

2024 Audited Financial Statements - Consolidated City, Sinking Funds, and Consolidated Trust Funds

Date: June 26, 2025

To: Audit Committee

From: Chief Financial Officer and Treasurer and Controller and Chief Accountant

Wards: All

SUMMARY

This report presents the City of Toronto's (City) Consolidated Financial Statements (Consolidated Statements), the Sinking Funds Financial Statements (SF Statements) and the Consolidated Trust Funds Financial Statements (TF Statements) for the year ended December 31, 2024.

All City financial statements are prepared in accordance with Public Sector Accounting Standards (PSAS) established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants (CPA) of Canada.

The City's external auditors, KPMG LLP (KPMG), issued a clean audit opinion (also referred to as an unqualified audit opinion) on the City's 2024 Consolidated Statements, SF Statements, and TF Statements.

The Audit Committee is responsible for adopting the financial statements prior to City Council's approval.

RECOMMENDATIONS

The Chief Financial Officer and Treasurer and Controller and Chief Accountant recommend that:

1. City Council approve the 2024 Consolidated Financial Statements in Appendix B to this report.
2. City Council approve the 2024 Sinking Funds Financial Statements in Appendix C to this report.
3. City Council approve the 2024 Consolidated Trust Funds Financial Statements in Appendix D to this report.
4. City Council delegate authority to the Chief Financial Officer and Treasurer to approve accounting adjustments in the City's accounting records and system(s) when deemed necessary and provided that the adjustments do

not conflict with the commitment authority delegated to him or her by the City Manager and/or other City by-laws.

FINANCIAL IMPACT

The City's accumulated surplus increased by \$2,016 million from \$32,730 million to \$34,746 million. This change was driven by an increase of \$2,564 million in tangible capital assets that was partially offset by increases in various liabilities.

Historical investments in tangible capital assets, such as community and recreation centres, roads, water and wastewater infrastructure, represent the majority of the City's accumulated surplus. While the City continues to grow its capital program to meet infrastructure needs, it is important to note that the accumulated surplus does not represent excess funding that can be committed and used in future periods.

Total audit fees (net of Harmonized Sales Tax recoveries) of \$413,702 for the Consolidated Statements, as well as \$48,844 for the SF Statements and TF Statements, are fully funded within the approved 2024 operating budget.

DECISION HISTORY

As required by Sections 231 and 232 of the City of Toronto Act, 2006 (Act), the City prepares and publishes annual financial statements that consolidate the financial results of all entities that the City controls.

Below is a link to the staff report for the 2023 Consolidated Statements, 2023 SF Statements, and 2023 TF Statements for the City of Toronto: [City of Toronto 2023 Financial Statements](#).

COMMENTS

Highlights for Consolidated Statements

Basis of Preparation

On an annual basis, the City prepares its financial statements in accordance with PSAS. This key financial reporting activity allows the City's internal and external stakeholders to understand the City's financial position at year-end and financial performance for the fiscal year.

The Consolidated Statements reflect the results of City divisions and significant Agencies and Corporations that the City controls. A list of consolidated Agencies and Corporations is available in Note 1 of the Consolidated Statements.

Appendix A provides information about the City's financial statements, components of the financial statements, the difference in methodology related to budgeting and

accounting, and management and auditor responsibilities in the financial reporting and audit processes. The City's financial reporting and accounting practices are consistent and aligned with those that are used by Canadian municipalities.

Achievements in 2024

In the 2024 fiscal year, the city prioritized the enhancement of service delivery for our residents and businesses that had direct impacts on our financial statements. Notable achievements in 2024 include:

- Preserving more than 700 affordable rental homes through the Multi-Unit Residential Acquisition (MURA) program by awarding \$102 million in grant funding to 17 community housing providers – facilitating the conversion of at-risk rental housing into permanently affordable non-profit rental housing.
- Adding 500,000 transit service hours to buses, streetcars and subways.
- Facilitating 134,500 bookings in City recreational facilities – a 24 per cent increase in spaces and an 8 per cent increase in drop-in hours.

These accomplishments reflect the City's commitment to improving services and quality of life for all residents.

The City's Annual Surplus

In 2024, the City achieved an annual surplus of \$2,016 million for accounting purposes. This amount is different from the 2024 operating surplus of \$114.5 million reported in the 2024 Operating Variance Report.

While both the operating surplus and annual accounting surplus are based on the City's operating results for the year, the annual surplus includes accrual-accounting adjustments such as repayment of debt principal, amounts transferred to reserves, investments in tangible capital assets, and the impact of changes in accounting estimates such as future employee benefits.

Major Components of the City's Accumulated Surplus

In 2024, the City's accumulated surplus grew by \$2,016 million, increasing from \$32,730 million to \$34,746 million. This surplus reflects the degree to which the City's total assets exceeds its total liabilities and is a key measure of overall financial health and the City's ability to meet future obligations while continuing to provide services to residents. The table below, from Note 18 of the Consolidated Statements, outlines the breakdown of the accumulated surplus:

	2024
Historical surplus (deficit)	\$ (206)
Reserves and reserve funds	5,607
Net investment in TCA	34,770
Liabilities to be funded from future revenues	(5,425)
Total accumulated surplus	\$ 34,746

While a growing accumulated surplus is positive, it is important to note that almost the entire balance represents historical investments in the City's tangible capital assets, such as roads, bridges, transit infrastructure, water and wastewater networks, facilities and recreation centres. These long-term assets are required to provide City services, but cannot be readily converted to cash to fund other needs, nor would it be appropriate or sustainable to do so to fund ongoing operational requirements. While the City has put aside reserve and reserve funds, this is offset by future commitments including employee benefit liabilities and provisions for property and liability claims. The overall increase in accumulated surplus as a result of capital investments demonstrates the City's commitment in creating and maintaining public infrastructure essential to service delivery.

Significant capital assets that were in progress or finalized in 2024 include:

- Investments in shelters and affordable rental housing, such as the City's new affordable housing at Dunn House and the Lakeside Long Term Care Centre, as well as a shelter at 76 Church Street; and
- Investments in community and recreation centres, such as the Northeast Scarborough community centre and the Spirit Garden at Nathan Phillips Square.

Adoption of new Accounting Standards

On January 1, 2024, the City adopted several new accounting standards:

- PS 3400 – Revenue;
- PS 3160 – Public Private Partnerships; and
- PSG-8 – Purchased Intangibles.

The standards listed did not have a significant impact on the City. Key highlights from the City's adoption of the new standards are as follows:

- Revenue (PS 3400): This standard provides guidance on accounting for revenue from exchange transactions and non-exchange transactions, based on the presence of performance obligations. It applies to City revenues such as transit fees, utility charges, licensing, building permits, planning fees, and City programs and facilities rentals. It does not include taxation or investment income.
- Public Private Partnerships (P3) (PS 3160): This standard requires the City to record both the infrastructure asset and the corresponding liability when the

control associated with the assets are transferred from the private sector partner to the City. Under PS 3160, the liability is recorded as deferred revenue, and revenue is recognized gradually in future years as the City meets its performance obligations. For the 2024 fiscal year, the City does not have significant P3 contracts, and none have been recognized in the consolidated financial statements.

- Purchased Intangibles (PSG-8): This guideline requires recognition of purchased intangible assets such as patents, trademarks and easements as assets. Previously, PSAS did not allow recognition of intangible assets.

Adjustments of the City's financial statements

KPMG executes audit procedures to gather sufficient and appropriate audit evidence with which to form an opinion on the City's financial statements. There were two corrected adjustments that came out of the City audit. Details on the current year adjustments can be found in KPMG's 2024 Year-End Audit Findings Report.

Highlights from the Sinking Fund and Trust Fund Statements

Investments held in Sinking and Trust Funds continue to be presented using a fair value measurement basis. In 2024, the City's investments for its sinking funds and trust funds were not affected by significant reductions in fair value that required a permanent adjustment.

The City is continuing to monitor and manage its investments in sinking funds to support the City's future long-term debt repayment requirements.

KPMG's 2024 Year-End Report to the Audit Committee

The City's Consolidated Statements, SF Statements, and TF Statements have been audited by KPMG, who is responsible for applying sufficient and adequate audit testing to provide an independent opinion on the fair presentation of the financial statements, and to indicate whether the financial statements are free from material misstatement. The external auditors' opinion is to provide comfort to third parties that the financial statements can be relied upon by all stakeholders. KPMG has issued an unqualified audit opinion on the City's 2024 financial statements.

KPMG's 2024 Year-End Audit Findings Report will be presented separately to the Audit Committee.

Upcoming Work for the City's Implementation of SAP S/4HANA

As part of the transition from its existing financial system (SAP ECC) to the new financial system (SAP S/4HANA), the City will be performing a review of its system records. In order to prepare its financial information for data migration purposes, the City may need to recognize various accounting adjustments. In the event significant financial adjustments are required, the City will provide a summary as part of the fiscal 2025 year-end season.

CONTACT

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SIGNATURE

Stephen Conforti
Chief Financial Officer and Treasurer

Jason Li
Controller and Chief Accountant

ATTACHMENTS

- Appendix A - Unpacking the City's Financial Statements - Purpose, Responsibilities, and Major Components
- Appendix B - 2024 Consolidated Financial Statements
- Appendix C - 2024 Sinking Funds Financial Statements
- Appendix D - 2024 Consolidated Trust Funds Financial Statements
- Appendix E - Trust Fund Account Descriptions as at December 31, 2024