



For Action

Draft Consolidated Financial Statements of Toronto Transit Commission for the Year Ended December 31, 2024

Date: June 9, 2025
To: TTC Audit and Risk Management Committee
From: Deputy Chief Executive Officer

Summary

The TTC is required to prepare audited annual financial statements under Public Sector Accounting Standards and to forward them to City Council for information through the City's Audit Committee.

Effective January 1, 2024, the TTC implemented PS 3400 Revenue, PS 3160 Public Private Partnerships, and PSG-8 Purchased Intangibles. PS 3400 Revenue was adopted on a prospective basis, as permitted by the transitional provisions. As a result, no prior period amounts were restated for comparative purposes. For PS 3160 Public Private Partnerships and PSG-8 Purchased Intangibles, the TTC determined that the adoption did not have an impact on the amounts presented in the Financial Statements.

The 2024 accounting surplus is \$503.2 million, which reflects an increase of \$49.3 million over the 2023 accounting surplus and is comprised mainly of the value of subsidy revenue earned on capital asset additions, and other expenses funded through capital programs, such as environmental liabilities and asset retirement obligations, partially offset by the depreciation of assets in use. Operating activities do not generally contribute to the accounting surplus or shortfall, as operating expenses are funded in full by operating revenues and subsidies received.

Recommendations

It is recommended that the TTC Audit and Risk Management Committee:

1. Receive the appended Draft Consolidated Financial Statements of Toronto Transit Commission for the year ended December 31, 2024; and
2. Forward this report and the appended Draft TTC Consolidated Financial Statements for approval at the June 23, 2025 Board meeting, and subsequently to the City Clerk for submission to the next City Audit Committee meeting.

Implementation Points

This report requires consideration at the June 9, 2025 TTC Audit and Risk Management Committee meeting to ensure timely submission to the June 23, 2025 TTC Board meeting and then to the July 11, 2025 Audit Committee meeting of the City of Toronto.

Financial Summary

There are no financial implications resulting from the adoption of this report. There is also no financial impact from the adoption of the PS 3400 Revenue standard, PS 3160 Public Private Partnership standard, or PSG-8 Purchased Intangibles standard. Prior to the adoption of the PS 3400 Revenue standard, miscellaneous revenues from third parties were presented on a net basis. Effective 2024, with the adoption of this standard, these revenues are now presented on a gross basis. There is no funding impact from this change in presentation.

Equity/Accessibility Matters

This report has no accessibility or equity issues or impacts.

Decision History

The City of Toronto Act (2006) section 233 (1) requires the TTC to complete an annual financial statement audit. In addition, the TTC's Corporate Policy 6.2.0 Financial Reporting to the Board, paragraph 4.1, states that annual audited financial statements must be included in the TTC's Annual Report.

At its meeting on February 9, 2017, the TTC Audit and Risk Management Committee (ARMC) approved that the terms of reference of the Audit and Risk Management Committee include a requirement to "review with management and the external auditors the annual financial statements, and consider whether they are complete, consistent with information known to Committee members, and reflect appropriate accounting principles."

[TTC Audit and Risk Management Committee Terms of Reference](#)

Issue Background

This report presents the consolidated financial statements of the TTC for the fiscal year December 31, 2024.

The draft consolidated financial statements of the Toronto Transit Commission for the year ended December 31, 2024, have been prepared by Management and audited by KPMG LLP (KPMG).

The Auditor's Report provides an opinion on whether the consolidated financial statements are presented fairly, in all material respects, and that the financial position of the TTC has been established in accordance with Canadian Public Sector Accounting Standards (PSAS).

After the financial statements are approved by the ARMC and the TTC Board, and KPMG completes its file documentation, the draft unqualified opinion will be finalized on KPMG letterhead.

Comments

2024 Adoption of New Accounting Standards: PS 3400 Revenue

In accordance with the new PSAS Accounting Standard, PS 3400 Revenue, the TTC's financial statements for the year ending December 31, 2024, reflect new reporting requirements associated with revenue recognition and measurement. PS 3400 differentiates between revenue arising from transactions with performance obligations (exchange transactions) and transactions that do not have performance obligations (non-exchange transactions). There are two approaches to recognizing revenue with performance obligations: at a point in time or over a period of time. This determination is made based on when a performance obligation is satisfied.

As a result of the implementation of this new Standard, revenues from third parties previously presented on a net basis are now presented on a gross basis, and will be presented on such basis moving forward.

2024 Accounting Surplus as Reported in the Consolidated Financial Statements

The Consolidated Statement of Operations results in an accounting surplus of \$503.2 million for the year ended 2024. The accounting surplus is derived primarily from the capital subsidy revenue of \$1,272.1 million, less the depreciation expense for subsidized assets. However, the net amount does not represent surplus funds. The full \$1,272.1 million was spent on capital assets acquired or constructed in 2024.

The key components of the accounting surplus as well as the explanations of these items and the year-over-year change are summarized in Table 1 below:

Table 1: 2024 Accounting Surplus Comparison to 2023

Item (\$ Millions)	2024	2023	Variance
Capital Subsidy Revenue	1,272.1	1,228.1	44.0
Depreciation Expense for Assets funded through Capital Subsidy	(750.9)	(746.3)	(4.6)
Other Expenses Funded through Capital Subsidy	(18.2)	(28.0)	9.8
Entities under control of TTC	0.1	0.1	-
Rounding	0.1	0.0	0.1
Total	503.2	453.9	49.3

The 2024 accounting surplus increased by \$49.3 million on a year-over-year basis, driven by the following key changes:

Capital Subsidy Revenue

Capital subsidy revenue is used to acquire or construct capital assets as well as recognize costs incurred to meet asset retirement obligations. Under PSAS, these subsidies must be recognized as revenue in the year that the TTC qualified for the funding or when costs are incurred, and that there are no remaining stipulations and conditions. The \$44.0 million increase in capital subsidy revenue is primarily due to increased spending on capital works for Easier Access and Subway Track Replacement programs, the purchase of Streetcars, and Streetcar Overhaul programs as well as the Bloor-Yonge Capacity Improvements Project.

Depreciation Expense for Assets funded through Capital Subsidy

The cost of capital assets is not immediately recorded as an expense as the assets serve the TTC for several years. Instead, depreciation expense is recorded in the Consolidated Statement of Operations over several years based on the assets' respective life cycles and as the assets are used over their term. The \$4.6 million increase in depreciation expense is primarily due to new assets placed into service in 2024, attributed to the completion of capital works for the following capital projects and programs: Subway/Surface Track Replacement programs, Signal/Electrical Systems state-of-good-repair projects, IT equipment and software projects, the Purchase of Buses and Streetcars as well as Bus Overhauls.

Other Expenses Funded through Capital Subsidy

Expenses funded through the TTC's capital program include environmental program expenses; asset retirement obligation expenses; the writedown of capital projects; capital-related warranty expenses and materials; and services and supplies that were funded by liquidated damages. The \$9.8 million decrease in expenses funded through capital subsidy is primarily driven by a decrease in environmental and asset retirement obligation expenses, offset slightly by an increase in writedowns of capital projects and liquidated damages.

Entities Under the Control of TTC

Budgets and periodic financial reports are presented separately for the Toronto Coach Terminal Inc. (TCTI); the TTC Insurance Company Ltd.; and the TTC Sick Benefit Association. However, PSAS requires the financial statements to be presented on a consolidated (i.e. combined) basis. This amount represents the accounting surplus generated by the entities under the control of the TTC.

Reconciliation of Operating Subsidy in Consolidated Financial Statements to the Budgeted Funding Surplus

The amount in the accounting surplus presented in the consolidated financial statements is different from the amount noted in the 2024 Operating Budget surplus. The accounting surplus is calculated using the accrual basis of accounting in accordance with PSAS, while the annual Operating Budget is prepared using the cash

basis of accounting in accordance with section 228 of the City of Toronto Act, 2006 (Act).

A budget surplus occurs when actual operating expenditures are less than planned or revenues are higher than predicted. Table 2 below reconciles the operating subsidy in the financial statements to the 2024 Combined Net City Funding presented in the 2024 Financial Update for the Period Ended December 31, 2024 report considered by the TTC Board at its April 16, 2025 meeting, and provided as a reference in the link below. The figures below include adjustments that were not reflected in the preliminary year-end results:

[Agenda Item History – 2025.TTC3.14](#)

Table 2: Operating Subsidy Revenue versus Budgetary Year-End Results

(\$ Millions)	2024	2023
Operating Subsidy Revenue per Financial Statements	1,362.7	1,302.1
(Draw)/Contribution to TTC Long-term Liability Reserve	(0.6)	4.0
City Special Costs	(1.3)	4.4
Draw from City Development Application Review Reserve	(0.8)	(0.8)
Draw from New Deal – Subway/Transit Safety Reserve	(100.0)	-
Adjustments for Future Recoverable Amounts:		
Increase in Post-Retirement Benefits	(14.0)	(19.2)
Increase/(Decrease) in Accident Claims	5.6	(2.9)
Current TTC Operating Funding Required	1,251.6	1,287.6
Adjustments		
Provincial Funding – Line 5/Line 6 ⁽¹⁾	(7.9)	-
Base Operating Funding Required from the City	1,243.7	1,287.6
Budgeted Operating Funding Sources		
Base Operating Funding ⁽²⁾	1,301.7	959.2
COVID Relief Funding	-	366.4
Budgeted Operating Funding Available	1,301.7	1,325.6
Reduced Operating Funding Requirement (Budget Surplus)	(58.0)	(38.0)

(1) Operating Funding for 2024 includes \$7.9 million sourced from Ontario-Toronto New Deal – Line 5 and Line 6.

(2) Budgeted Operating Funding for both 2024 and 2023 includes \$91.6 million sourced from the Provincial Gas Tax.

Contact

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Signature

Bruce Macgregor
Deputy Chief Executive Officer

Attachments

Attachment 1 – Draft TTC Consolidated Financial Statements for the Year Ended
December 31, 2024