For Action

Draft Consolidated Financial Statements of Toronto Transit Commission for the Year Ended December 31, 2025

Date: May 26, 2026
To: Audit, Finance and Risk Management Committee
From: Interim Chief Financial Officer

Recommendations

It is recommended that the Audit, Finance and Risk Management Committee:

1. Receive the appended Draft Consolidated Financial Statements of Toronto Transit Commission for the year ended December 31, 2025.

2. Forward this report and the appended Draft TTC Consolidated Financial Statements for approval at the June 3, 2026 Board meeting, and subsequently to the City Clerk for submission to the next City Audit Committee meeting.

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, 2025, the TTC adopted Canadian public sector accounting guideline amendments to PSG-2 Leased Tangible Capital Assets. The amendments update references within the standard, rename Appendix A as the glossary, and add paragraphs PSG-2.4A to PSG-2.4C, which establish minimum requirements for lessee accounting for operating leases of tangible capital assets. As at December 31, 2025, the TTC determined that the adoption of these amendments did not have an impact on the amounts presented in the financial statements.

The 2025 accounting surplus is $758.1 million, which reflects an increase of $254.9 million over the 2024 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.

Background and Analysis

This report presents the consolidated financial statements of the TTC for the fiscal year December 31, 2025.

The draft consolidated financial statements of the Toronto Transit Commission for the year ended December 31, 2025, 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 TTC Audit, Finance and Risk Management Committee and the TTC Board, and KPMG completes its file documentation, the draft unqualified opinion will be finalized on KPMG letterhead.

2025 Accounting Surplus as Reported in the Consolidated Financial Statements

The Consolidated Statement of Operations results in an accounting surplus of $758.1 million for the year ended 2025. The accounting surplus is derived primarily from the capital subsidy revenue of $1,598.7 million, less the depreciation expense for subsidized assets. However, the net amount does not represent surplus funds. The full $1,598.7 million was spent on capital assets acquired or constructed in 2025.

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: 2025 Accounting Surplus Comparison to 2024

Item ($ Millions)	2025	2024	Variance
Capital Subsidy Revenue	1,598.7	1,272.1	326.6
Depreciation Expense for Assets funded through Capital Subsidy	(800.2)	(750.9)	(49.3)
Other Expenses Funded through Capital Subsidy	(40.4)	(18.2)	(22.2)
Entities under control of TTC	0.1	0.1	-
Rounding	(0.1)	0.1	(0.2)
Total	**758.1**	**503.2**	**254.9**

The 2025 accounting surplus increased by $254.9 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 $326.6 million increase in capital subsidy revenue is primarily due to increased spending on capital works for Easier Access, Bloor-Yonge Capacity Improvements, the purchase of Buses, Streetcars, and Subways, as well as Bus Overhaul programs.

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 $49.3 million increase in depreciation expense is primarily due to new assets placed into service in 2025, attributed to the completion of capital works for the following capital projects and programs: Subway/Surface Track Replacement programs, Subway Infrastructure projects, IT equipment and software projects, the Purchase of Buses and Streetcars as well as Bus and Streetcars Overhauls.

Other Expenses Funded through Capital Subsidy
Expenses funded through the TTC's capital program include environmental program expenses; asset retirement obligation expenses; the write-down of capital projects; capital-related warranty expenses and materials; and services and supplies that were funded by liquidated damages. The $22.2 million increase in expenses funded through capital subsidy is primarily driven by an increase in write-down of capital projects, offset slightly by a decrease in asset retirement obligation expense.

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 2025 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 2025 Combined Net City Funding presented in the 2025 Financial Update for the Period Ended December 31, 2025 report considered by the TTC Board at its April 16, 2026 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 - 2026.TTC14.6]

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

($ Millions)	2025	2024
Operating Subsidy Revenue per Financial Statements	**1,611.2**	**1,362.7**
Draw from TTC Long-term Liability Reserve	(2.1)	(0.6)
Draw from TTC Stabilization Reserve	(22.9)	
City Special Costs	3.1	(1.3)
Draw from City Development Application Review Reserve	(0.8)	(0.8)
Draw from City S37 Reserve	(0.2)	
Draw from New Deal – Subway/Transit Safety Reserve	(100.0)	(100.0)
Adjustments for Future Recoverable Amounts:		
Increase in Post-Retirement Benefits	(58.0)	(14.0)
Increase/(Decrease) in Accident Claims	(7.9)	5.6
Current TTC Operating Funding Required	**1,422.4**	**1,251.6**
Adjustments		
Provincial Funding – Line 5/Line 6(1)	(35.7)	(7.9)
Rounding	(0.1)	-
Base Operating Funding Required from the City	**1,386.6**	**1,243.7**
Budgeted Operating Funding Sources		
Base Operating Funding(2)	1,386.7	1,301.7
Budgeted Operating Funding Available	**1,386.7**	**1,301.7**
Reduced Operating Funding Requirement (Budget Surplus)	**(0.1)**	**(58.0)**

Diversity, Equity and Inclusion Matters

This report has no accessibility or equity issues or impacts.

Financial Impact

There are no financial implications resulting from the adoption of this report. There is also no financial impact from the adoption of Canadian public sector accounting guideline amendments to PSG-2 Leased Tangible Capital Assets. There is no funding impact from this amendment.

Contact

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Attachments

Attachment 1 – Decision History
Attachment 2 – Draft TTC Consolidated Financial Statements for the Year Ended December 31, 2025

Attachment 1 – 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 April 16, 2026, the TTC Board approved the revised Terms of Reference for the Audit, Finance and Risk Management Committee, which includes a requirement to "Review the TTC's annual financial statements and any other audit matters, with management and the external auditors, ensuring they are complete, accurate, consistent with information known to the Committee, and prepared in accordance with applicable accounting principles, and recommend the approval of the audited financial statements, and any actions to be taken in response, to the Board" under its External Audit & Financial Reporting Oversight Responsibilities.

The Audit, Finance and Risk Management Committee's terms of reference can be accessed by the following link:
Terms of Reference - Audit, Finance and Risk Management Committee