

2025 Audited Financial Statements - Consolidated City, Sinking Funds, and Trust Funds

Date: June 24, 2026

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 Trust Funds Financial Statements (TF Statements) for the year ended December 31, 2025.

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 unqualified (clean) audit opinions for all of the City's 2025 Statements.

RECOMMENDATIONS

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

1. City Council approve the 2025 Consolidated Financial Statements in Appendix B to this report.
2. City Council approve the 2025 Sinking Funds Financial Statements in Appendix C to this report.
3. City Council approve the 2025 Trust Funds Financial Statements in Appendix D to this report.

FINANCIAL IMPACT

The City's total accumulated surplus increased by \$1,837 million from \$35,883 million to \$37,720 million. This change was driven by an increase of \$3,326 million in tangible capital assets, partially offset by decreases in cash of \$414 million and investments of \$557 million, as well as an increase in long-term debt of \$387 million to finance the acquisition of tangible capital assets.

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 of \$824,900 are fully funded from the approved 2025 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 2024 Consolidated Statements, 2024 SF Statements, and 2024 TF Statements for the City of Toronto: [City of Toronto 2024 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 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 2025

In the 2025 fiscal year, key investments supporting service delivery for our residents and businesses, that had direct impacts on our financial statements include:

- 8,000 affordable homes unlocked and 6,000 rental units fast-tracked by cutting development fees
- 55 new subway cars purchased to make Line 2 rides more reliable
- Expanded hours in 70+ libraries
- Over 2,000 properties benefited from the Basement Flooding Protection Program

The City's Annual Surplus in Comparison to the Operating surplus

		(\$M)
Year-end operating surplus		\$108
Accounting and non-cash adjustments		
Net contributions to reserves and reserve funds	\$(341)	
Repayment of debt principal and sinking funds	598	
Consolidation and accounting estimates	3	260
Impact of capital plan:		
Capital expenditures	(5,603)	
Capital revenues, amortization and other	(1,348)	
Acquisition of tangible capital assets	8,274	1,323
Accounting surplus per financial statements		\$1,691

As illustrated in the above table, the City achieved an operating surplus of \$108 million compared to budget, and an annual surplus of \$1,691 million mainly attributed to impacts of the capital plan.

The financial statements are prepared using the accrual basis of accounting, which recognizes revenues when earned and expenses when incurred, regardless of when cash is received or paid. On the other hand, the operating surplus compared to budget focuses on the receipt and expenditure of cash during the period.

Key accrual accounting adjustments in 2025 include 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.

The operating surplus versus accounting surplus analysis presents an integrated evaluation of the City's financial performance and cash generation by comparing actual

results with budgeted expectations. Prepared in accordance with accrual accounting principles, it reflects revenues and expenses in the periods to which they relate, enabling a comprehensive assessment of operational performance irrespective of cash flow timing.

Further details on the operating surplus can be found in the 2025 Operating Variance Report.

Major Components of the City's Accumulated Operating Surplus

In 2025, the City's total accumulated surplus increased by \$1,837 million from \$35,883 million to \$37,720 million. This surplus reflects the degree to which the City's total assets exceed 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 growing accumulated surplus is consistent with the City's continued commitment to creating and maintaining public infrastructure. Almost the entire accumulated surplus 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 deliver 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.

Significant assets that were finalized in 2025 include:

- Shelters, supportive housing and affordable rental housing, which include new affordable housing at 65 Dundas St. East.
- Community and recreation centres, such as the new Rogue Valley Community Recreation center.
- Storm water and wastewater infrastructure, which include construction of new outflow tunnels, the Port lands flood protection project additional expansion of existing sewer systems, and upgrades to existing water treatment facilities.

While the City maintained reserve and reserve funds of \$5,471 million at the end of the year, this balance is largely committed to future needs such as maintaining state of good repair and provisions for employee benefit liabilities and property and liability claims.

Highlights from the Trust Fund and Sinking Funds Statements

In the spirit of continuous improvement, the City's 2025 Trust Funds financial statements are now prepared in full compliance with PSAS. This transition represents a shift from the disclosed basis of accounting in the past. The adoption of PSAS improves consistency, transparency, and comparability of financial information with other public sector reporting entities.

Consistent with prior years, investments held in the City's Sinking Funds are presented using a fair value measurement basis and have been stable year over year. In 2025, there has not been a change to the measurement basis, or any identified permanent loss in value to require adjustments to investment value.

KPMG's 2025 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 provides comfort to third parties that the City's financial statements can be relied upon by all stakeholders. KPMG has issued an unqualified audit opinion on the City's 2025 financial statements.

KPMG's 2025 Year-End Audit Findings Report will be presented separately to the Audit Committee.

CONTACT

Jason Li, Controller and Chief Accountant, Tel: 416-397-7272, Jason.Li2@toronto.ca

Duri Lee, Director, Accounting Services, Tel: 416-392-8009, Duri.Lee@toronto.ca

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 - 2025 Consolidated Financial Statements
- Appendix C - 2025 Sinking Funds Financial Statements
- Appendix D - 2025 Trust Funds Financial Statements
- Appendix E - Trust Fund Account Descriptions as at December 31, 2025