019	2018	2017
Residential and commercial property taxation	$ 4,672	$ 4,559	$ 4,312	$ 4,246	$ 4,102
Municipal land transfer tax	1,172	804	799	730	805
Taxation from other government	95	91	98	103	96
User charges	2,798	2,864	3,526	3,255	3,028
Funding transfers from other governments	4,682	4,070	3,493	3,505	2,800
Government business enterprise earnings	146	129	234	247	236
Investment income	147	187	335	219	235
Development charges	365	263	398	339	314
Rental and concessions	477	511	534	506	469
Other	687	597	654	589	479
Total	**$ 15,241**	**$ 14,075**	**$ 14,383**	**$ 13,740**	**$ 12,564**

b. Consolidated expenses by function

	2021	2020	2019	2018	2017
General government	$ 1,066	$ 919	$ 886	$ 876	$ 776
Protection to persons and property	1,985	1,946	1,930	1,858	1,811
Transportation	3,648	3,472	3,581	3,578	3,140
Environment services	1,148	1,008	1,043	976	956
Health services	687	536	497	490	461
Social and family services	2,658	2,627	2,553	2,474	2,193
Social housing	950	877	830	844	824
Recreation and cultural services	969	938	1,073	1,006	1,008
Planning and development	132	130	358	204	147
Total	**$ 13,243**	**$ 12,453**	**$ 12,751**	**$ 12,306**	**$ 11,315**

c. Annual surplus

	2021	2020	2019	2018	2017
Annual surplus	**$ 1,998**	**$ 1,622**	**$ 1,632**	**$ 1,434**	**$ 1,249**

(in millions of dollars, unless otherwise stated) Annual Financial Report 2021 ■ City of Toronto

13. Accumulated surplus

		2021		2020		2019		2018		2017
Financial assets	$	14,941	$	14,113	$	12,310	$	11,296	$	9,970
Liabilities		23,320		22,718		20,530		19,384		17,125
Net debt		**(8,379)**		**(8,605)**		**(8,220)**		**(8,088)**		**(7,155)**
Non-financial assets		38,805		37,033		35,026		33,262		30,895
Accumulated surplus	**$**	**30,426**	**$**	**28,428**	**$**	**26,806**	**$**	**25,174**	**$**	**23,740**

14. Consolidated summary of funding transfers from other governments

		2021		2020		2019		2018		2017
Social assistance	$	758	$	922	$	958	$	982	$	949
Child care assistance		482		398		497		500		388
Health services		157		187		179		182		175
Social housing		375		411		382		388		334
Pandemic support		1,743		1,191		-		-		-
Other		645		683		649		555		654
Government of Canada transfer – TTC		203		57		504		707		163
Government of Canada transfer – capital		172		50		16		60		25
Province of Ontario transfer – capital		147		171		308		132		112
Total	**$**	**4,682**	**$**	**4,070**	**$**	**3,493**	**$**	**3,505**	**$**	**2,800**

15. Consolidated expenses by object

		2021		2020		2019		2018		2017
Salaries, wages and benefits	$	6,418	$	6,127	$	6,042	$	5,813	$	5,623
Contracted services		1,754		1,584		1,910		1,865		1,627
Amortization		1,554		1,432		1,383		1,267		1,136
Transfer payments		1,427		1,533		1,721		1,463		1,367
Materials		1,284		1,078		866		1,289		1,015
Interest on long-term debt & TCHC mortgage		361		346		337		328		320
Other		445		353		492		281		226
Total	**$**	**13,243**	**$**	**12,453**	**$**	**12,751**	**$**	**12,306**	**$**	**11,315**

16. Reserve & reserve fund balance - end of year

		2021		2020		2019		2018		2017
Amount	**$**	**4,103**	**$**	**3,263**	**$**	**2,241**	**$**	**2,276**	**$**	**2,038**

17. Tangible capital assets

		2021		2020		2019		2018		2017
Cost										
General assets	$	25,871	$	24,554	$	23,107	$	22,123	$	20,271
Infrastructure		27,405		26,682		25,267		24,003		22,705
Assets under construction		6,323		5,141		4,812		4,385		4,371
Total – cost		**59,599**		**56,377**		**53,186**		**50,511**		**47,347**
Accumulated amortization										
General assets		9,370		8,666		8,027		7,498		7,040
Infrastructure		11,843		11,183		10,595		10,296		9,843
Total – accumulated amortization		**21,213**		**19,849**		**18,622**		**17,794**		**16,883**
Net book value	**$**	**38,386**	**$**	**36,528**	**$**	**34,564**	**$**	**32,717**	**$**	**30,464**

Our climate-related financial disclosures

In recent years, legislators, regulators and accounting standard setters have started to demand more information concerning climate-related metrics and targets, as well as external validation over the accuracy and completeness of the reported information.

What this section contains

Introduction

In December 2015, the Financial Stability Board (FSB) established the Task Force on Climate-related Financial Disclosure (TCFD) to develop voluntary and consistent climate-related disclosures for organizations to use when providing information to investors, lenders, insurers and other key stakeholders. The TCFD released recommendations revolving around climate governance, strategy, risk management, and metrics and targets. The implementation of these disclosure recommendations is relevant to municipalities, as it provides reliable, consistent and comparable information about municipal climate-related risks and opportunities to City decision makers, in addition to the readers of the financial statements.

We have provided climate-related financial disclosures in previous years. In efforts to share risks and opportunities that are specific to 2021, we have not repeated information attached to previous Annual Financial Reports (AFR). Details regarding progress achieved prior to 2021 can be found in our 2020 AFR and 2019 AFR. Given the fast moving challenges associated with climate change, the disclosures included in this report also contain future information on our climate related initiatives and projects. Forward-looking information is subject to risks, uncertainties, changes in circumstances and assumptions that are difficult to predict and are often beyond our control. These disclosures are not guarantees of future results, occurrences, performance or condition.

Quick highlights

City Council adopted the TransformTO Net Zero Strategy in December 2021, which sets us on the path to reduce community-wide greenhouse gas (GHG) emissions to net zero by 2040 (10 years earlier than initially proposed). Our net zero by 2040 target is one of the most ambitious in North America.

Our TransformTO Net Zero Strategy won the **Environment, Climate and Energy Award** at the 9th annual American Planning Association Awards for Excellence in Sustainability.

Our 2022 Capital Budgeting process now considers climate-related costs more robustly. Planned investment in capital projects with components dedicated to increasing climate resilience efforts and/or reducing GHG emissions total $1.5 billion in 2022 and $15.5 billion over the 2022-2031 planning period.

To support us in prioritizing and tracking climate-related investments through our budget process, we are developing a Climate Lens program that will provide municipal staff across the corporation with tools, training and resources for estimating how climate-related risks will impact our service delivery model and operations, as well as quantifying the GHG impacts of our initiatives (including projects, programs and policies). Implementation of the Climate Lens program will begin in 2022. The Climate Lens program will support more informed decision-making during the budget process. Our 2022 Capital Budgeting process now considers climate-related costs.

Toronto was recognized as a global leader on environmental action and transparency, achieving a place on the Customer Data Platform's (CDP) "CDP Cities A List" for the third consecutive year. We are one of 105 global cities to receive this prestigious designation, out of more than 1,000 cities reporting their environmental impact through the CDP system. This designation recognizes our actions to develop a robust climate change strategy, plans to track our actions to reduce GHG emissions, efforts to assess and mitigate climate risks, and transparently report the information in our 2021 disclosure to CDP.

We were the first Canadian government to include a disclosure regarding GHG emissions as part of the financial statements. In 2021, we continued to provide an unaudited disclosure of our corporate and community GHG emissions.

A GHG audit readiness engagement was conducted this year with the goal to implement recommendations in order to obtain an audit opinion on our corporate and community GHG emissions in future fiscal periods. Our commitment to reaching out net zero goal has been prominently included in the notes to our financial statements.

Our efforts to date have prioritized the development of corporate-level strategies and frameworks to help us achieve net zero emission by 2040. In future years, greater attention will need to be expended to refine our strategies to help guide future budget prioritization and operational decisions, identify opportunities resulting from our climate-related investments (e.g. recognition of cost savings, adoption of low-emission technologies, development of new services, and increased resiliency within the supply chain process), align strategies to achieve identified opportunities, establish an enterprise-wide risk management model that considers both "low carbon transition" and "physical" climate risk, identify targets and metrics that will help us monitor our progress of addressing climate-related risks and opportunities, and enhance our ability to transparently report on our progress.

Our TCFD journey

We are still in the beginning stages of adopting the TCFD Recommendations. Our disclosure this year does not assess each recommended disclosure under each TCFD pillar; readers should refer to previous years' disclosures for more details.

Governance

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

Our TransformTO Net Zero Strategy has a primary focus on GHG reduction with secondary focus on physical climate risk governance. Our prioritization of physical climate risks may need to be revisited in future years in response to significant damaging physical climate-related events that have been observed. With climate patterns starting to shift, the severity of physical risks is estimated to increase as well – this will be a cause for concern, especially as physical risks have the potential to significantly impair the quality of life of our residents, create socioeconomic inequalities, and result in greater costs to respond to unanticipated events. Addressing our physical risks will also allow us to realize opportunities – by taking proactive measures, we may be able to obtain benefits, such as having access to resilient infrastructure, improving reliability of our services, increasing the quality of life and equity for our residents, and decreasing costs to deliver services.

In future years, our governance process will need to support:

- A cross-corporate capital investment prioritization process: although we are introducing requirements to estimate the cost associated with climate-related initiatives, we are currently lacking a process which will allow us to prioritize capital investments based on perceived level of physical risk and transition risk. Work towards compliance with O. Reg. 588/17, Asset Management Planning for Municipal Infrastructure, section 3.(1) 5 will mean more attention to climate change and asset management.
- Cross-corporate targets and metrics development and reporting process: we continue to evolve the budget process and in 2023 will be tracking and reporting on climate-aligned capital investments with new information on non-aligned budget items. Over 2022-2023 we will begin rolling out a comprehensive accountability system for implementing the TransformTO Net Zero Strategy – a key step in governance for climate mitigation. We recognize that we have an opportunity to strengthen this process by identifying enterprise-wide targets and metrics for climate risk and resilience that will allow us to better monitor our activities and investments in relation to our overall strategic objectives.

Strategy

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

Our primary climate related focus has been on GHG reduction planning and action. Less emphasis has been placed on physical climate risk strategy, but there are many exemplary major programs to address issues of flooding and to a lesser extent other impacts such as heat. The main programs are summarized in the section on risk management. Additional efforts will be required in the future to help us identify and address additional physical risks that may affect us, such as droughts, as well as transition risks that may arise as we transition to a low-carbon economy.

In 2021, we issued $150 million in green bonds, bearing interest at 2.20 per cent. The proceeds from this issuance was used to fund approved green capital projects that meet our environmental objectives. This is the fourth time we have issued a green bond since our initial green bond offering in 2018. A copy of our third edition of the Green Bond newsletter can be accessed for more details.

Risk Management

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

A major category of future risk and cost estimation that has not been addressed is plausible future costs to the City to support residents and businesses that have been affected by extreme weather directly, or indirectly, due to infrastructure system failures. Infrastructure system failures in urban communities are increasingly common because of state of good repair backlogs, but also increasing population demands as well as more frequent extreme weather conditions.

Cities like ours only manage and control some of the infrastructure systems that residents and businesses use to support their daily activities. Although we lack formal control over certain infrastructure systems, we recognize that there are interdependencies which will adversely impact overall service experience in the event one part of the system fails (i.e. cascade failure). We began exploring this risk since 2012, but only at a higher conceptual level. Technical level detailed interdependency modelling and geospatial analysis has not yet been undertaken. This type of work is staff time intensive and would likely require external expert consulting assistance and considertable involve of external infrastructure organizations (e.g. electrical, telecom, natural gas, regional rail, airports, food sector, etc.). As the likelihood and frequency of extreme weather conditions increases, there is a need to consider how residents and businesses will be affected. We predict that most vulnerable sectors of our community will be most affected by changes in our weather patterns. In response, we also anticipate that our need to intervene and support our communities will increase, thereby, increasing the cost of future services.

One key concern and risk identified is the possibility of extended power outages concurrent with an extreme weather event. There is also a reliance on increased demand for electricity to allow our residents and businesses to meet GHG reduction targets. This calls for the electrical grid to be sufficiently robust and resilient to future plausible extreme weather projections. Extreme weather places strain on electrical equipment. For example, electrical demand is at its peak during hot weather and the equipment may not be able to handle the required electrical current. To help support a net-zero future for Toronto, we will need to invest in infrastructure that is resilient to climate change to address our ability to provide services to our community while also balancing costs and rates paid by residents and businesses.

A special focus on interdependency should include the cascading impacts of electricity outages and/or system degradation caused by extreme weather. Toronto Hydro estimates that 75% of City's Net Zero Strategy depends on the electricity distribution system that serves Toronto. While Toronto Hydro indicates that its electrical grid is being "storm-hardened" though investments informed by four previous federally-funded studies, extreme weather made more frequent and more severe by climate change continues to be a risk to electrical grids across the country. As several of the City's previous communications to the Government of Canada have noted, continued and increasing federal investment will be required to support the climate action necessary for a climate resilient net zero grid.

An additional factor that has emerged is affordability and access to insurance for us to pay for unusual and infrequently occurring damaging weather events. Our insurance costs have increased substantially in the last few years while policy terms have become more restrictive, and limits and capacity offered by insurers have decreased significantly. Overall, the cost of our insurance program has increased 207 per cent since 2018. The property program is the largest component of our insurance program in terms of premium dollars at 72 per cent, and property insurance premiums have increased 322 per cent since 2018 while coverage limits have decreased substantially from $2.0 billion to $500 million.

The reduced insurance coverage for major weather induced damages means that in the event of major weather damages, we may be required to self-finance these costs if financial assistance provided by senior levels of government is insufficient. The implication of this situation reveals our need to understand and manage our climate related risks better. To some extent climate vulnerability assessments have been conducted, however they require an update to capture cross-corporate climate vulnerable operations and infrastructure classes. Updates in climate vulnerability assessments would also be useful when maintaining our risk assessments, as well as to provide data for studies on future plausible costs of business as usual and compare to costs of adaptation.

We have strategically invested and will continue to invest in a number of major capital projects that will improve Toronto's climate resilience which are planned and underway are outlined below. Highlights of capital investments to improve climate resilience include:

- Investments in carrying out the Basement Flooding Protection Program, Wet Weather Flow Master Plan, and stream restoration and erosion control activities;
- Investments in the Port Lands Flood Protection project;
- Investments in management and control of erosion, watershed improvements and waterfront development work; and
- Investments in park development, providing new and improved green space for recreational and natural purposes.

As disclosed in our 2020 report, we lack an Enterprise Risk Management System (ERMS) that takes climate change into account. An ERMS would be useful to prioritize all forms of risk and risk reduction actions. There would also be a better understanding of the need for less traditional insurance products and the sufficiency of our working capital balance to cope with costly events.

Metrics and Targets

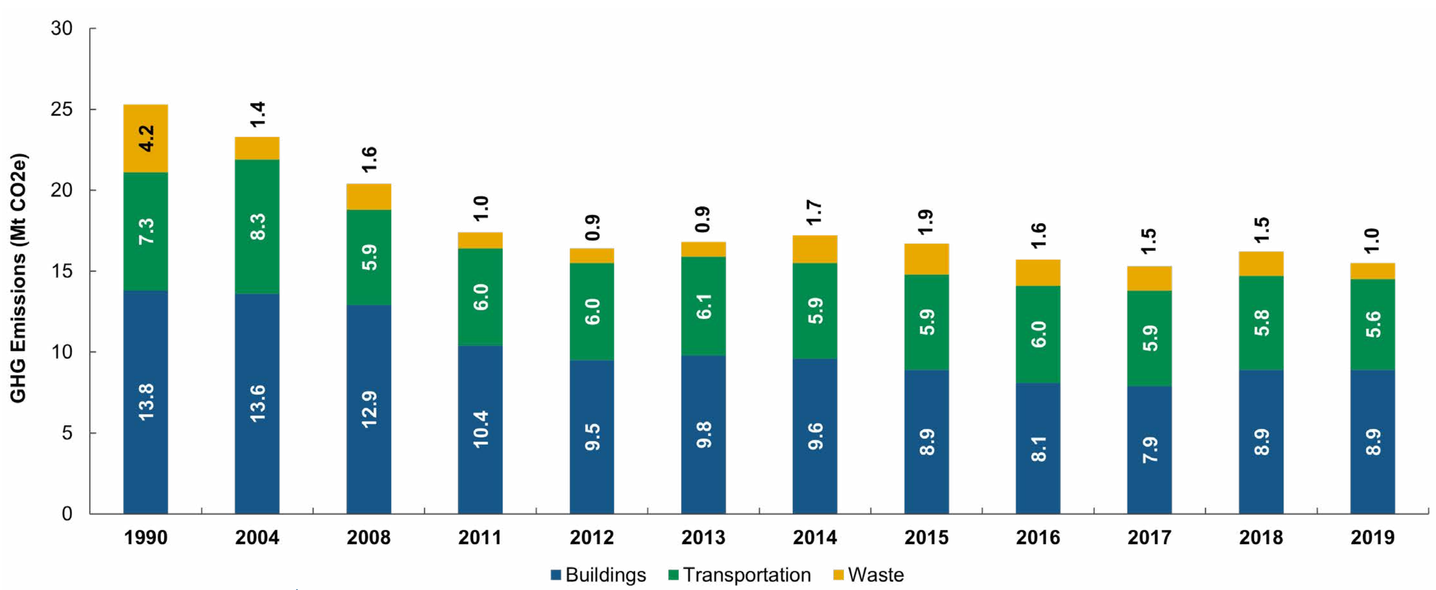
Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

In recent years, legislators, regulators and accounting standard setters have started to demand more information concerning climate-related metrics and targets, as well as external validation over the accuracy and completeness of the reported information. In response to these emerging trends, we dedicated our efforts in 2021 to determine how we could obtain external validation for one of our most important climate-related metrics – GHG emissions.

KPMG was engaged to identify gaps with our current practice of calculating and reporting GHG emissions. We are now working on addressing these gaps in order to complete an audit of corporate and community GHG emissions in the future. According to the latest GHG inventory (2019) available to us for use in our calculations, our overall community emissions have been reduced by 38 per cent from 1990 levels, while our population and economy continued to grow. We also disclose our GHG inventory and progress made to reduce our overall GHG emissions in Note 24 of our consolidated financial statements.

Figure 1 below shows our overall city-wide GHG inventory, which includes Scope 1 and 2 emissions. Buildings sector emissions, primarily from natural gas used to heat buildings, continue to be the largest source of community-wide emissions. Transportation sector emissions continue to be the second-largest source of community-wide emissions, with most of those emissions coming from gasoline used in passenger cars and trucks. Waste sector emissions are mainly driven by landfill emissions, which decreased in 2019.

Figure 1 - GHG emissions by sector (1990 – 2019)



In contrast to the availability of GHG emissions inventory protocols, generally accepted municipal metrics and targets for climate change adaptation and resilience are much less developed. While some physical climate risk metrics and targets are tracked, additional work is required in this area.

Ongoing initiatives and efforts

International Sustainability Standards Board

On November 3, 2021, the International Financial Reporting Standards (IFRS) Foundation announced the creation of the International Sustainability Standards Board (ISSB). The ISSB is tasked to develop a comprehensive set of baseline sustainability standards for global use. A Technical Readiness Working Group (TRWG) was formed by the IFRS Foundation Trustees to give the ISSB a running start to its standard-setting and has developed a Climate-Related Disclosures Prototype. We are actively monitoring the developments and will be responding to ISSB's initiatives to influence how climate-related financial information should be recognized and/or disclosed as part of municipal financial statements. Our recent response, which was developed in collaboration with other Canadian municipalities, to the ISSB's initial set of questions associated with sustainability reporting can be accessed online.

Thank you for all of your support!

This report was prepared by our City staff from the Accounting Services division, Environment & Climate division, as well as many others including:

Accounting Services:
- Ali Alaswad
- Ali Mirshani
- Analyn Tonogbanua
- Anna Horl
- Anthony Lewis
- Archit Singh
- Brandon Tran
- Carlene Perkins
- Christopher Phillips
- David Jin
- Doris Tang
- Duri Lee
- Elio Blanco
- Erika Izquierdo Pena
- Filomena Lenza
- Gabby Cruz
- Ian Sultana
- Indravadan Shah
- Jane Ngo
- Janet Buck
- Jennifer Niven
- Jessalyn Teoh
- Joshua Chuquihuara
- Julie Tian
- Jyoti Nittala
- Katherine Feng
- Karen Holmes-Bowlby
- Katherine Irvine
- Kevin Chen
- Kristen Lee
- Laura Zlicar
- Li-Lian Koh
- Lily Jiao
- Lingfang Xu
- Madeline Vo
- Mark Rozic
- Mary Harvey
- Melissa Mace
- Michael Shen
- Michael Zeni
- Mirette Bestawros
- Pat Pizzuto
- Pina Iacoucci
- Priya Parmar
- Rakesh Patel
- Reema McCowan
- Rosse Mary O. Wood
- Sandra Califaretti
- Saniya Khanna
- Serina Zappa
- Sheriff Khan
- Sothi Ponniah
- Stella So
- Steve Ryan
- Suraj Patel
- Sygmund Gaskin
- Tasha McDonald
- Thai Van
- Tharani Radheepan
- Uday Akhani
- Vivian Hoang
- Wahida Ali
- Whitney Tam
- Wilson Chan
- Winnie Chen

Environment & Climate:
- Cecilia Fernandez
- Charles Hatt
- David MacLeod
- James Nowlan

Other City Divisions:
- Adam Gerrard
- Ada Nwokedi
- Adeel Ali
- Adelina Fani
- Alan Cohen
- Alex Mut
- Ali Tiboron
- Amanda Hanniford
- Amelia Vaz
- Andrew Flynn
- Andrew Waters
- Andy Cui
- Anestis Spyridis
- Aneta Poznanski
- Angela De Cesare
- Angela Schipani
- Annalisa Mignardi
- Anne Hiscock
- Anne Marie Roncadin
- Anson Yuen
- Anthony Ng
- Anthony Waddell
- Arifa Crichton
- Arun Khanna
- Bebong Folefac
- Betsy Yeung
- Casey Brendon
- Charlie Gunthardt
- Cheryll Belle
- Christian Gizzo
- Christopher Hui
- Christy Gaetz
- Cindy Chan
- Cindy Diep
- Clayton Francis
- Dale Manzano
- David Metcalfe
- David Troian
- Debra Ali
- Deepak Sharma
- Demetrios Xindaris
- Diana Dimmer
- Diana Reilly
- Diane Leung
- Dipak Shah
- Elizabath Grsic
- Ferooz Qader
- Gavin Birt
- George Gonzalez
- Geraldeen Leonard
- Gifford Chu
- Gord Mcnally
- Grace Young
- Haimeng Cui
- Hatem Belhi
- Heather Taylor
- Howard Furness
- Ilya Ganin
- Intiaz Ruffudeen
- Jackson Doong
- Jagankumar Dharia
- Jag Gill
- Jameel Sumar
- Jane Ly
- Janet Kwok
- Janice Darnley
- Jaswinder Jheeta
- Jayesh Adeshra
- Jeff Downs
- Jeff Parkovnick
- Jennifer Kim
- Jenny Yang
- Jia Min Ou
- Joana Quilang
- Joe Wong
- John Longarini
- John Oswald
- Jonathan Tate
- Joseph De Luca
- Judy Barton
- Julia Zhang
- Julie Attard
- Karin Dahm

- Kary Leung
- Karyn Spiegelman
- Katherine Crowther
- Katie Tran
- Kirsten Franz
- Kiruba Sankar
- Lauren Birch
- Laurie Owens
- La-Verne Georgiadis
- Lermy Ramos
- Lesley Ruscica
- Linda Low
- Linda Tran
- Linh Chu
- Mala Gautam
- Marco Cuoco
- Marianne Sirro
- Marissa Delacruz
- Mark Berkovitz
- Mary Russo
- Matthew Stockburn
- May Siu
- Melissa Ferreira
- Michael Chan Ah Song
- Michael Pacholok
- Michelle McNamara
- Mike Yu
- Mohamed Fawaz Nagoor Pichchei
- Muhammad Raza
- Naresh Kumar
- Nigar Mustafayeva
- Patricia Wharton
- Patrick Leesan
- Paul Scattarelli
- Philip Arhinson
- Randy LeClair
- Rebecca Anas
- Riyaz Kachra
- Robert Immanuel
- Ronald Ro
- Roy Moniz
- Samuel Malvea
- Santhy Nimalan
- Sara Little
- Sean Wright
- Sehar Syeda
- Sharif Uddin
- Stephen Conforti
- Steven Trieu
- Steve Wong
- Stuart Campbell
- Susie Louie
- Tanya Tutka
- Tapan Seal
- Tara Congram
- Therese Chen
- Tony Wang
- Tremaine Quashie
- Veronica Molina
- Viktoriya Zemlyanukhina
- Vivek Inamdar
- Vivian Ching
- Waheeda Giga
- Warren Daniel
- Yaju Yadav
- Yasi Seifi

Our climate-related financial disclosures are also developed in collaboration with members of the Canadian Municipal Network for TCFD, which include:

City of Edmonton:
- Danielle Koleyak
- Kent Bjornstad
- Sincy Modayil

City of Montreal:
- Baïa Ouldsliman
- Irène Cloutier
- Marieke Cloutier
- Raoul Cyr
- Rita Savtchenko

City of Vancouver:
- Gregory Krueger
- Julia Aspinall
- Lloyd Lee