2025 Annual Financial Report

For the year ended December 31, 2025

City of Toronto, Ontario, Canada

Prepared by Finance & Treasury (Accounting Services Division), with support from other Divisions, Agencies, and Corporations.

While we aim to provide fully accessible content, there is no text alternative available for some of the content within these pages. If you require alternate formats or need assistance understanding our charts, graphs, or any other content, please contact us at asdfinancialreporting@toronto.ca.

TORONTO

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A Message from the Mayor of Toronto

In 2025, the City continued to strengthen its financial foundation while advancing our vision of a more liveable city for all Torontonians. We took decisive action on key priorities, investing in housing, affordability, transit, community safety and economic resilience.

Addressing Toronto's housing crisis remained a key priority in 2025. The City established the Housing Development Office to create affordable homes on City-owned land and continued progress toward our goal of delivering 65,000 rent-controlled and affordable homes by 2030. We also waived development charges to support 8,000 affordable homes and accelerate construction of 6,000 rental units.

At the same time, we invested in supports that help Torontonians meet everyday challenges. We allocated $1 million to the Rent Bank program, assisting up to 2,700 households, and expanded school food programs to provide 48.4 million meals – reaching 21,500 more students. We also launched a public education campaign to help landlords and tenants understand their rights and responsibilities under the new Rental Renovation Licence Bylaw.

We also made significant investments in transit and mobility. TTC fares were frozen while service was expanded by approximately 500,000 hours, and 55 new subway cars were purchased to modernize Line 2 and improve reliability. To help reduce congestion, we launched a pilot to address 'bus bunching' and deployed 100 traffic agents across the city.

Creating safer communities remained a key priority. We hired 263 new first responders, improved emergency response times and reduced 911 call wait times by nearly 70 per cent. Safety measures and security staffing on public transit were also enhanced.

To support businesses, workers and Toronto's economy, we launched the Economic Action Plan in Response to U.S. tariffs. Developed with advice from business and labour leaders, the plan focuses on protecting vulnerable sectors, preserving jobs and strengthening long-term economic resilience.

None of this progress would be possible without strong partnerships. The federal government committed $2.55 billion in low-cost financing to support 4,831 rental homes, including at least 1,075 affordable rental homes. Provincial funding and collaboration also helped accelerate construction on the Gardiner Expressway, allowing the project to be completed in approximately half the original timeline.

As we look ahead, continued collaboration with federal and provincial governments, Indigenous communities, non-profit organizations and the private sector will remain essential to addressing the challenges facing our city.

The progress achieved in 2025 provides a strong foundation for the future as Toronto continues to invest in what matters most to residents and build a more liveable city for all.

August 25, 2026

Mayor of Toronto

A Message from the City Manager

I am pleased to present the City of Toronto's 2025 Annual Financial Report, detailing the City's financial performance, progress and achievements over the past year.

In 2025, the City continued to deliver on Council's priorities through responsible financial management, strategic investments and strong partnerships. Across the organization, we focused on maintaining high-quality services, improving infrastructure, supporting communities and strengthening Toronto's long-term resilience while delivering tangible results for residents and businesses.

We continued to make progress toward increasing housing affordability and stability for Toronto residents. Building on the HousingTO 2020-2030 Action Plan and Housing Action Plan 2022-2026, the City expanded housing stability programs, including Eviction Prevention in the Community and Rent Bank, while advancing investments through the Multi-unit Residential Acquisition Program to help preserve affordable rental housing. We also strengthened housing delivery by completing more than 700 new affordable and rent-geared-to-income homes, beginning construction on more than 3,400 rent-controlled homes and approving more than 2,900 additional rent-controlled homes.

We continued to improve mobility across the city by advancing major transit and transportation projects, including the start of construction on the Scarborough Busway and the opening of the Finch West LRT. These investments will help improve reliability, connectivity and capacity, while supporting Toronto's continued growth.

We invested in people and neighbourhoods by opening all 100 Toronto Public Library branches on Sundays, expanding access to important community services for residents across the city. We also opened Biidaasige Park, the largest new park in a generation, and the City's first net-zero building and largest municipally operated child care centre, the Mount Dennis Early Learning & Child Care Centre. In addition, we improved access to recreation by delivering 20 new or expanded parks, upgrading 18 playgrounds and developing Toronto's first indoor cricket practice facility.

We continued to advance climate action and strengthen resilience by adopting Toronto's first Carbon Budget, supporting approximately $2 billion in climate-related investments aligned with the TransformTO Net Zero Strategy. We also expanded programs that help residents improve home energy efficiency and invested in infrastructure that protects communities from extreme weather and basement flooding.

These accomplishments represent only a portion of the work undertaken across the organization in 2025. The progress detailed throughout this Annual Financial Report reflects the dedication and expertise of the Toronto Public Service and our commitment to delivering high-quality services while maintaining responsible financial stewardship.

I am proud of what we have achieved together and look forward to building on this progress in the years ahead.

August 25, 2026

Paul Johnson

City Manager

Financial highlights

What this section contains

Introduction

The City of Toronto (City) is pleased to present the annual financial report for the year ended December 31, 2025. This report provides an overview of the City's governance structure, a snapshot of its financial performance, the climate-related disclosures which align with the former Task Force for Climate-Related Financial Disclosures' (TCFD) recommendations, and supplementary statistical information. This report provides a deep understanding of how City priorities were executed in 2025 and outlines how the City is positioned to continue providing services into the future.

As required by the City of Toronto Act, 2006, management is responsible for preparing the annual financial statements in accordance with Public Sector Accounting Standards (PSAS) as established by the Public Sector Accounting Board (PSAB).

The annual financial report also contains the following financial statements:

- **The Consolidated Financial Statements**, which illustrate the City's financial position (i.e., balance sheet) to provide an overview of assets the City owns, as well as the obligations that are owed to others at the end of the reporting period. They also detail the City's financial performance (i.e., income statement), summarizing all the revenues that were earned, as well as expenses that were incurred to provide services, along with key changes in various balances.
- **The Sinking Funds Financial Statements**, which reflect how sinking funds are used and invested. Sinking funds represent the investments that are held and managed for the sole purpose of settling (i.e., repaying) long-term debt in future years.
- **The Trust Funds Financial Statements**, which consist of various trust funds that the City administers on behalf of others. Trust funds are resources, such as cash, that are administered on behalf of external individuals and/or organizations and used for a specific purpose.

This section includes other key information including a reconciliation of the budget included in the financial statements, as well as a ratio analysis of the City's financial information with benchmarks to other comparable Canadian municipalities.

What is included in the City's consolidated financial statements?

TORONTO

Government Business Enterprises	City of Toronto	Agencies and Corporations	
Toronto Hydro Corporation	Community Development & Social Services	Board of Governors of Exhibition Place	Toronto Atmospheric Fund
Toronto Parking Authority	Community & Emergency Services	Board of Management of the Toronto Zoo	Toronto Community Housing Corporation
	Corporate Services	Build Toronto Inc.	Toronto Public Library Board
	Development and Growth Services	Toronto Port Lands Company	Toronto Seniors Housing Corporation
	Finance and Treasury Services	CreateTO	Toronto Transit Commission
	Infrastructure Services	Lakeshore Arena Corporation	Toronto Pan Am Sports Centre Inc.
	And more......	TO Live	Toronto Waterfront Revitalization Corporation

The City's Consolidated Financial Statements reflect the combined financial results of the City's divisions and financially significant entities controlled by the City, including 14 agencies and corporations and two government business enterprises (GBE) owned 100 per cent by the City, as shown in the above image. The City has partial ownership and shared control over two entities:

- The Toronto Pan Am Sports Centre, which is 50 per cent owned by the City in partnership with the University of Toronto; and,
- The Toronto Waterfront Revitalization Corporation (Waterfront Toronto), which is 33.3 per cent owned by the City, in partnership with the Canadian and the Ontario Governments.

Each agency, corporation, and GBE is overseen by a separate Board of Directors/Management.

Key accounting terms

The annual financial report and the financial statements refer to various accounting terms. The terms that are commonly referenced throughout this document and their associated definitions include the following:

- **Cash basis accounting:** An accounting method that recognizes revenues and expenses at the time cash is received or paid out.
- **Accrual basis accounting:** An accounting method that recognizes revenues and expenses at the time the revenues are earned or the expenses are incurred, regardless of when cash is received or paid out.
- **Financial assets:** Resources, either cash or assets that are readily convertible to cash, such as accounts receivable and investments. These resources are used to support the City's service delivery, such as purchases of materials and equipment and to settle ongoing obligations to external individuals and organizations.
- **Liabilities:** Obligations, such as accounts payable and long-term debt, to external individuals and organizations that the City is required to settle (i.e., pay) in future years.
- **Net financial asset/net debt:** A key financial indicator that reflects whether there are sufficient resources on hand or whether the City will need to rely on additional revenues in the future to successfully settle liabilities. When there are more financial assets than liabilities, it is recognized as a "net financial assets" balance, but when there are more liabilities than financial assets, it is recognized as a "net debt" balance.
- **Non-financial assets:** Resources, such as tangible capital assets and inventories, which are used or directly consumed to provide services and programs.
- **Tangible Capital Assets (TCAs):** TCAs are a significant economic resource and a key investment in the delivery of services to residents. They include diverse items such as roads, bridges, recreation centres, and water treatment facilities.
- **Revenues:** Amounts recognized into earnings upon the provision of a good and/or service or resulting from a specified event (e.g., issuance of a building permit). Common sources of revenue include property taxes, provincial and federal grants and development charges.
- **Expenses:** Costs incurred to maintain operations, as well as support service delivery to residents and businesses. Common examples of expenses include the cost of snow removal and garbage collection, operating costs of emergency and temporary shelters for vulnerable residents and the cost of providing transit services.
- **Annual accounting surplus/deficit:** Under the accrual basis of accounting, when revenues exceed expenses in a given year, it will result in an annual surplus; and when expenses exceed revenues in a given year, it will lead to an annual deficit.

Is this the same as a surplus/deficit in a budget variance report?

No, the term surplus/deficit is used in both the consolidated financial statements as well as budget variance reports, however they do differ in some significant ways. A surplus reflected in a budget variance report refers to funds budgeted and made available in an annual budget that have not been spent and can either be used for operating or capital purposes. The annual accounting surplus/deficit is the difference between revenues earned and expenses incurred during the year based on accrual accounting principles, regardless of when cash is received or disbursed. Unlike the budget surplus, the annual accounting surplus cannot be carried forward or reallocated for future use and does not represent a source of cash.

Key accounting terms (cont.)

- **Accumulated surplus/deficit:** The amount by which total assets, including both the financial assets and non-financial assets, exceed liabilities represents an accumulated surplus. When liabilities exceed total assets, there is an accumulated deficit.

Does the accumulated surplus represent excess funding that is available for future use?

No, the accumulated surplus is an accounting metric that represents the amount by which total assets exceed total liabilities. The majority of the City's accumulated surplus is attributed to historical investments in TCAs, which is the result of a continued growth in the City's capital budgets, and therefore, it does not represent surplus funding that can be used to fund budget pressures.

- **Reserves:** Reserves are established by City Council to support the financial management and operations of the City and minimize annual tax rate fluctuations. The funds help offset future capital needs, fiscal pressures from ongoing programs, unforeseen costs, as well as revenue shortfalls.
- **Reserve Fund:** A fund that is segregated and restricted to meet a specific purpose and includes both an obligatory reserve fund and a discretionary reserve fund. For the City's Consolidated Financial Statements, obligatory reserve funds are classified as a liability known as deferred revenues.
- **Accumulated remeasurement gains/losses:** The difference between the fair market value and costs of certain assets and liabilities, such as investments and long-term debt, at the end of the reporting period.

How the budget is reconciled

On an annual basis, a balanced budget is prepared, which incorporates expectations of expenditures and the sources of funding required to provide planned services for the current year. The budget includes details of the planned operating and capital activities, as well as proposed property tax rate and user fee changes for the year. The Budget Committee reviews the staff-prepared budget and engages Toronto residents and businesses for their feedback. The budget is then presented to City Council (Council) for consideration and approval.

Components of the budget consider how the City plans to fund future cash requirements. To support this perspective, the budget is presented using a methodology known as “cash basis,” where the cash inflows that will be used to pay for expenses are budgeted. Key components of the budget include:

- **Funding sources:** Receipt of Provincial and Federal government grants, issuance of long-term debt, collection of property taxes and user fees and use of the City’s reserves and reserve funds.
- **Estimated expenditures:** Recognition of amounts used to sustain daily operations and support key initiatives, including maintaining and preserving City services and infrastructure, supporting new and state of good repair investments, and addressing transit and housing demands.

The budget, therefore, is a key accountability document that is used to help plan and finance annual commitments to Torontonians.

In contrast, the year-end financial statements, another key accountability document, are used to provide key historical financial information to the public. Specifically, the financial statements not only capture the City’s actual revenues when they are earned and expenses when they are incurred, but they also disclose what existing resources the City has now and what long-term obligations and future commitments will have to be settled with external individuals and organizations in future years. The financial statements provide a long-term perspective of the City’s financial condition in addition to current year performance, a presentation approach known as “accrual accounting”. This presentation is required under PSAS.

Unlike the cash basis of accounting used for budgeting, accrual accounting requires that financial transactions be recorded and reported when they occur, regardless of when cash is ultimately collected or paid. In addition, in presenting the financial statements, the City is also required to consider the long-term financial impacts arising from investments and commitments, such as how infrastructure assets change over time, as well as what obligations will need to be settled in the future, such as long-term debt.

The table presented below summarizes Council approved balanced budgets for:

- Operating expenses
- Capital expenses
- Non-levy programs (programs fully supported by user fees from the Toronto Water, Solid Waste Management Services and Toronto Parking Authority)
- Consolidated entities (i.e., Agencies and Corporations)

Given that the cash and accrual accounting methodologies offer different perspectives regarding how some transactions are recognized and when they are recognized, a reconciliation to the budget presented in the Consolidated Statement of Operations and Accumulated Surplus, under the accrual accounting principles is also provided.

In reconciling the cash-based budgets to the budgets presented in the Consolidated Statement of Operations and Accumulated Surplus, cash inflows and outflows that are not considered as revenues and expenses under PSAS must be eliminated. As a result, the budget in the financial statements:

- Does not recognize contributions to or withdrawals from reserves and discretionary reserve funds, receipt of proceeds from the issuance and principal repayments of long-term debt, and recovery of costs from internal programs; and
- Recognizes TCAs 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 the cash basis to the accrual accounting basis, it is normal to see an accounting surplus/deficit. As previously noted, this is due to the accrual accounting method which capitalizes eligible capital expenditures to TCAs, recognizes the debt proceeds as liabilities and recognizes financial transactions when they occur, regardless of when cash is ultimately collected or paid. These required adjustments lead to a difference between the Council approved balanced budget and the budgets reported in the financial statements and ultimately reflect an accounting surplus/deficit.

(in millions of dollars, unless otherwise stated)

The table below summarizes how the Council approved balanced budget information that is originally prepared on the cash basis is adjusted to the budget presented in the financial statements under the accrual accounting basis:

Summary of the 2025 Council approved budget

	Approved by Council:					
	Operating	Capital	Non-levy	Consolidated entities	Adjustments	Total adjusted budget
Revenues:						
Property taxes and taxation from other governments	$ 6,343	$ -	$ -	$ -	$ (103)	$ 6,240
Government transfers	4,719	968	1	2,236	(2,147)	5,777
User charges	2,166	1,199	2,131	1,177	(2,981)	3,692
Municipal land transfer tax	986	-	-	-	-	986
Development charges	-	784	-	-	-	784
Rent and concessions	64	-	-	478	-	542
Investment income	268	-	-	-	(8)	260
Other revenue sources	2,488	3,198	108	184	(4,968)	1,010
Total revenues	**17,034**	**6,149**	**2,240**	**4,075**	**(10,207)**	**19,291**
Expenses:						
Transportation	3,575	2,590	186	2,818	(4,445)	4,724
Social and family services	4,779	156	-	-	(263)	4,672
Protection to persons and property	2,308	195	-	-	(39)	2,464
Environmental services	133	1,397	2,054	-	(1,872)	1,712
Social housing	554	590	-	802	(523)	1,423
General government	3,740	433	-	-	(2,870)	1,303
Recreation and cultural services	1,212	611	-	455	(1,302)	976
Health services	661	52	-	-	(35)	678
Planning and development	72	125	-	-	30	227
Total expenses	**17,034**	**6,149**	**2,240**	**4,075**	**(11,319)**	**18,179**
Annual surplus	**$ -**	**$ -**	**$ -**	**$ -**	**$ 1,112**	**$ 1,112**

(in millions of dollars, unless otherwise stated) Annual Financial Report 2025 • City of Toronto

Summary of the 2025 Council approved budget (cont.)

The table below summarizes the adjustments that were required to convert the City's Council approved budgets to PSAS-compliant budgets. Other adjustments required for accrual accounting include re-classifications between revenues and expenses ($346), internal cost recoveries ($346), and other individual adjustments that are immaterial for disclosure purposes.

		2025
Revenue adjustments		
Eliminations for consolidated entities' budgets – revenues	$	(4,057)
Contributions to the City's operating fund, capital fund, and reserve and discretionary reserve funds		(3,073)
Proceeds from the issuance of long-term debt		(2,429)
Other adjustments required for accrual accounting		(648)
Total revenue adjustments	**$**	**(10,207)**
Expenditure adjustments		
Eliminations for consolidated entities' budgets – expenditures	$	(4,087)
Capitalization of tangible capital assets and recognition of amortization		(3,163)
Withdrawals from City's operating fund, capital fund and reserve and discretionary reserve funds		(2,797)
Debt principal repayments		(552)
Other adjustments required for accrual accounting		(720)
Total expenditure adjustments	**$**	**(11,319)**

(in millions of dollars, unless otherwise stated)

A closer look at the City's finances: Key financial balances and ratios

Balance sheet

	2025	2024	Increase	Per cent change
Total assets	$ 66,995	$ 64,113	$ 2,882	4.5
Total liabilities	29,275	28,230	1,045	3.7
Accumulated operating surplus	36,437	34,746	1,691	4.9
Accumulated remeasurement gains	1,283	1,137	146	12.8

The City continues to prioritize sustainable growth and investments in assets, while advancing its goals in line with the Long-Term plan.

Assets

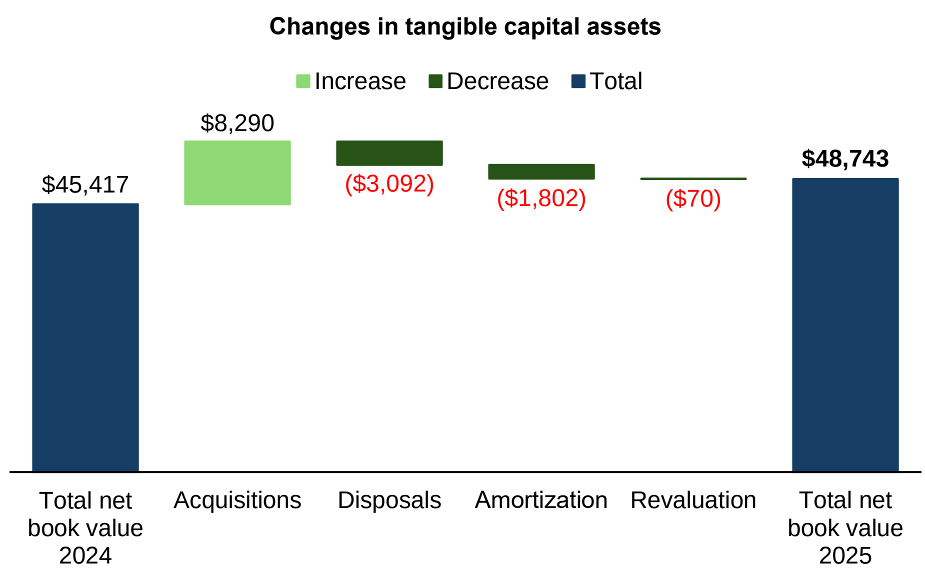
In 2025, total assets increased by 4.5 per cent or $2,882, which was largely attributed to the acquisition of TCAs and the change in value of the City's investments.

The net book value of the City's TCAs increased by 7.3 per cent, or $3,326, with significant investments made to develop community and recreation centres, provide supportive and affordable housing, develop storm water and wastewater infrastructure, and revitalize key transportation networks. The graphic below illustrates how the City's TCAs changed in 2025. These changes reflect asset acquisitions, reductions due to disposals or retirements, and amortization; an accounting process that recognizes the cost of an asset over its useful life.

Understanding the graphs…

The graphs in this report are presented using a specific type of graph known as a waterfall. A waterfall graph depicts how an initial value is affected by the cumulative changes, both increases and decreases, of various components. This type of graph can be a storytelling tool as it reveals what specific factors led to the net change in value over time. Thus, to portray how results have differed from 2024, the waterfall can be quite useful.

When interpreting waterfall graphs, it is important to note that the first bar represents the previous year's closing value. The following bars then depict the incremental impact of specific increases and decreases that occurred in 2025 that led to the closing value for 2025, which is represented in the last column.



Assets (cont.)

Notably, the City completed its work on several TCAs in 2025 including the construction of the Ashbridges Bay Treatment Plant Outfall Tunnel, the asset transfers of the new river valley and the Commissioners Street Bridge to the City as part of the Port Lands Flood Protection Project, the renovations for permanent affordable and supportive housing at 65 Dundas St. East, and the completion of the New Rogue Valley Community Centre. Construction has also continued for various TCAs, including the Don Valley Parkway and the Gardiner, the new Etobicoke Civic Centre, and the Wallace Emerson Community Centre.

The City's investment balance fell by 6.6 per cent, or $557, partially offsetting the increase in total assets driven by additions to TCAs. This decrease was partially attributed to increased outflows as instruments matured and were retained in cash to meet higher disbursement requirements. Long-Term Investments offset some of this decrease with positive returns that were supported by declining interest rates and equity market performance.

Liabilities

Total liabilities increased by 3.7 per cent, or $1,045, largely due to an increase in accounts payable and accrued liabilities and long-term debt. These components are further detailed below.

The City's accounts payable and accrued liabilities increased by 12.8 per cent, or $537. This increase was largely due to a new TTC payable related to a new train purchase contract. It was also driven by higher payables resulting from increased costs associated with a transition in funding models for Children's Services programs – from revenue-replacement to cost-based funding – to better support childcare operators in delivering high-quality care.

Long-term debt increased by 4.4 per cent, or $387, due to the issuance of debt that was partially offset by debt repayments and fair market value adjustments. Long-term debt is used as one of the City's many funding sources to finance the acquisition and construction of TCAs. In 2025, the City issued $1,200 in debenture bonds, including $200 in social bonds and $200 in green bonds, to finance capital projects that deliver positive social outcomes and support environmental sustainability. While the City continues to use long-term debt, it is important to recognize that the debt level is sustainable and remains affordable. The City remains within the Council directed debt service ratio limit of 15 per cent, and debt service costs represent only 5.5 per cent of the City's total revenues in fiscal 2025.

The City's deferred revenue decreased by 1.8 per cent, or $145 and was the result of a combination of decreases in externally restricted balances due to fewer development charges received, application of deferred revenues for growth-related infrastructure projects, and the recognition of revenues related to the Housing Accelerator Fund.

Accumulated surplus

The accumulated operating surplus rose by 4.9 per cent and was a result of the $1,691 annual operating surplus, which is discussed in the following Income Statement section. The total accumulated surplus balance of $37,720 represents the amount by which the City's total assets exceed its liabilities and continues to be derived almost entirely from the City's historical investments in TCAs and the City's reserves and reserve fund balances.

Included in the total accumulated surplus are the City's reserves and discretionary reserve funds, which support the financial management and operations of the City and minimize annual tax rate fluctuations. Reserves are flexible funds not tied to specific assets or liabilities, while discretionary reserve funds are designated for specific Council-directed purposes, such as the State of Good Repair Reserve Fund for waste management or Corporate Reserves for the City Council and the City's divisions and agencies.

Reserve and Discretionary Reserve Fund balances totaled $5,468 at the end of 2025, which decreased by $139, taken primarily from Corporate and State of Good Repair reserves and reserve funds. 93.8 per cent of the City's Reserves and Discretionary Reserve Funds are committed to future Council directed activities that include capital and operating expenditures, as well as rate-based activities. Additional information related to the City's Reserves and Discretionary Reserve Funds are available in the 2025 year-end report.

Accumulated remeasurement gains

The City maintains an extensive portfolio of publicly traded financial instruments, such as bonds and equity investments. Due to fluctuations in global market conditions, the fair value (i.e., market value) of these instruments varies from their initial acquisition date. To account for these changes, the City records unrealized gains and losses in the Statement of Remeasurement Gains and Losses. As of December 31, 2025, the City's financial instruments experienced a net remeasurement gain of $146, increasing the accumulated remeasurement gain to $1,283. Strong global equity market gains were supported by several key factors: the Bank of Canada's continued easing of interest rates, moderated growth and inflation, resilient corporate earnings, and improving investor sentiment despite periodic volatility caused by geopolitical developments and shifting central bank expectations.

(in millions of dollars, unless otherwise stated)

Income statement

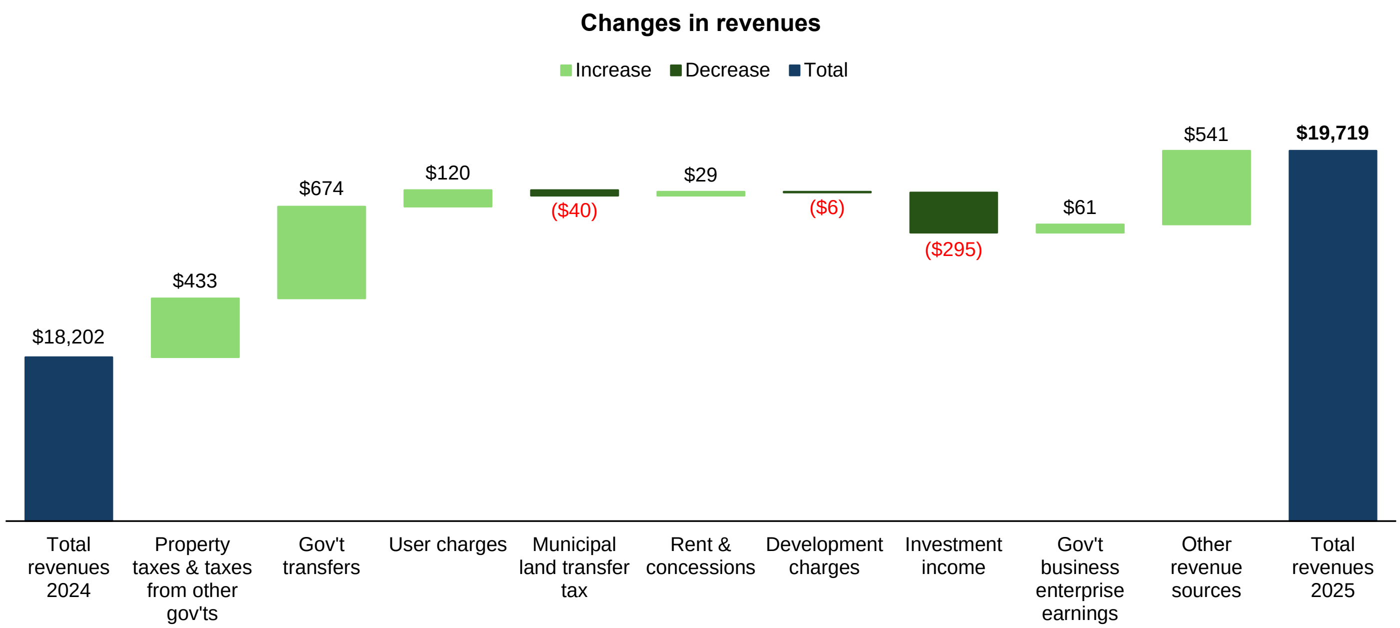
	2025	2024	Increase	Per cent change
Total revenues	$ 19,719	$ 18,202	$ 1,517	8.3
Total expenses	18,028	16,186	1,842	11.4
Annual surplus	1,691	2,016	(325)	(16.1)

In 2025, Revenue growth (8.3 per cent) was outpaced by increased expenditures (11.4 per cent), as the City prioritized protecting services and maintaining service levels across key programs This led to a lower annual surplus, consistent with Council-approved budget targets.

Revenues

Total revenue increased by 8.3 per cent or $1,517. The city experienced a decrease in development charge revenue resulting from lower contributions from developers, as a result of downward trends in pace and volume of new developments. This decrease was offset by increases resulting from higher government grants, and miscellaneous revenue items, in addition to an increase in the City property tax rate.

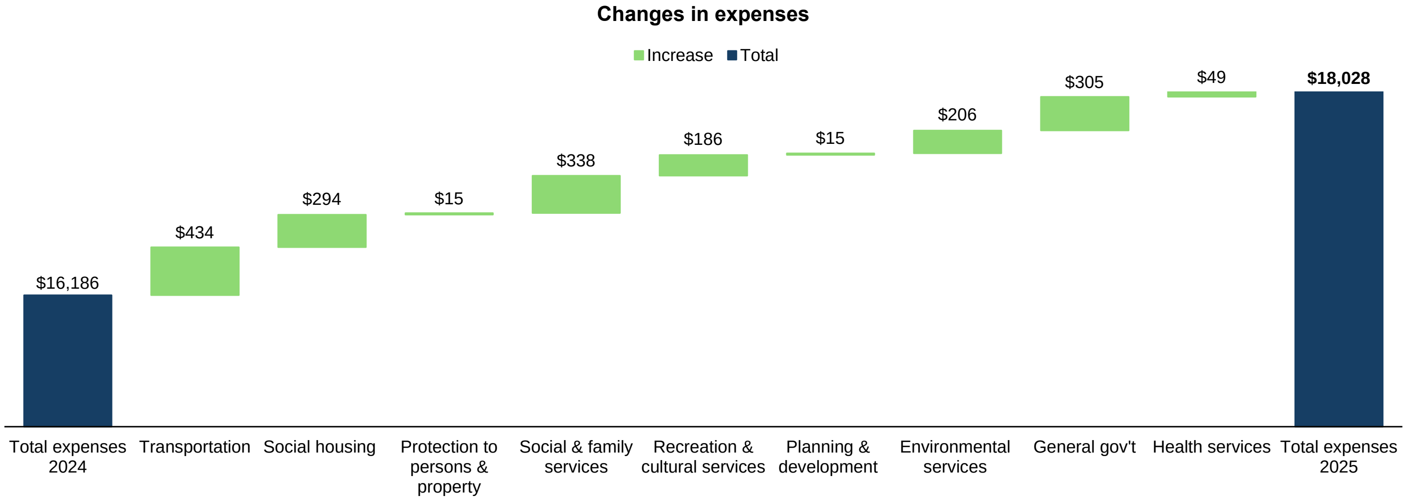
Government transfers continue to be a vital source of revenue for the City, accounting for more than a quarter of total revenue. In 2025, government transfers increased by 14 per cent, primarily due to additional funding received for the Canada-Wide Early Learning and Child Care program ($363) and the Housing Accelerator Fund ($160) in support of child care services and affordable housing-related initiatives, respectively. The increase also includes an additional $55 received to support the City's preparations for the 2026 FIFA World Cup.



Expenses

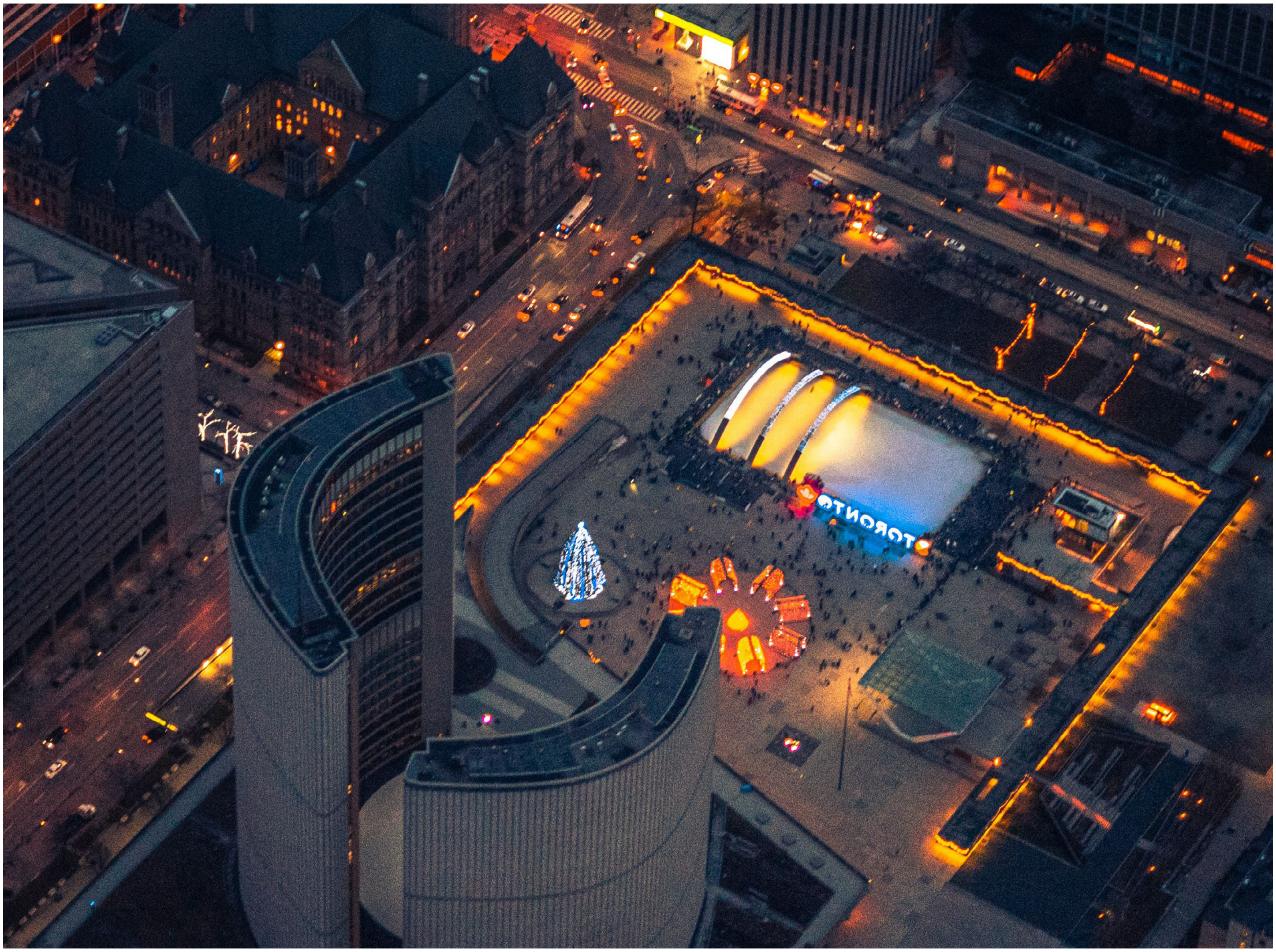
In 2025, the City's expenditures increased as a result of various service needs and initiatives. The 11.4 percent or $1,842 increase in expenses was largely attributed to rising cost of service delivery associated with the City's public transit, police services, social housing, and parks and recreation operations, to meet growing City demand and enhanced service delivery. For example, in 2025, the City prepared for the opening of TTC's Lines 5 (Eglinton) and 6 (Finch West), expanded Toronto Police's Neighbourhood Community Officer Program, supported various social and affordable housing programs led by the Toronto Community Housing Corporation, and opened Biidaasige Park, Rouge Valley Community Recreation & Child Care Centre, and the East Bayfront Community Recreation Centre for residents. These investments reflect City's commitment to advancing strategic priorities to create an affordable City, protect services, and focus on responsible investment. With rising costs to support City programs, strong long-term financial planning and disciplined budgeting remain essential to maintaining fiscal sustainability.

Expenses (cont.)



Annual surplus

As City expenses grew at a faster rate of 11.4 per cent compared to revenue that grew 8.3 per cent, the annual surplus decreased.



Financial ratios

Key financial ratios associated with the City's major revenue streams, debt stability, and infrastructure (i.e., TCAs) are presented below. They evaluate the City's management over expenditures and taxpayer resources, commitment to financial sustainability, and investment on infrastructure. Ratios help measure the overall financial condition of the City by comparing the City's financial performance to the previous year, over a five-year average, and to the average performance of comparable Canadian municipalities. However, it must be acknowledged that each municipality varies in complexity and size, operates under different economic constraints, and manages its assets, liabilities, revenues, expenses, and cash surpluses/deficits differently. Below are some key financial ratios that illustrate how the City manages revenues to protect essential services and support long-term financial stability.

Infrastructure (TCA) NBV change percentage

10.2%

▲3.5% YoY

Five-year average: 3.7%
Peer Average: 6.1%

INCREASING

Purpose:

This ratio measures the change in infrastructure TCA Net Book Value (NBV) from prior year to assess capital renewal. A higher ratio represents a greater level of investment in infrastructure assets relative to the rate of depreciating existing assets.

Context:

This ratio helps showcase the City's increased emphasis on investments on infrastructure TCAs, with a growth of 3.5 per cent. This increase is primarily driven by the need to develop and improve critical foundational services, including waste and wastewater systems, roads, transit, and more. Significant spending this year includes the Port Lands Flood Protection Project which includes Biidaasige Park and the rehabilitation of the Gardiner Expressway and Don Valley Parkway. This increasing ratio represents a larger focus on supporting and maintaining essential City services through reinvestment into the City's infrastructure compared to previous years and relative to its peers.

Total debt to revenue

49.8%

▼1.7% YoY

Five-year average: 54.4%
Peer Average: 53.6%

IMPROVING

Purpose:

This ratio measures total debt relative to total revenues. A higher ratio indicates elevated financial risk as more earnings are needed for debt servicing, reducing financial flexibility, limiting cash flow, and increasing exposure to economic shocks.

Context:

The total debt-to-revenue ratio was selected as a key performance indicator to evaluate the sustainability of the City's capital borrowing against its operating capacity. The ratio decrease of 1.7 per cent from prior year shows improvements in the City's ability to remain financially agile relative to the peer average of 53.6 per cent. By ensuring the level of debt remains proportional to revenue, the City preserves its financial flexibility to absorb unexpected economic shocks and address emerging operational priorities without compromising fiscal discipline.

Property taxes as a percentage of total expenses

34.6%

▼1.3% YoY

Five-year average: 35.6%
Peer Average: 56.8%

LOWER RELIANCE

Purpose:

This ratio measures the proportion of total expenses that are funded by property tax revenue. It indicates the extent the organization relies on property taxes to support its operations. A higher ratio suggests greater dependence on property taxes to cover expenses.

Context:

The ratio of property taxes as a percentage of total expenses was chosen to evaluate the City's operational sufficiency and reliance on property taxes. The ratio shows improvement, declining from a five-year average of 35.6 per cent and remaining more favorable than the peer average of 56.8 per cent. This trend indicates that expenditure growth is increasingly supported by diversified revenue sources rather than property taxes alone. Overall, reducing reliance on property taxes aligns with the City's efforts to ease financial pressures on residents while strengthening its long-term fiscal sustainability. By diversifying its revenue streams, the City can better withstand economic downturns and mitigate risks like delayed tax collections, thereby enhancing its overall financial resilience.

Financial ratios (cont.)

DC reserve fund net change percentage

-13.6%

▼-5.1% YoY

2021-2023 Average: 23.1%
Peer Average: 0.3%

WORSENING

Purpose:

This ratio measures the net change of the Development Charge (DC) Reserve Fund relative to its opening balance. A higher ratio indicates sustained cash flow and faster development charge collections compared to spending on growth-related infrastructure.

Context:

This ratio shows the decrease in development charges collected compared to previous years. The main driver of the decrease is due to lower developer contributions and the depletion of the DC reserve to fund growth-related infrastructure projects (e.g. transit, roads, parks, etc.). In 2024 and 2025, the DC reserve fund had a net decrease compared to years prior were there was a net increase, as seen by the 2021-2023 average growth of 23.1 per cent. As of June 2025, the Province of Ontario's Bill 17 officially enforced DC rate freezes and interest-free deferrals until the time of occupancy on DC contributions for all residential development, hindering the City's short-term capacity to develop critical growth-related infrastructure while peer cities in other provinces showed net DC increases.

Tax-supported debt service ratio

12.9%

▼0.6% YoY

Council directed limit: 15%
Status: Within Council limit

IMPROVED

Purpose:

This ratio represents the portion of tax revenue that is used to pay off debt obligations, primarily interest and principal payments. A higher ratio indicates a greater portion of tax revenue is being used for debt servicing, potentially limiting resources for other services.

Context:

This ratio demonstrates the City's responsible management of taxpayer resources and its commitment to financial stability. While tax-supported debt increased by $12 or 1.6 per cent, levy revenues increased by $335 or 6.3 per cent, overall causing the debt servicing ratio to lower by 0.6 per cent to 12.9 per cent in 2025. This is in line with the City Council prescribed limit of maintaining debt under 15 per cent, which will ensure that the City can sufficiently fund both operating and capital expenditures through non-debt sources. The City continues to maintain its creditworthiness and has held an AA+ credit rating since 2024.

Operational highlights

What this section contains

A closer look at City Council

How the City is governed: City Council

City Council (Council) has direct responsibility for the City of Toronto's (City) services, and indirectly oversees other major services delivered through agencies and corporations. Council's directions and decisions about managing the City result in a long-term shared strategy regarding budget and services.

The Mayor fulfills a city-wide mandate, provides leadership to Council on strategy and financial planning and recommends appropriate policies, practices and procedures to Council to ensure accountability and transparency of operations. The Mayor also has special powers and duties under the City of Toronto Act (Part VI.1). These include powers to:

- Bring matters to Council that advance certain priorities established by the Provincial government and veto any by-laws passed by Council that may interfere with the advancement of those priorities
- Appoint the City Manager
- Hire and dismiss certain City officials and determine the City's organizational structure
- Create committees of Council, assign their functions and appoint the Chairs and Vice Chairs of committees of Council
- Propose the City's budget subject to Council amendments, a Mayoral veto and a Council override process

City Councillors (Councillors) have both a legislative role and a constituency role. In their legislative role, they are responsible for considering and establishing policies and by-laws to implement Council's decisions. In their constituency role, Councillors are responsible for responding to constituent needs and ensuring their views are considered in Council's decision-making.

Council is made up of 26 members: the Mayor, who is elected city-wide, and 25 Councillors who are elected in each ward across the city. The Mayor and the Councillors serve a term of four years. The current Council serves from 2022 to 2026.

Information about City Council, Councillors and the wards they represent is available on the City's website: Council – City of Toronto.

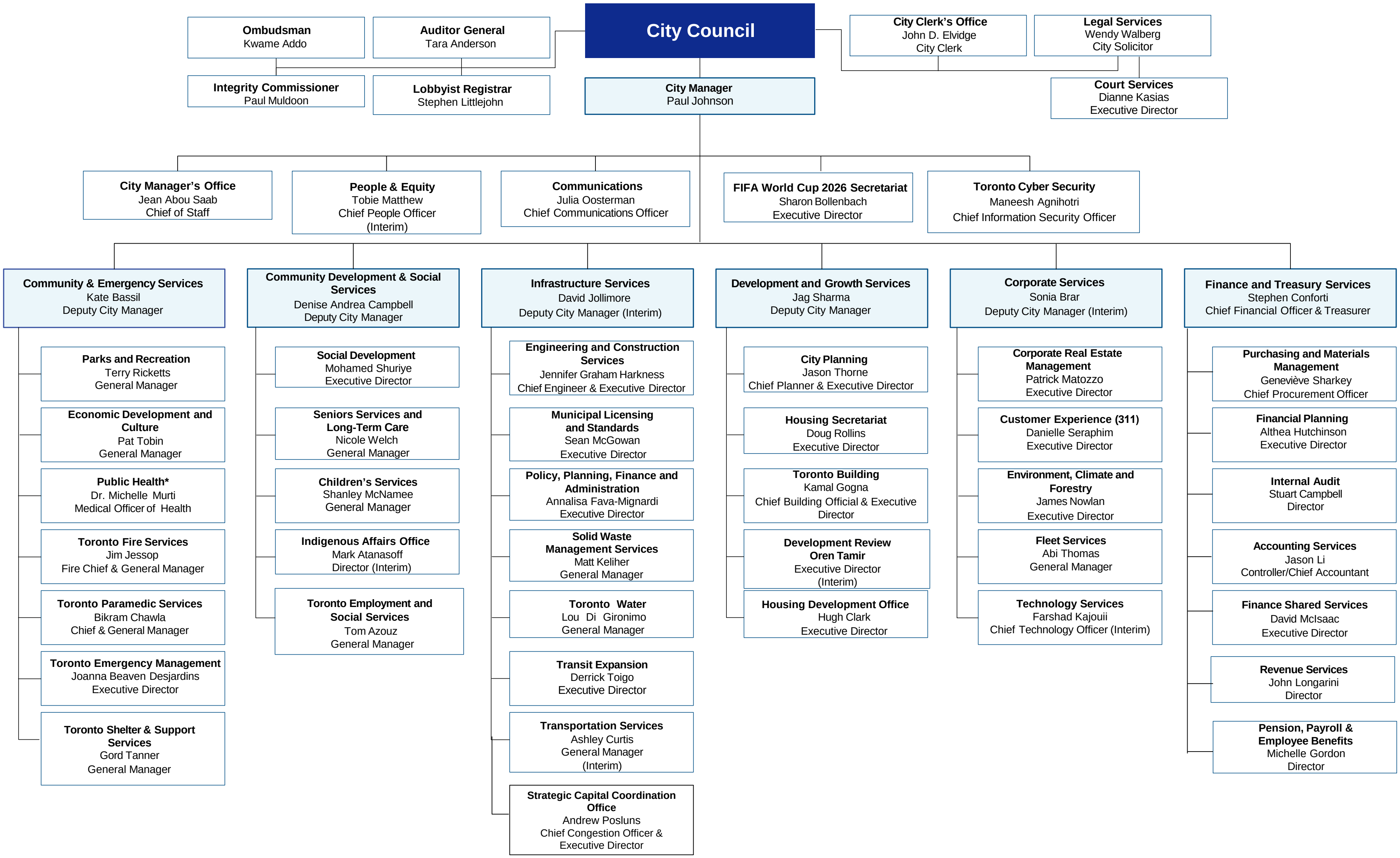
How the City is structured: Organizational chart

The City provides services to the public and supports the community through an organized structure, which allows quick responses to evolving public needs. The City Manager is the most senior official in the City's administrative structure and is accountable to City Council (Council) for Council-approved policies and programs. The City Manager works closely with five Deputy City Managers, each of whom manages one of the five Toronto Public Service pillars: Community and Emergency Services, Community Development and Social Services, Infrastructure Services, Development and Growth Services, and Corporate Services. Each pillar is further supported by various divisions that implement Council's directions throughout the City and deliver services to the public. The City Manager also works with the Chief Financial Officer and Treasurer to support the City's prudent financial management.

The City's administrative structure is outlined in the organizational chart on the next page.

The City's organizational chart

TORONTO



A closer look at the City's Audit Committee

The Audit Committee is a sub-committee which reports directly to City Council (Council) and exercises responsibility in three areas: financial reporting, corporate governance and corporate control.

The Audit Committee's responsibilities include:

- Recommending the appointment of the City's external auditor
- Recommending the appointment of an external auditor to conduct the annual audit of the Auditor General's office
- Considering the annual external audit of the financial statements and the financial statements of the agencies, boards and commissions
- Considering the external audit of the Auditor General's office
- Considering the Auditor General's reports and audit plan
- Conducting an annual review of the Auditor General's accomplishments
- Making recommendations to Council on reports considered by the Audit Committee
- Considering performance audits and other reports of the Auditor General concerning the agencies and corporations

External audit: Audit function and the role of an auditor

As required by the Municipal Act of Ontario and the City of Toronto Act (collectively referred to as the Acts), the annual consolidated financial statements are prepared in accordance with Generally Accepted Accounting Principles for each fiscal year. Further, the Acts require the City to appoint an auditor licensed under the Public Accounting Act, 2004 to audit the consolidated financial statements and express an opinion on the statements based on the audit.

An audit is the examination of the financial statements that are prepared by management. The purpose of an audit is to reach a conclusion on whether the financial statements are free from material misstatements to ensure the users of the financial statements can make informed decisions based on accurate financial information. Material misstatements are misstatements that could influence decisions of financial statement users. At the planning stage of the audit, the auditor determines an appropriate materiality threshold for the financial statements as a whole and conducts selective testing under the concept of materiality, therefore, the audit is not an examination of every transaction.

The 2025 consolidated financial statements have been audited by an external auditor, KPMG LLP (KPMG). The audit report, which includes KPMG's audit opinion and details on the basis for their audit opinion, the responsibilities of management and those charged with governance, and the auditor's responsibilities for the audit of the financial statements, has been submitted to and approved by the Audit Committee and Council.

The consolidated financial statements and the auditor's report satisfy the legislative reporting requirements set out in the Acts.

Highlights of the City's 2025 achievements

Guided by the City's Corporate Strategic Plan, the City made significant advancements on its strategic priorities to improve quality of life for Torontonians. Some of the City's key achievements include:

Keep Toronto moving

- 55 new subway cars purchased to make Line 2 rides more reliable
- 215,906+ potholes repaired
- 500,000 more TTC service hours added and fares held flat
- Faster delivery of construction projects

Maintain & create affordable housing

- 8,000 affordable homes unlocked and 6,000 rental units fast-tracked by cutting development fees
- 1,660 families housed through housing benefits
- 3,800 families kept housing through eviction prevention and Rent Bank support

Invest in people & neighbourhoods

- 263 new emergency workers (firefighters, police, paramedics) added for faster response
- 48.4M meals served to 257,000 kids through expanded school food programs
- Expanded hours in 70+ libraries
- 4% increase in child care spaces (63,818)
- Expanded outdoor pool hours by 2 hours/day

Tackle climate change & build resilience

- Over 2,000 properties benefited from the Basement Flooding Protection Program
- Added the first two electric pumper trucks to Toronto Fire Services fleet
- Investments in climate mitigation and adaptation initiatives expected to reduce approximately 160,725 tonnes of CO_2e
- Opened the City's first net zero facility – the largest City-operated child care centre

Recognition for the City's 2024 Annual Financial Report

Government Finance Officers Association of the United States and Canada (GFOA) awarded a Canadian Award for Financial Reporting to the City of Toronto for its annual financial report for the fiscal year ended December 31, 2024. The Canadian Award for Financial Reporting program was established to encourage municipal governments throughout Canada to publish 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. The City believes the current report continues to conform to the Canadian Award for Financial Reporting program requirements, and the City will be submitting it to GFOA to determine its eligibility for another award.

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, 2024

Christopher P. Morrill

Executive Director/CEO

The City's climate-related financial disclosures

What this section contains

Introduction

Toronto's climate is changing. In 2025, the City released Climate Risks: Understanding Vulnerability Today, Preparing for Tomorrow, its first comprehensive assessment of climate risks across all major urban systems. The report highlights extreme heat and flooding from heavy rainfall as two of Toronto's most urgent climate hazards, while also recognizing risks from high winds, poor air quality and severe winter weather. Most risks are expected to intensify over the coming decades, with growing impacts on public health, infrastructure, mobility, access to services, and natural systems. These impacts are not felt equally, making equity a critical consideration in building climate resilience. The City remains committed to helping Toronto survive, adapt, and thrive in the face of climate change by undertaking many actions that build resilience to climate change and monitoring evolving climate reporting requirements. These efforts support the City's goal of becoming a climate-ready Toronto. Guided by the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), the City has included unaudited climate-related disclosures in its annual financial report.

TCFD is a voluntary framework that enhances transparency, reliability, consistency and comparability of climate-related risks and opportunities for investors, lenders, insurers, regulators, policymakers, and other stakeholders. In 2023, the International Sustainability Standards Board (ISSB), under the International Financial Reporting Standards (IFRS) Foundation, released the first two private-sector focused disclosure standards: IFRS S1 (General Requirements for Disclosure of Sustainability-related Financial Information) and IFRS S2 (Climate-related Disclosures). In December 2025, the International Public Sector Accounting Standards Board (IPSASB) approved its first public-sector focused disclosure standard: IPSASB SRS 1 Climate-related Disclosures. This standard was issued in January 2026 and is aligned with IFRS S2 to enhance the consistency and comparability of climate-related disclosures across the public and private sectors. The City will maintain TCFD reporting alignment while monitoring and assessing existing and newly released voluntary standards.

In the face of uncertain futures due to climate change, this report incorporates forward-looking information about the City's climate-related initiatives and projects. Future-oriented information inherently involves uncertainties, risks, and assumptions that may change over time and remain beyond direct control. As a result, these disclosures do not guarantee future outcomes, performance, or conditions.

TCFD disclosures

TCFD's disclosure framework is built upon four core pillars: governance, strategy, risk management, and metrics and targets.

Governance

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

The Mayor and City Council

Provide direction and approve all the City's long-term strategic plans and major policy and funding. City Council (Council) periodically requests and receives reports on progress against climate-related targets and initiatives.

City's Infrastructure & Environment Committee

Reports to Council and addresses matters related to infrastructure and the natural environment. Its mandate includes overseeing and making recommendations on the City's infrastructure needs and services, parks and forestry and the sustainable management of the environment, including climate change.

City Staff

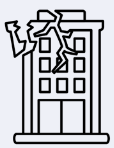
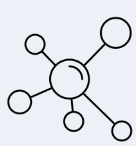
Lead, coordinate and are accountable for the City's environment and energy sustainability outcomes through Council directives. The City conducts climate-related research and identifies climate-related risks, while pursuing policy development, greenhouse gas (GHG) emission reduction, climate adaptation and resilience-related initiatives and public engagement and outreach on climate-related matters.

Strategy

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

Climate-related risks

In 2025, the City completed its first city-wide assessment of climate risks across major urban systems and released Toronto's Climate Risks: Understanding Vulnerability Today, Preparing for Tomorrow. The study evaluated how current and projected climate hazards interact with four key City systems: population and local economy, municipal services, infrastructure systems and natural systems and green spaces. The analysis identified and evaluated more than 400 potential impacts based on the relationships of the four key City systems to people, assets, and services for which the City holds direct responsibility, regulatory authority, or significant influence. The report highlights five key risk themes for Toronto, including:

Compounding heat, health and affordability pressures		Extreme heat is projected to escalate rapidly in the coming decades, making it the most pressing climate-related concern for Toronto. Exposure to extreme heat increases the risk of heat-related illnesses and death, including heat exhaustion, heat stroke, and cardiovascular and respiratory conditions. When smoke from wildfires coincides with heat, health risks increase further and the impacts are often unequally distributed across the population. In addition, electricity costs increase with higher consumption of cooling equipment, which adds financial pressure on residents and may lead to people keeping air conditioners off even when it is hot.
Infrastructure disruptions and cascading impacts		Volatile weather patterns due to climate change place stress on the City's infrastructure. Water damage on buildings and roads from extreme precipitation and associated flooding can lead to costly repairs, operational shutdowns, long-term structural degradation, road safety incidents and broader transportation disruption. Extreme heat and temperatures increase the risk of power outages, drive up electricity demand and overheat electrical transformers that can disrupt services being provided.
Emergency, municipal and health services under strain		Municipal services will face escalating pressure as extreme weather becomes more frequent and severe. Surges in demand will strain available resources at shelters operating near capacity, increase exposure risks for outdoor workers clearing debris or responding to storm damage, and place additional pressure on municipal and broader emergency and health services to respond in a timely manner, particularly during dangerous outdoor conditions. At the same time, the City will still be expected to maintain delivery of core services, including regular operation of community centres, child care services and shelters, as well as tree and park maintenance, traffic management, and regular waste services collection.
Degradation of natural areas and habitat, and tree canopy loss		Urban forests and green spaces including parks, pollinator habitat, wetlands, streams and ravines provide important benefits such as cooling and carbon sequestration, absorb and manage stormwater, improve health and wellbeing, provide wildlife habitat, sustain biodiversity, offer noise mitigation and energy savings for buildings and, in the case of trees, offer shade during hot weather. However, risks related to tree loss, impacts of invasive species, vector-borne diseases and allergens are expected to become more severe as climate conditions continue to shift. Storm events, warmer temperatures, longer growing seasons and increased pest survival are already straining urban ecosystems, with consequences for biodiversity and human health.
Interconnected risks		Climate hazards do not affect systems in isolation. Conditions likely to amplify negative impacts across multiple systems include heat event blackouts, flood-related transport disruption, heat-related illnesses, telecom outages, social isolation, rising household energy costs and tree canopy loss. For instance, heat-driven power outages in dense neighbourhoods could cut off access to cooling when residents need it the most, while telecom failures hamper communications tools and platforms that direct vulnerable groups such as seniors to safe locations. Extreme winter weather can cause power outages that disrupt heating and critical services when mobility is limited and access to safe spaces is difficult. Flood events can also limit mobility and prevent vulnerable individuals from accessing healthcare, social supports and daily necessities.

Strategy (cont.)

With climate change and its wide range of impacts, there are financial, social, environmental and health costs for Toronto. For the City, these costs may arise from supply chain and infrastructure disruptions, environmental cleanup needs, increased emergency response and insurance costs. For residents, costs may include property damage, health risks, displacement, lost income, reduced access to essential services and rising insurance premiums or loss of coverage. Overall, there continues to be pressure on the City's ability to meet current and future service levels, requiring updates to infrastructure design and lifecycle planning. With a limited property tax base, it is an ongoing challenge and commitment for the City to explore alternative funding sources to support the substantial investments required to address accelerated infrastructure wear due to more frequent extreme weather events and a growing population.

Climate-related opportunities

The City continues to accelerate its efforts in exploring climate-related opportunities and remains committed to being a strong partner in climate action. Climate action involves both climate change mitigation (reducing GHG emissions to limit future climate change) and climate change adaptation (preparing for and responding to current and future climate risks).

TransformTO

City Council adopted the TransformTO Net Zero Strategy (The Net Zero Strategy) in December 2021, which aims to reduce community-wide GHG emissions in Toronto to net zero by 2040, helping to limit the severity of climate hazards and lower operational costs by improving energy efficiency. To guide the Net Zero Strategy's implementation, Council also approved an Accountability and Management Framework in the following year. The Framework defines roles for community and stakeholder oversight, fosters clear accountability, and ensures equitable and effective climate action. Three key groups were established under the Framework:

1. Climate Advisory Group (CAG) made up of community members;
2. Joint TransformTO Implementation Committee (JTIC) made up of City staff and labour union organizations; and
3. Net Zero Climate Leadership Table (NZCLT) made up of internal, inter-divisional City senior management staff.

These three groups continue to oversee the implementation of TransformTO climate action strategy, driving progress towards a zero-carbon, healthy and resilient Toronto. In December 2025, the City adopted a second Net Zero Strategy Action Plan (2026-2030) which identifies the actions the City will take to reduce emissions community-wide. This plan will not meet the 2030 target of 65 per cent reduction from 1990 levels, nor will the emissions budget allotted for community-wide emissions be achieved from 2026 to 2030. However, this plan moves climate action forward by supporting residents with their everyday essential life activities while reducing further risks from an increasingly unpredictable climate. The plan advances five updated critical steps to achieve net zero:

- Accelerate a rapid and significant reduction in fossil (natural) gas use in buildings.
- Increase local renewable energy to contribute to a resilient, carbon-free grid.
- Increase access to low carbon transportation options, including walking, biking, public transit and EVs.
- Address emissions from waste and wastewater.
- Demonstrate carbon accountability locally and globally by establishing a carbon budget.

Council endorsed a Carbon Accountability governance system which includes a new Carbon Budget process. Started in 2023, this process provides a more integrated view of how City's financial and operational decisions, policies and projects contribute to GHG reductions. The Carbon Budget process has evolved since the adoption of TransformTO and is being implemented annually since 2024. Each year, the City has strengthened its integration of climate considerations into the budget, drawing on better data, deeper insights, and valuable feedback from Councillors, CAG, stakeholders, and the public, resulting in progressively stronger climate actions. As an example, the 2026 Carbon Budget introduced the use of the City's Local Emissions for Net Zero (LENZ) Modelling Suite to estimate the GHG reduction impact of several budgeted actions. LENZ is a decision-support tool developed by the City that simulates city-wide energy and emissions systems to identify least-cost pathways by 2040.

Green bonds

In 2025, the City issued $200 million in green bonds, bearing interest at 4.0 per cent. The proceeds from this issuance were used to fund approved green capital projects that meet the City's environmental objectives. Some of the major projects include the replacement of diesel buses and improving Toronto's cycling infrastructure. This is the eighth time that the City has issued a green bond (totalling $1.58 billion) since the initial green bond offering in 2018 to continue to support green initiatives.

Strategy (cont.)

Other initiatives

To promote climate-resilient natural and built environments and to support resilience in communities, the City has the following are examples of key and on-going initiatives:

Toronto Green Standard	Sets sustainable design and performance requirements for new private and city-owned developments. Effective June 2, 2026, Bill 98 introduced changes to the Planning Act and the City of Toronto Act, impacting green building and development standards. Subsection 16(14) of the Planning Act was repealed, removing the requirement for official plans to include goals, objectives and actions to mitigate GHG emissions and to provide for adaptation to a changing climate. The City will continue to advance climate leadership on its own City-led projects while assessing the impact of the legislative changes.
Wet Weather Flow Master Plan, Ravine, Pollinator Protection and Parkland strategies	Guide future management, use, enhancement and protection of water quality, ravines, biodiversity communities and parkland.
Basement Flooding Protection Program (BFPP)	Reduces basement flooding risks by making improvements to the sewer system and overland drainage routes.
Heat relief strategy	A protocol for hot weather response that aims to reduce the incidence of heat-related illness and death due to extreme heat.
Wildfire smoke strategy	Includes processes for updates before each new season, accounting for changes in science, strategies for response and the City's preparedness activities.
The City's Emergency Plan	Specifically considers extreme weather events including flooding, winter weather and extreme heat.

Risk management

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

Toronto currently has a decentralized/localized physical risk management framework, and climate-related risks management is identified and assessed on a case-by-case basis. Council adopted the Climate Change Resilience Workplan in December 2025 to further develop and support climate resilience over the next three years. The workplan includes creating an Oversight Table to connect long-term climate resilience planning and seasonal preparedness and emergency response for extreme weather events. The Oversight Table will generate a Climate Change Adaptation Action Plan that will enable the City to address the risks identified in the new climate change risk and vulnerability assessment (please refer to **Strategy** section above for more details). The assessment identified more than 80 existing actions that contribute to resilience. To maximize their effectiveness, the City must scale up these efforts by building on current progress and strengthening coordination and collaboration to ensure actions achieve their full potential. The City will also seek to embed climate risk considerations into tools and processes that are currently in use or development, such as asset management and budget planning.

Risk management (cont.)

In February 2025, the City in partnership with other Canadian municipalities, responded to IPSASB's exposure drafts for its first sustainability reporting standard (SRS ED1) and guidance on reporting tangible natural resources (ED92, led by Intact Centre on Climate Adaptation). In December 2025, IPSASB approved its inaugural IPSASB SRS Standard, and IPSASB SRS 1, Climate-related Disclosures was released in January 2026.

Effective June 2024, legislative amendments to the Competition Act were introduced through Bill C-59. The amendments target misleading environmental benefits of claims (greenwashing) by requiring organizations, if challenged by the Commissioner and private parties, to provide adequate and proper testing or substantiation for these claims. Misleading environmental benefits claims include any statements or guarantees suggesting that a product, business, or business activity helps protect or restore the environment, or address climate change. In June 2025, the final guidelines were released and on March 26, 2026, Bill C-15 introduced changes to the Competition Act, removing the requirement for environmental claims to be supported by an internationally recognized methodology and removing the private parties' right to bring complaints. The City acknowledges the evolving regulatory and reporting landscape and will mitigate associated risks by promoting awareness of these changes within the organization and exploring best practices in collaboration with its municipal partners.

Metrics and targets

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

The City undertakes a wide range of climate-related work, including the TransformTO Net Zero Strategy, the Climate Change Resilience Workplan, and the Circular Toronto: 10-year Circular Economy Roadmap. A key metric to track progress toward the City's climate goals and assess climate-related risks is community-wide greenhouse gas (GHG) emissions. These emissions inventories inform policy development, program design, target setting, and progress monitoring across the City's climate-related work (please refer to the City's latest TransformTO progress report for more details). In addition, the City annually reports its climate actions, targets, and performance through Carbon Disclosure Project (CDP). Toronto has consistently been recognized in CDP's Leadership tier, which is reserved for jurisdictions demonstrating strong climate governance, transparency, and ambitious action to address climate change.

With respect to physical climate risks, key metrics and targets are under consideration. Based on the 2026 Carbon Budget Briefing Note, the staff prepared capital budget contains projects that have been identified by program areas as having one or more components that contribute to increasing climate resilience in Toronto with a planned capital investment of $18.6 billion over the next 10-year planning horizon. With the Climate Change Resilience Workplan (please refer to **Strategy** section above for more details) in place and as the City's climate-related initiatives progress, it will incorporate relevant metrics and targets in future publications of this report.

Looking ahead in 2026

The climate is changing, and its impact will be increasingly observed in Toronto, throughout Canada, and worldwide. Despite ongoing challenges, the City remains dedicated to supporting global efforts to reduce GHG emissions and mitigate the risk of climate change. With the release of IPSASB's first climate-related disclosures for governments and public sector entities, the City will be exploring opportunities to align all frameworks and emerging standards. The City continues to participate in the Municipal Net-Zero Action Research Partnership (N-ZAP) to help shape the development of evolving public-sector sustainability reporting standards, develop practical methodologies for "municipal climate costing disclosure" and enhance transparency in reporting.

Taking meaningful climate action requires a collective effort – not only from the City, but also from all orders of government, residents, and businesses across all sectors. Meeting future GHG reduction targets will require the rapid scaling of existing programs, along with significant levels of investment and coordination across all levels of governments. Therefore, continued adaptation, innovation, and cross-sector collaboration will be critical to effectively address the climate crisis and build a more resilient and sustainable future for all.

The City's consolidated financial statements

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 in accordance with Canadian Public Sector Accounting Standards 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 recommends the approval of the consolidated financial statements before they are submitted to Council.

The 2025 consolidated financial statements have been audited by the City'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's consolidated financial statements.

Toronto, Canada
July 29, 2026

Jason Li, CPA, CA
Controller and Chief Accountant

Stephen Conforti
Chief Financial Officer and Treasurer

Jag Sharma
Acting City Manager

KPMG LLP
Bay Adelaide Centre
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INDEPENDENT AUDITOR'S 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, 2025
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of remeasurement gains and losses 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, 2025, and its consolidated results of operations, its consolidated remeasurement gains and losses, its consolidated change 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 ***"Auditor's Responsibilities for the Audit of the Financial Statements"*** section of our auditor's 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.

KPMG

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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.

Auditor's 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 auditor's 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

KPMG

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- 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 auditor's 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 auditor's 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada

July 29, 2026

(in millions of dollars, unless otherwise stated)

Consolidated statement of financial position

As at December 31, 2025 with comparatives to 2024

		2025		2024
Financial assets				
Cash and cash equivalents	$	2,907	$	3,321
Accounts and taxes receivable (Note 2)		4,107		3,739
Loans receivable (Note 3)		115		182
Other assets (Note 4)		50		55
Investments (Note 5)		7,834		8,391
Investments in Government Business Enterprises (Note 6)		2,706		2,537
Total financial assets		**17,719**		**18,225**
Liabilities				
Bank indebtedness (Note 7)		136		66
Accounts payable and accrued liabilities (Note 8)		4,738		4,201
Deferred revenue (Note 9)		7,746		7,891
Provisions for property and liability claims (Note 10)		507		495
Environmental and contaminated site liabilities (Note 11)		307		272
Mortgages payable (Note 12)		558		490
Long-term debt (Note 13)		9,267		8,880
Employee benefit liabilities (Note 14)		4,993		4,930
Asset retirement obligations (Note 15)		1,023		1,005
Total liabilities		**29,275**		**28,230**
Net debt		**(11,556)**		**(10,005)**
Non-financial assets				
Prepaid expenses		176		186
Inventories (Note 16)		357		285
Tangible capital assets (Note 17, Schedule 1)		48,743		45,417
Total non-financial assets		**49,276**		**45,888**
Accumulated operating surplus (Note 18)		**36,437**		**34,746**
Accumulated remeasurement gains		**1,283**		**1,137**
Total accumulated surplus	$	**37,720**	$	**35,883**

Contingent assets and liabilities (Note 19)

Contractual rights and obligations (Note 20)

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

For the year ended December 31, 2025 with comparatives to 2024

	2025 Budget (Note 21)	2025 Actual	2024 Actual
Revenues			
Property taxes and taxation from other governments (Note 22)	$ 6,240	$ 6,241	$ 5,808
Government transfers (Note 23)	5,777	5,343	4,669
User charges	3,692	3,730	3,610
Municipal land transfer tax	986	788	828
Development charges	784	783	789
Rent and concessions	542	613	584
Investment income	260	506	801
Government business enterprises earnings (Note 6)	-	237	176
Other revenue sources (Note 24)	1,010	1,478	937
Total revenues	**19,291**	**19,719**	**18,202**
Expenses			
Transportation	4,724	4,894	4,460
Social and family services	4,672	4,016	3,678
Protection to persons and property	2,464	2,467	2,452
General government	1,303	1,523	1,218
Social housing	1,423	1,461	1,167
Recreation and cultural services	976	1,425	1,239
Environmental services	1,712	1,382	1,176
Health services	678	626	577
Planning and development	227	234	219
Total expenses (Note 25)	**18,179**	**18,028**	**16,186**
Annual surplus	**1,112**	**1,691**	**2,016**
Accumulated operating surplus – beginning of year	34,746	34,746	32,730
Accumulated operating surplus – end of year	**$ 35,858**	**$ 36,437**	**$ 34,746**

Segmented information is presented in Appendices 2 and 3.

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

(in millions of dollars, unless otherwise stated)

Consolidated statement of remeasurement gains and losses

For the year ended December 31, 2025 with comparatives to 2024

		2025		2024
Accumulated remeasurement gains – beginning of year	$	**1,137**	$	**972**
Unrealized gains (losses) attributable to:				
Equity investments		134		203
Debt designated to fair value		121		20
Other investments designated to fair value		(55)		80
Realized (gains) losses reclassified to consolidated statement of operations:				
Equity investments		(37)		(80)
Other investments designated to fair value		(17)		(58)
Net remeasurement gains (losses) during the year		**146**		**165**
Accumulated remeasurement gains – end of year	**$**	**1,283**	**$**	**1,137**

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

(in millions of dollars, unless otherwise stated)

Consolidated statement of change in net debt

For the year ended December 31, 2025 with comparatives to 2024

	2025 Budget (Note 21)	2025 Actual	2024 Actual
Annual surplus	**$ 1,112**	**$ 1,691**	**$ 2,016**
Acquisition of tangible capital assets	(8,274)	(8,274)	(5,747)
Amortization of tangible capital assets	2,113	2,113	1,793
Loss on disposal of tangible capital assets	-	2,785	1,329
Donated tangible capital assets	-	(16)	(22)
Proceeds on disposal of tangible capital assets	-	66	83
Change due to tangible capital assets	(6,161)	(3,326)	(2,564)
Change in prepaid expenses	-	10	(32)
Change in inventories	-	(72)	12
Net remeasurement gains	-	146	165
Increase in net debt	**$ (5,049)**	**$ (1,551)**	**$ (403)**
Net debt – beginning of year	(10,005)	(10,005)	(9,602)
Net debt – end of year	**$ (15,054)**	**$ (11,556)**	**$ (10,005)**

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

(in millions of dollars, unless otherwise stated) Annual Financial Report 2025 • City of Toronto

Consolidated statement of cash flows

For the year ended December 31, 2025 with comparatives to 2024

	2025	2024
Cash flows provided by (used in):		
Operating activities		
Annual surplus	$ 1,691	$ 2,016
Add (deduct) items not involving cash:		
Government business enterprise earnings from operations	(237)	(176)
Amortization of tangible capital assets	2,113	1,793
Loss on disposal of tangible capital assets	2,785	1,329
Donated tangible capital assets	(16)	(22)
Accretion expense for asset retirement obligations	6	5
	6,342	4,945
Changes in non-cash assets and liabilities:		
Accounts and taxes receivable	(368)	(541)
Accounts payable and accrued liabilities	537	602
Deferred revenue	(139)	343
Provision for property and liability claims	12	2
Environmental and contaminated sites liabilities	35	(4)
Employee benefit liabilities	63	120
Asset retirement obligations	12	7
Prepaid expenses	10	(32)
Inventories	(72)	12
Cash provided by operating activities	**6,432**	**5,454**
Capital activities		
Acquisition / construction of tangible capital assets	(8,274)	(5,747)
Proceeds on disposal of tangible capital assets	66	83
Cash used in capital activities	**(8,208)**	**(5,664)**
Financing activities		
Net change in bank indebtedness	70	(77)
Principal repayments on mortgages payable	(34)	(31)
Issuance of long-term debt and mortgages payable	1,281	1,134
Principal repayments on long-term debt	(600)	(599)
Interest earned on sinking funds	(77)	(157)
Cash provided by financing activities	**$ 640**	**$ 270**

(in millions of dollars, unless otherwise stated)

Consolidated statement of cash flows (cont.)

For the year ended December 31, 2025 with comparatives to 2024

	2025	2024
Investing activities		
Net change in other assets	$ 5	$ (2)
Net change in loans receivable	67	(14)
Proceeds from the sale and maturity of investments	13,220	15,068
Purchase of investments	(12,638)	(16,284)
Investment in government business enterprises	(25)	(50)
Distributions from government business enterprises	93	117
Cash provided by (used in) investing activities	**722**	**(1,165)**
Net decrease in cash and cash equivalents during the year	**(414)**	**(1,105)**
Cash and cash equivalents – beginning of year	3,321	4,426
Cash and cash equivalents – end of year	**$ 2,907**	**$ 3,321**
Supplementary information:		
Cash paid for interest on long-term debt	$ 481	$ 436
Cash received for interest on investments	$ 550	$ 811

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

Notes to consolidated financial statements

For the year ended December 31, 2025

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

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 Toronto Public Health, and controlled organizations considered to be financially significant to the City's financial results. In addition, the City proportionately consolidates two entities held in partnership. The Toronto Waterfront Revitalization Corporation is a 33.3% 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 Enterprises (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

Agencies and corporations

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

All intercompany assets and liabilities and sources of financing and expenses have been eliminated in these Statements.

d. Trust funds

Trust funds administered by the City are not included in these Statements.

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, vacant home tax assessments, property, liability and accident claims provisions, asset retirement obligations, and environmental and contaminated sites provisions, are based on management's best information and judgment. The fair value of financial instruments is determined by valuation techniques discussed in the fair value hierarchy in section f of this note. Actual amounts, accounted for as they become known, may differ significantly from these estimates.

f. Financial instruments and fair value hierarchy

The following is a list of the City's financial instruments and their related measurement basis:

Financial assets	Measurement basis
Cash and cash equivalents	Cost / amortized cost
Trade and other receivables	Cost / amortized cost
Loans receivable	Cost / amortized cost
Investments	Fair value

Financial liabilities	Measurement Basis
Bank indebtedness	Fair value
Accounts payable and accrued liabilities	Cost / amortized cost
Mortgages payable	Fair value
Long-term debt	Fair value

Transaction costs directly attributable to the acquisition or issue of a financial instrument asset or a financial instrument liability that is in the fair value category are expensed as incurred.

All financial instruments must be classified in accordance with the significance of the inputs used in making fair value measurements. The fair value hierarchy prioritizes the valuation techniques used to determine the fair value of a financial instrument based on whether the inputs to those techniques are observable or unobservable:

i. Level 1 – Derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

ii. Level 2 – Derived from quoted prices for similar assets and liabilities, quoted prices in markets that are not active, or models using inputs that are observable.

iii. Level 3 – Derived using discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable.

Realized gains and losses arising from the disposition of financial instruments measured at fair value are recognized in the Consolidated Statement of Operations. Unrealized gains and losses arising from a change in fair value of such financial instruments are recognized in the Consolidated Statement of Remeasurement Gains and Losses.

g. 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, 2025, all material assets have been disclosed and reported within the City's Statements.

h. Financial assets

Financial assets are resources that can be used to discharge existing liabilities or finance future operations.

i. 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.

j. Loans receivable

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 receivable 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 significant concessionary terms such that all or part of the loan is considered to be a grant, the City will expense the grant portion in the Consolidated Statement of Operations and Accumulated Surplus at the time the loan is made and the loan discount is amortized to revenue over the term of the loan.

k. Investments

Investments consist mainly of government and corporate bonds, money market securities, and guaranteed investment certificates, as well as equity pooled funds. Investments are accounted for at fair value. 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 specified deferred revenues (also referred to as 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 as revenues when declared.

l. Liabilities

Liabilities are recorded to the extent that they represent present obligations of the City to outside parties as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in the sacrifice of economic benefits in the future.

m. Deferred revenue

Deferred revenues, which include externally restricted inflows from other levels of government or other third parties, advance payments for tickets, building permits and program registration fees, and contributions from developers according to the Provincial Planning and Development Charge Acts, represent revenues which have been collected, but for which the City has yet to provide the required services or to satisfy the related performance obligations. These amounts are recorded as deferred revenue and are recognized as revenues in the period(s) that the related services are rendered or the performance obligations are satisfied.

n. 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 based on historical experience on loss development. 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 City and TTC's insurance programs are administered through a combination of self-insurance and coverage with insurance carriers. When claims are reported, case reserves are established on an individual basis, and adjusted as the claim develops. An actuarial assessment is carried out to obtain a provision, on a present value basis, for claims incurred, and claims incurred-but-not-reported. The City maintains a corporate insurance reserve fund of $21 (2024 – $45) that is used to finance payments for insurance claim costs.

o. Environmental and contaminated site liabilities

Liabilities related to the remediation of an unexpected contamination of 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.

p. 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 who were part of legacy plans offered by the former municipalities. 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 recognized 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 benefit 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.

q. Asset retirement obligations

The City assesses for the existence of an asset retirement obligation at the time a tangible capital asset is acquired, constructed, or developed.

An asset retirement obligation is recognized in the period when all of the following conditions are met:

- There is a legal obligation to incur asset retirement costs in relation to a tangible capital asset;
- The past transaction or event giving rise to the liability has occurred;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

Such obligations typically arise from existing legislation, agreements or contracts, or through other legally enforceable obligations. The estimate of the liability includes costs directly attributable to carrying-out the retirement activities required to settle the legal obligation, including post-retirement operation, maintenance, and monitoring costs. Significant assumptions used in the estimates of these liabilities are revisited periodically to ensure their ongoing relevance.

The liability is measured based on the undiscounted expected costs associated with each retirement obligation, except for retirement obligations associated with the City's active and non-active landfills, which are discounted using a present value calculation and adjusted annually for accretion expense.

r. 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. 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.

ii. 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, as well as the estimated cost to settle liabilities for asset retirement obligations. 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 TCA. Qualifying costs are recognized as part of the City's assets under construction balance until the underlying assets are ready for their intended use and/or are in service.

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 sites. 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.

(in millions of dollars, unless otherwise stated)

ii. Tangible capital assets (cont.)

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 are recognized over the lease term 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 re-classifies the associated costs to TCAs. Ongoing support and maintenance costs are expensed.

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

Tangible capital 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	3 - 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.

ii. Tangible capital assets (cont.)

The City also has and manages 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. Currently, PSAS does not require the recognition of natural assets as assets in a public sector entity's financial statements. This disclosure, however, has been added for completeness purposes, as well as to demonstrate the City's ongoing commitments in maintaining its natural assets.

s. 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 balances were established in response to a policy, to assist with fiscal management, or demonstrate compliance with Provincial legislation.

t. Revenues

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 invoicing 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 invoiced 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. Vacant residential properties in the City are subject to vacant home tax (VHT) annually. The tax amount is based on the assessment value of the residential property and the authorized VHT rate. VHT revenues and associated receivables may be impacted by cancellations of tax amounts resulting from successful complaints/appeals filed by taxpayers. 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.

t. Revenues (cont.)

Revenues arising from exchange transactions such as transit fees, utility charges (water, wastewater and solid waste), licensing fees, building permit fees, planning applications fees, and fees associated with City programs and facilities rentals are recognized as the City satisfies the performance obligation(s) associated with such transactions. Amounts received before the end of a fiscal year that require recognition in a subsequent fiscal year are recorded as deferred revenue.

Revenues arising from non-exchange transactions, such as fines and penalties, are recognized when the City has the authority to claim or retain an inflow of economic resources and when a past transaction or event results in an asset.

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 performance obligation(s) 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 are established as deferred revenues. Once the City incurs growth-related capital expenditures on qualifying capital projects, the City recognizes revenues.

u. 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 are 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 on the Consolidated Statement of Financial Position.

v. 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.

Further details regarding the City's contractual rights and obligations, including nature, extent and timing of these types of transactions, can be found in Note 20.

w. 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 City's control.

For the year ended on December 31, 2025, all disclosures regarding the City's contingent assets and liabilities, including the nature, extent, and basis of estimates (if available), can be found in Note 19.

x. 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 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.

y. 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 Chief Accountant, and Division Heads), as well as their close family members.

As of December 31, 2025, 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.

z. Future accounting pronouncements

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

Standards applicable for fiscal years beginning on or after April 1, 2026 (effective for the City's fiscal year beginning on January 1, 2027):

The Conceptual Framework for Financial Reporting in the Public Sector – The new Conceptual Framework prescribes the nature, function and limits of financial accounting and reporting. It is the foundation on which PSAS are developed and professional judgment is applied. It will replace the conceptual aspects of PS 1000 Financial Statement Concepts and PS 1100 Financial Statement Objectives.

z. Future accounting pronouncements (cont.)

PS 1202 Financial Statement Presentation – The new standard provides updated guidance on the general and specific requirements for the presentation of information in general purpose financial statements. PS 1202 will replace current Section PS 1201 Financial Statement Presentation.

Standard applicable for fiscal years beginning on or after April 1, 2029 (effective for the City's fiscal year beginning on January 1, 2030):

PS 3251 Employee Benefits – The new standard provides updated guidance on the recognition, measurement, presentation, and disclosure of all employee benefit obligations and will replace Sections PS 3250 Retirement Benefits and PS 3255 Post-employment Benefits, Compensated Absences and Termination Benefits. Key changes include the immediate recognition of actuarial gains and losses and enhanced guidance on setting discount rates.

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(in millions of dollars, unless otherwise stated)

2. Accounts and taxes receivable

		2025		2024
Federal and provincial government receivables	$	1,941	$	1,808
Development charges receivable		537		350
Property taxes receivables		527		458
Trade and other receivables		1,102		1,123
Total accounts and taxes receivable	**$**	**4,107**	**$**	**3,739**

Included in Federal and Provincial Government receivables are:

- Interim Housing Assistance Program – $262 (2024 – $214): $110 has been received since December 31, 2025;
- Ontario-Toronto New Deal – Shelters – $200 (2024 – $200): $167 has been received since December 31, 2025;
- Provincial Gas Tax (PGT) – $134 (2024 – $134): nil has been received since December 31, 2025;
- Housing Accelerator Fund – $113 (2024 – $236): nil has been received since December 31, 2025; and
- Provincial Transit Infrastructure Fund (PTIF) claims – $80 (2024 – $80): the entire balance has been received since December 31, 2025.

Other Receivables consist of individual balances that are immaterial for disclosure purposes.

3. Loans receivable

		2025		2024
Loans receivable from community housing organizations bearing interest rates between 0.0% and the bank's prime rate plus 2.0% (2024 – 0.0% and the bank's prime rate plus 2.0%) per annum, with maturity dates from 2026 to 2074 (2024 – 2025 to 2074)	$	43	$	43
Energy loans receivable from organizations to enable the implementation of green initiative projects across the City bearing interest rates between 0.0% and 4.5% (2024 – 0.0% to 4.5%) per annum, with maturity dates from 2026 to 2054 (2024 – 2025 to 2054)		37		38
TCHC promissory notes, loan agreements and receivables, bearing interest rates between 3.0% and 6.0% (2024 – 3.0% to 6.0%) per annum with maturity dates from 2027 to 2057 (2024 – 2025 to 2057)		23		88
Other		12		13
Total loans receivable	**$**	**115**	**$**	**182**

4. Other assets

		2025		2024
Restricted cash	$	32	$	35
Other		18		20
Total other assets	**$**	**50**	**$**	**55**

Other consists of individual balances that are immaterial for disclosure purposes.

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5. Investments

	2025	2024
Government bonds	$ 2,296	$ 2,135
Corporate bonds	2,157	1,984
Equities	1,744	1,572
Money market instruments	925	2,040
Pooled real estate funds	354	353
Mortgages	271	187
Foreign corporate bonds	85	118
Other	2	2
Total investments	**$ 7,834**	**$ 8,391**

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.

Government bonds include 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 $54 (2024 – $58).

Included in the City's government bonds portfolio are City of Toronto debentures at coupon rates varying from 2.6% to 3.5% (2024 – 2.6% to 4.6%) with a carrying value of $8 (2024 – $53).

Included in Equities are investments held by TAF with a carrying value of $92 (2024 – $90). TAF funds its work through proceeds from the investment of endowments received from the City, the provincial government and the federal government. Under the TAF Act, the City's Chief Financial Officer and Treasurer is the custodian and has oversight of the TAF funds. These endowments are managed by TAF in accordance with the Statement of Investment Objectives and Principles, approved by the TAF Board of Directors and adopted by City Council and the investments relate to marketable securities and private equity investments.

6. Investments in government business enterprises (GBEs)

Government business enterprises consist of 100% interest in Toronto Hydro Corporation and Toronto Parking Authority. In 2025, City Council continues to advance its previously approved investment plan to support critical capital infrastructure upgrades at Toronto Hydro. Following a $50 million special equity investment in 2024, the plan provides for ongoing annual investments of $25 million from 2025 through 2034, for a total commitment of $300 million. This funding supports Toronto Hydro in addressing urgent and essential capital needs to maintain safe, reliable, and resilient electricity services.

	2025	2024
Toronto Hydro Corporation	$ 2,357	$ 2,189
Toronto Parking Authority	349	348
Total investments in GBEs	**$ 2,706**	**$ 2,537**

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

	2025	2024
Balance – beginning of year	$ 2,537	$ 2,428
Additional investment in Toronto Hydro Corporation	25	50
Income from operations (Appendix 1)	236	175
Distribution to City (Appendix 1)	(93)	(117)
Other (Appendix 1)	1	1
Balance – end of year (Appendix 1)	**$ 2,706**	**$ 2,537**

(in millions of dollars, unless otherwise stated)

6. Investments in GBEs (cont.)

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

	2025	2024
Income from operations (Appendix 1)	$ 236	$ 175
Other (Appendix 1)	1	1
GBE earnings	**$ 237**	**$ 176**

Condensed audited financial results for each government business enterprise are disclosed in Appendix 1, Consolidated schedule of government business enterprises.

Related party transactions between the City and its GBEs are as follows:

	2025	2024
Street-lighting, electricity, and maintenance services purchased by the City from Toronto Hydro Corporation	$ 335	$ 286
Property taxes paid to the City from Toronto Parking Authority	21	22
Property taxes paid to the City from Toronto Hydro Corporation	4	4
Rent expense paid to the City from Toronto Parking Authority	3	3
Total related party transactions	**$ 363**	**$ 315**

Principal repayments of unsecured long-term debt of the City's GBEs are as follows:

	Due to others
2026	$ 200
2027	-
2028	-
2029	200
2030	200
Thereafter	2,995
Total	**$ 3,595**

Repayments relate to Toronto Hydro Corporation's long-term debt series with interest rates ranging from 1.5% to 5.5% (2024 – 1.5% to 5.5%) per annum and maturity dates ranging between 2026 to 2063 (2024 – 2026 to 2063), and Toronto Parking Authority's debt payable relating to the purchase of equipment upgrades, bearing an effective interest rate of 2.3% (2024 – 2.3%) per annum and matured and discharged (2024 – $0.4) on June 30, 2025.

7. Bank indebtedness

The City has an unsecured demand revolving credit facility in the amount of $100 (2024 – $100) bearing interest at the bank prime rate with an effective rate during 2025 of 1.6% (2024 – 1.6%) per annum.

TCHC has a committed revolving credit facility of $200 (2024 – $200) that is available for short-term advances and letters of credit, with standby charges of 0.2%. 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 $125 (2024 – $18) have been made in 2025. TCHC is in compliance with all bank covenants.

	2025	2024
TCHC	$ 125	$ 18
City, net of outstanding cheques	7	48
Other	4	-
Total bank indebtedness	**$ 136**	**$ 66**

(in millions of dollars, unless otherwise stated)

8. Accounts payable and accrued liabilities

		2025		2024
Trade payables and accruals	$	4,044	$	3,532
Tax appeal assessments on property taxes		382		363
Salary and wages payable		312		306
Total accounts payable and accrued liabilities	**$**	**4,738**	**$**	**4,201**

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(in millions of dollars, unless otherwise stated)

9. Deferred revenue

Deferred revenue includes balances received in the current and prior years that must be spent on growth related infrastructure, or specific goods and services, which will be delivered in future fiscal years. Deferred revenue also includes unrealized gains and losses on restricted sinking fund investments. These amounts are not available for other purposes to ensure compliance with agreements, performance obligations or legislation.

	2025				2024			
	Opening balance	Additions	Recognized to income	Ending balance	Opening balance	Additions	Recognized to income	Ending balance
Advance payments received according to Provincial legislation or agreements	$ 5,164	$ 6,507	$ (6,890)	$ 4,781	$ 5,415	$ 7,826	$ (8,077)	$ 5,164
Advance payments received according to third party agreements	1,689	1,114	(797)	2,006	1,470	1,070	(851)	1,689
Advance payments received according to Federal legislation or agreements	563	330	(541)	352	290	839	(566)	563
Advance payments received for goods and services	323	508	(502)	329	300	679	(656)	323
Unrealized gains/ losses on sinking fund investments	47	-	6	53	42	81	(76)	47
Other advance payments	105	632	(512)	225	35	351	(281)	105
Total deferred revenue	**$ 7,891**	**$ 9,091**	**$ (9,236)**	**$ 7,746**	**$ 7,552**	**$ 10,846**	**$ (10,507)**	**$ 7,891**

The following balances are included in the above deferred revenue amounts. The other balance includes various initiatives, including: Housing Accelerator of $175 (2024 – $343), National Child Benefit Supplement of $31 (2024 – $31), Federal Social Housing of $10 (2024 – $15) and other smaller initiatives, which are individually immaterial for disclosure purposes.

(in millions of dollars, unless otherwise stated)

9. Deferred revenue (cont.)

The following table provides a summary of significant components included in the City's deferred revenue balance:

	2025				2024			
	Opening balance	Additions	Recognized to income	Ending balance	Opening balance	Additions	Recognized to income	Ending balance
Development charges	$ 2,843	$ 543	$ (929)	$ 2,457	$ 3,108	$ 944	$ (1,209)	$ 2,843
Water / wastewater capital payments	1,606	1,112	(788)	1,930	1,375	1,069	(838)	1,606
Parkland acquisitions / development	965	413	(407)	971	997	219	(251)	965
Section 37 / 45 of the Planning Act	698	100	(92)	706	615	120	(37)	698
Building Code Act service improvement	233	18	(17)	234	-	594	(358)	236
Toronto-Ontario New Deal	236	232	(304)	164	230	21	(18)	233
Advance payments for building permits	151	116	(126)	141	235	6	(62)	179
Government transfers	137	4,478	(4,496)	119	146	122	(117)	151
Rapid Housing Initiative	179	-	(61)	118	411	5,709	(5,983)	137
Unrealized gains/ losses on sinking fund investments	47	-	6	53	42	81	(76)	47
Canada Community-Building Fund	3	184	(187)	-	16	478	(491)	3
Other advance payments received	793	1,895	(1,835)	853	377	1,483	(1,067)	793
Total deferred revenue	**$ 7,891**	**$ 9,091**	**$ (9,236)**	**$ 7,746**	**$ 7,552**	**$ 10,846**	**$ (10,507)**	**$ 7,891**

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10. Provision for property and liability claims

	2025	2024
Property and liability claims provision	$ 363	$ 359
TTC unsettled accident claims	144	136
Total provision for property and liability claims	**$ 507**	**$ 495**

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 $21 (2024 – $45) 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

	2025	2024
Contaminated site liabilities	$ 289	$ 254
TTC environmental liabilities	18	18
Total environmental and contaminated site liabilities	**$ 307**	**$ 272**

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.

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 $226 (2024 – $205), which is an undiscounted balance, at December 31, 2025. 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.

12. Mortgages payable

	2025	2024
TCHC secured mortgages, collateralized by TCHC housing properties, with interest rates between 0.7% and 11% (2024 – 0.7% and 11%) per annum and maturity dates ranging from 2026 to 2055 (2024 – 2025 to 2054)	$ 558	$ 490
Total mortgages payable	**$ 558**	**$ 490**

Mortgages payable have been presented in accordance with the City's accounting policy (Note 1).

Principal repayments on mortgages are due as follows:

	2025
2026	$ 35
2027	36
2028	34
2029	29
2030	26
Thereafter	435
Total	**$ 595**

Principal repayments made in 2025 were $34 (2024 – $31) on the TCHC mortgages.

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13. Long-term debt

	2025	2024
Unsecured debentures issued by the City, bearing interest at various rates ranging from 0.0% to 5.3% (2024 – 0.0% to 5.3%), maturing from 2026 to 2055 (In 2024 – 2025 to 2054)	$ 8,746	$ 8,379
Unsecured green bonds issued by the City, bearing interest at various rates ranging from 2.2% to 4.4% (2024 – 2.2% to 4.4%), maturing from 2031 to 2048 (In 2024 – 2031 to 2048)	1,442	1,251
Unsecured social bonds issued by the City, bearing interest at 1.6% to 4.6% (2024 – 1.6% to 4.6%), maturing from 2030 to 2054 (2024 – 2030 to 2054)	1,020	841
Less: sinking fund deposits bearing interest at rates between 2.0% to 4.0% (2024 – 2.0% to 4.0%)	(3,205)	(2,872)
Unsecured debentures, net of sinking fund deposits	**8,003**	**7,599**
TCHC loans from Infrastructure Ontario secured by various floating and fixed income investments at floating and fixed rates between 2.8% and 4.9% (2024 – 2.8% and 4.5%), subject to financial covenants, maturing between 2043 to 2055 (2024 – 2043 to 2051). TCHC is compliant with all financial covenants as at December 31, 2025	774	771
TCHC debentures, unsecured, consisting of Series A bonds of $250 at 4.9% (2024 – $250 at 4.9%), maturing in 2037 (2024 – 2037) and Series B bonds of $200 at 5.4% (2024 – $200 at 5.4%), maturing in 2040 (2024 – 2040)	465	481
TCHC non-revolving, 10-year loan to assist with the financing of the construction for Phase 1 of its Building Renewal Program, which was completed in 2009. The loan was provided at a fixed interest rate of 3.4% with repayment beginning March 15, 2018	6	9
Lakeshore Arena Corporation credit facilities from Infrastructure Ontario, secured by a property mortgage, a general security agreement and assignments of rents and leases, bearing interest at 3.5%, with a maturity date of October 31, 2042	19	20
Consolidated entities debentures	**1,264**	**1,281**
Total net long-term debt	**$ 9,267**	**$ 8,880**

The City's ability to issue long-term debt is governed by Provincial legislation. Long-term debt can only be issued to finance capital expenditures. In addition, long-term debt has been presented with the City's accounting policy (Note 1). As at December 31, 2025, long-term debt has been measured and recognized at fair value.

The gross interest paid in 2025 was $462 (2024 – $422), and the principal repayments total $600 (2024 – $550). Principal and interest payments are repayable annually, as follows:

	Principal	Interest	Total
2026	$ 671	$ 483	$ 1,154
2027	647	469	1,116
2028	581	459	1,040
2029	589	458	1,047
2030	539	440	979
Thereafter	7,202	5,609	12,811
Total	**$ 10,229**	**$ 7,918**	**$ 18,147**

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14. Employee benefit liabilities

a. Description of benefits

The City 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 (LTD) 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, 2024. The next actuarial valuation for post-retirement and post-employment benefits is scheduled to be performed on December 31, 2027.

	2025	2024
Sick leave benefits	$ 406	$ 411
Worker Safety Insurance Board (WSIB) obligations	1,271	1,186
Other employment and post-employment benefits	2,234	2,236
Total employee accrued benefit obligation	**3,911**	**3,833**
Unamortized actuarial gain	1,082	1,097
Total employee benefit liabilities	**$ 4,993**	**$ 4,930**

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:

	2025			
	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))	$ 3,911	$ 3,626	$ 100	$ 7,637
Fair value of plan assets (Note 14(d))	-	4,831	159	4,990
Funding deficit (surplus)	**3,911**	**(1,205)**	**(59)**	**2,647**
Unamortized actuarial gain	1,082	-	-	1,082
Valuation allowance	-	1,205	59	1,264
Employee benefit liability (Note 14(e))	**$ 4,993**	**$ -**	**$ -**	**$ 4,993**

	2024			
	Post-retirement and post-employment	**TTC pension plan**	**City pension plans**	**Total**
Accrued benefit obligation	$ 3,833	$ 3,428	$ 115	$ 7,376
Fair value of plan assets	-	4,596	161	4,757
Funding deficit (surplus)	**3,833**	**(1,168)**	**(46)**	**2,619**
Unamortized actuarial gain	1,097	29	-	1,126
Valuation allowance	-	1,139	46	1,185
Employee benefit liability	**$ 4,930**	**$ -**	**$ -**	**$ 4,930**

(in millions of dollars, unless otherwise stated)

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

	2025			
	Post-retirement and post-employment	**TTC pension plan** (Note 14, h(ii))	**City pension plans** (Note 14, h(iii))	**Total**
Balance – beginning of year	$ 3,834	$ 3,429	$ 115	$ 7,378
Current service cost	337	97	-	434
Interest cost	158	230	5	393
Actuarial (gain) loss	(68)	29	(6)	(45)
Benefits paid	(347)	(239)	(14)	(600)
Plan amendments	(3)	80	-	77
Others	-	-	-	-
Balance – end of year	**$ 3,911**	**$ 3,626**	**$ 100**	**$ 7,637**

	2024			
	Post-retirement and post-employment	**TTC pension plan**	**City pension plans**	**Total**
Balance – beginning of year	$ 4,046	$ 3,157	$ 124	$ 7,327
Current service cost	408	86	-	494
Interest cost	165	220	6	391
Actuarial (gain) loss	(410)	90	1	(319)
Benefits paid	(335)	(232)	(16)	(583)
Plan amendments	10	107	-	117
Others	(51)	-	-	(51)
Balance – end of year	**$ 3,833**	**$ 3,428**	**$ 115**	**$ 7,376**

d. Continuity of the plan assets:

	2025			
	Post-retirement and post-employment	**TTC pension plan** (Note 14, h(ii))	**City pension plans** (Note 14, h(iii))	**Total**
Balance – beginning of year	$ -	$ 4,596	$ 161	$ 4,757
Employer contributions	347	171	-	518
Actual return on assets	-	306	12	318
TTC pension administrative expenses	-	(3)	-	(3)
Benefits paid	(347)	(239)	(14)	(600)
Balance – end of year	**$ -**	**$ 4,831**	**$ 159**	**$ 4,990**

(in millions of dollars, unless otherwise stated)

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

	2024			
	Post-retirement and post-employment	TTC pension plan	City pension plans	Total
Balance – beginning of year	$ -	$ 4,159	$ 159	$ 4,318
Employer contributions	335	156	-	491
Actual return on assets	-	516	18	534
TTC pension administrative expenses	-	(3)	-	(3)
Benefits paid	(335)	(232)	(16)	(583)
Balance – end of year	**$ -**	**$ 4,596**	**$ 161**	**$ 4,757**

The City has established reserve funds to help reduce the future impact of the employee benefit obligation. As at December 31, 2025, the balance in the Employee Benefits Reserve Fund was $572 (2024 – $551), which includes $101 (2024 – $79) for Sick Leave and $12 (2024 – $15) for WSIB.

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

	2025			
	Post-retirement and post-employment	TTC pension plan (Note 14, h(ii))	City pension plans (Note 14, h(iii))	Total
Balance – beginning of year	$ 4,930	$ -	$ -	$ 4,930
Current service cost	337	100	-	437
Interest cost (revenue)	158	(71)	(2)	85
Amortization of actuarial gain	(82)	(3)	(11)	(96)
Employer contributions	(347)	(171)	-	(518)
Plan amendments	(3)	80	-	77
Change in valuation allowance	-	65	13	78
Others	-	-	-	-
Balance – end of year	**$ 4,993**	**$ -**	**$ -**	**$ 4,993**

	2024			
	Post-retirement and post-employment	TTC pension plan	City pension plans	Total
Balance – beginning of year	$ 4,810	$ -	$ -	$ 4,810
Current service cost	408	89	-	497
Interest cost (revenue)	165	(60)	(2)	103
Amortization of actuarial gain	(77)	(118)	(8)	(203)
Employer contributions	(335)	(156)	-	(491)
Plan amendments	10	107	-	117
Change in valuation allowance	-	138	10	148
Others	(51)	-	-	(51)
Balance – end of year	**$ 4,930**	**$ -**	**$ -**	**$ 4,930**

(in millions of dollars, unless otherwise stated)

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

	2025			
	Post-retirement and post-employment	**TTC pension plan** (Note 14, h(ii))	**City pension plans** (Note 14, h(iii))	**Total**
Current service cost	$ 337	$ 100	$ -	$ 437
Interest cost (revenue)	158	(71)	(2)	85
Amortization of actuarial gain	(82)	(3)	(11)	(96)
Plan amendments	(3)	80	-	77
Change in valuation allowance	-	65	13	78
Total expenses	**$ 410**	**$ 171**	**$ -**	**$ 581**

	2024			
	Post-retirement and post-employment	**TTC pension plan**	**City pension plans**	**Total**
Current service cost	$ 408	$ 89	$ -	$ 497
Interest cost (revenue)	165	(60)	(2)	103
Amortization of actuarial gain	(77)	(118)	(8)	(203)
Plan amendments	10	107	-	117
Change in valuation allowance	-	138	10	148
Total expenses	**$ 506**	**$ 156**	**$ -**	**$ 662**

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 2025:

	Discount rate for accrued benefit obligation		**Discount rate for benefit costs**	
	2025	**2024**	**2025**	**2024**
Post-employment	3.4% to 4.0%	3.5% to 3.8%	3.5% to 3.8%	3.5% to 4.0%
Post-retirement	4.4% to 4.6%	4.3% to 4.4%	4.3% to 4.4%	4.2%
Sick leave	3.6% to 4.4%	3.7% to 4.2%	3.7% to 4.2%	3.7% to 4.1%
WSIB	4.1% to 4.2%	3.9% to 4.0%	3.9% to 4.0%	4.0%
Rate of compensation increase	2.5% to 4.8%	2.5% to 5.3%	2.5% to 4.8%	2.5% to 5.3%
Health care inflation – LTD, hospital and other medical	4.9% to 5.8%	5.0% to 5.8%	4.0% to 5.5%	4.0% to 5.6%
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	5.8% to 6.2%	5.8% to 6.4%	6.0% to 10.0%	6.0% to 10.0%

For 2025 benefit costs and year end 2025 benefit obligations, the health care inflation rate for LTD, hospital, other medical, and drugs is assumed to reduce to a range of 4.0% to 5.0% by 2030 based on the latest actuarial valuation.

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 contributions. The plan is a joint pension plan of all Ontario municipalities and their employees. Employer contributions for current service amounted to $302 (2024 – $264) and are expensed in the Consolidated Statement of Operations and Accumulated Surplus. Employees' contributions amounted to $302 (2024 – $264). The City is current with all payments to OMERS. As at December 31, 2025, OMERS has a deficit of $1,322 (2024 – deficit $2,913).

The date of the most recently filed actuarial valuation for funding purposes for the OMERS Primary Pension Plan was December 31, 2024. The next required filing of an actuarial valuation for funding purposes will be performed with a date no later than December 31, 2027.

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%) and therefore, recognized 50% of the pension expense incurred during the year and 50% of the plan's assets and obligations.

Effective January 1, 2019, in lieu of the TTC paying the administrative expenses of the 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, 2025 the base year for the TTC pension plan and the funded supplemental pension plans was updated to December 31, 2024 from December 31, 2023. In addition, the survivor benefit date was updated to January 1, 2025 (from January 1, 2024) and an ad hoc increase of up to 2.69% (December 31, 2024 – 4.77%) 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, 2025. The next required actuarial valuation for funding purposes will be performed as at January 1, 2026. The effective date of the most recent valuation for accounting purposes was December 31, 2025.

(in millions of dollars, unless otherwise stated)

ii. TTC pension plan (cont.)

Actuarial assumptions for the TTC Pension Plan are as follows:

	2025	2024
Discount rate	6.5%	6.6%
Actual rate of return on plan assets	7.2%	12.9%
Expected rate of return on plan assets	6.6%	6.8%
Rate of increase in salaries	2.5% to 4.8%	2.5% to 5.3%
Inflation rate	2.0%	2.0%

iii. City pension plan

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, 2025. The next required accounting valuation for funding purposes will be performed as at December 31, 2026.

As at December 31, 2025, there were 158 (2024 – 184) fire pensioners with an average age of 86.2 years (2024 – 85.7 years) and 248 (2024 – 264) survivors and beneficiaries with an average age of 85.2 years (2024 – 84.9 years), in receipt of a pension. Pension payments during the year were $14 (2024 – $16). 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 plan, which includes assets that will be distributed to members in future fiscal years, as at December 31, 2025 is as follows:

	2025			2024
	Pension assets – market value, end of year	Actuarial pension obligation, end of year	Net actuarial surplus	Net actuarial surplus
Toronto Firefighters Pension Plan	$ 159	$ 100	$ 59	$ 46
Total City pension plan	**$ 159**	**$ 100**	**$ 59**	**$ 46**

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

	2025	2024
Discount rate	4.9%	5.2%
Actual rate of return on plan assets	8.4%	11.0%
Expected rate of return on plan assets	4.9%	5.2%
Inflation rate	2.0%	2.0%

(in millions of dollars, unless otherwise stated)

15. Asset retirement obligations

The City's asset retirement obligations are as follows:

	2025					
	December 31, 2024	Additions	Settlements	Accretion expense	Change in estimates	December 31, 2025
Buildings	$ 816	$ 14	$ (6)	$ -	$ 3	$ 827
Landfills	138	-	(9)	6	11	146
Other	51	1	(2)	-	-	50
Total asset retirement obligations	**$ 1,005**	**$ 15**	**$ (17)**	**$ 6**	**$ 14**	**$ 1,023**

	2024					
	December 31, 2023	Additions	Settlements	Accretion expense	Change in estimates	December 31, 2024
Buildings	$ 808	$ 11	$ (7)	$ -	$ 4	$ 816
Landfills	135	-	(9)	5	7	138
Other	50	2	(1)	-	-	51
Total asset retirement obligations	**$ 993**	**$ 13**	**$ (17)**	**$ 5**	**$ 11**	**$ 1,005**

a. Buildings

The City owns and operates a significant number of buildings and other structures that are known to contain asbestos. Asbestos is a designated substance declared as a human carcinogen for which the removal and disposal are regulated through legislation. Therefore the City has recognized an obligation relating to the removal and post-removal care of the asbestos in these buildings and other structures.

The estimated liability associated with the removal and post-removal care of asbestos in City owned buildings and other structures is based on the undiscounted expected cost of the activities required to settle the legal obligation. Site assessment reports that include the type and quantity of contamination are used with experience and expert advice to determine the cost of retiring asbestos. The estimated cost for retirement activities as at December 31, 2025 was $827 (2024 – $816).

b. Landfills

The City owns a number of landfill sites for which closure and post-closure activities are prescribed through legislation. Therefore a liability for the closure of operational sites and post-closure care has been recognized.

i. 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% 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, adjusted for estimated inflation and discounted using the City's average long-term borrowing rate of 4.64% (2024 – 4.39%). The estimated present value of future expenditures for closure and post-closure as at December 31, 2025 was $26 (2024 – $26).

In order to help reduce the future impact of these obligations, the City has established a reserve fund for the care of these sites. This reserve fund account is included as part of the State of Good Repair Reserve Fund.

	2025	2024
Green Lane Perpetual Care Reserve Fund (GLPC)	**$ 12**	$ 11

(in millions of dollars, unless otherwise stated)

i. Active landfill sites (cont.)

2025 contributions to the GLPC reserve of $1 (2024 – $1) are based on a contribution rate of $2.50 (2024 – $2.46) per tonne of waste disposed. This rate is updated annually.

ii. Inactive landfill sites

The estimated liability for the care of 160 inactive landfill sites is the present value of future cash flows associated with closure and post-closure costs, adjusted for estimated inflation and discounted using the City's average long-term borrowing rate of 4.64% (2024 – 4.39%). The estimated present value of future expenditures for post-closure care as at December 31, 2025 was $120 (2024 – $111).

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.

		2025		**2024**
Solid Waste Management Perpetual Care Reserve Fund	**$**	**16**	$	16

c. Other obligations

Other obligations include $27 (2024 – $27) relating to the dismantling of a decommissioned rail transit structure as required by land easement agreements and $18 (2024 – $19) relating to activities associated with the retirement of fuel storage tanks as required by legislation.

16. Inventories

		2025		**2024**
Inventories	$	357	$	282
Properties held for resale		-		3
Total inventories	**$**	**357**	**$**	**285**

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(in millions of dollars, unless otherwise stated)

17. Tangible capital assets

	2025			2024
	Cost	Accumulated amortization	Net book value	Net book value
General				
Land	$ 4,703	$ -	$ 4,703	$ 4,595
Land improvements	6,785	2,978	3,807	3,219
Buildings and building improvements	13,792	5,026	8,766	8,019
Machinery and equipment	3,863	2,509	1,354	1,202
Motor vehicles	3,805	2,221	1,584	1,322
Total general	**32,948**	**12,734**	**20,214**	**18,357**
Infrastructure				
Land	235	-	235	140
Buildings and building improvements	1,507	381	1,126	857
Machinery and equipment	3,537	1,879	1,658	1,657
Water and wastewater linear	10,861	3,141	7,720	6,718
Roads linear	7,268	3,065	4,203	3,825
Transit	13,375	6,508	6,867	6,592
Total infrastructure	**36,783**	**14,974**	**21,809**	**19,789**
Assets under construction	**6,720**	**-**	**6,720**	**7,271**
Total tangible capital assets	**$ 76,451**	**$ 27,708**	**$ 48,743**	**$ 45,417**

The value of donated assets received during the year was $16 (2024 – $22).

Further details associated with tangible capital assets can be found in Schedule 1, Consolidated schedule of tangible capital assets.

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(in millions of dollars, unless otherwise stated)

18. Accumulated operating surplus

		2025		2024
Historical deficit	$	(1,119)	$	(206)
Reserves and reserve funds (a)		5,468		5,607
Net investment in TCA (b)		37,588		34,770
Liabilities to be funded from future revenues (c)		(5,500)		(5,425)
Total accumulated operating surplus	**$**	**36,437**	**$**	**34,746**

(a) Reserves and reserve funds

		2025		2024
Reserves:				
Corporate		405		646
Stabilization		811		662
Water and wastewater		111		61
Donations		2		2
Total reserves		**1,329**		**1,371**
Reserve funds:				
Employee benefits		692		651
Corporate		3,010		3,115
Community initiatives		160		158
State of Good Repair (Note 15)		277		312
Total reserves funds		**4,139**		**4,236**
Total reserves and reserve funds	**$**	**5,468**	**$**	**5,607**

(b) Net investment in TCA

		2025		2024
Tangible capital assets (Note 17)		48,743		45,417
Mortgages payable (Note 12)		(558)		(490)
Long-term debt (Note 13)		(9,267)		(8,880)
Environmental and contaminated site liabilities (Note 11)		(307)		(272)
Asset retirement obligations (Note 15)		(1,023)		(1,005)
Total net investment in TCA	**$**	**37,588**	**$**	**34,770**

(c) Liabilities to be funded from future revenues

		2025		2024
Employee benefit liabilities (Note 14)		(4,993)		(4,930)
Provision for property and liability claims (Note 10)		(507)		(495)
Total liabilities to be funded from future revenues	**$**	**(5,500)**	**$**	**(5,425)**

19. 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 or disclosed in the Statements, as the City is unable to reasonably estimate their value at this time.

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 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, 2025 all loans and lines of credit are in good standing and no provision has been recorded in the Statements (2024 – $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 2025, the City provided capital loan guarantees to various organizations amounting to $35 (2024 – $28). The City's guarantees are set to expire between 2026 and 2049 (2024 – 2025 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 2025, the City provided line of credit guarantees that have an aggregate value of $6 (2024 – $6).

20. 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.

(in millions of dollars, unless otherwise stated)

i. **City of Toronto:**

Contractual rights	Amounts to be received: 2026	2027	2028	2029	2030	Thereafter	Total
City of Toronto Lease agreements (ranging from 12 to 82 years remaining)	$ 10	$ 10	$ 10	$ 10	$ 10	$ 571	$ 621
Street Furniture Program	39	-	-	-	-	-	39
Hospitality agreements related to FIFA	11	-	-	-	-	-	11
Total contractual rights	**$ 60**	**$ 10**	**$ 10**	**$ 10**	**$ 10**	**$ 571**	**$ 671**

ii. **City agencies, corporations, and government business enterprises:**

Contractual rights	Amounts to be received: 2026	2027	2028	2029	2030	Thereafter	Total
Advertising agreement with Pattison Outdoor Advertising LP	$ 34	$ 35	$ 36	$ 37	$ 38	$ 119	$ 299
Meridian Credit Union naming rights sponsorship agreement	2	2	2	2	2	9	19
Total contractual rights	**$ 36**	**$ 37**	**$ 38**	**$ 39**	**$ 40**	**$ 128**	**$ 318**

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), which requires that City Council authorization to negotiate, enter into, and execute significant agreements and contracts. 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**

Commitments	Amounts to be paid in: 2026	2027	2028	2029	2030	Thereafter	Total
Various agreements for purchase of goods and services for multiple capital projects	$ 470	$ 396	$ 222	$ 86	$ 38	$ 56	$ 1,268
Service agreements for winter maintenance services	170	175	173	173	173	230	1,094
Various agreements for purchase of goods and services for miscellaneous operational needs	277	190	95	82	61	-	705
SmartTrack Stations program	129	128	150	124	114	49	694
Service agreements for curbside collection services	34	51	50	51	47	114	347
Toronto Waterfront enabling infrastructure contract	16	21	66	71	70	69	313
Construction of New Etobicoke Civic Center	125	186	-	-	-	-	311
Construction and engineering services agreements for the Basement Flooding Protection Program	58	53	37	30	11	72	261

(in millions of dollars, unless otherwise stated)

i. City of Toronto (cont.)

	Amounts to be paid in:						
Commitments	**2026**	**2027**	**2028**	**2029**	**2030**	**Thereafter**	**Total**
Service agreements for waste transport services and collection of waste materials	28	38	40	41	42	53	242
Broadview Eastern flood protection agreement	29	57	59	12	-	-	157
Construction agreements for the Ashbridge's Bay Treatment Plant	40	34	43	23	1	7	148
Highland Creek Treatment Plant Biosolids Implementation Project and South Facility Upgrades Project	19	19	26	26	25	30	145
Contracts with non-profit organizations for additional shelter services	106	9	9	9	-	-	133
Construction of New Western North York Community Recreation and Childcare Centre	31	32	47	-	-	-	110
School Crossing Guard Services	37	37	25	-	-	-	99
Construction of a new Paramedic Station	53	35	-	-	-	-	88
Construction and engineering services agreements for the F.G. Gardiner Expressway	27	43	4	6	7	-	87
Delivery agreement for Quayside Projects	55	14	9	5	-	-	83
Toronto Community Crisis Services	26	25	25	-	-	-	76
Construction and professional services for the Humber Treatment Plant rehabilitation and upgrades project	15	15	13	12	-	-	55
Waterfront Toronto Lakeshore bridge extension	51	-	-	-	-	-	51
Provision of operations and maintenance services Dufferin Organic Processing Facility	13	14	13	10	-	-	50
Total commitments	**$ 1,809**	**$ 1,572**	**$ 1,106**	**$ 761**	**$ 589**	**$ 680**	**$ 6,517**

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ii. City agencies, corporations, and government business enterprises:

Commitments	2026	2027	2028	2029	2030	Thereafter	Total
	Amounts to be paid in:						
Agreement for the purchase of 70 train sets to the TTC	$ 113	$ 125	$ 255	$ 223	$ 325	$ 1,174	$ 2,215
Various agreements for the purchase of goods and services for multiple TTC capital projects	232	157	79	38	14	7	527
Train Operating and Funding Agreement (TOFA) with Metrolinx associated with the new Eglinton Crosstown LRT (Line 5) operations	33	34	35	36	37	202	377
Agreement for the provision of 390 Battery Electric Buses to the TTC – 312 delivered to date	195	-	-	-	-	-	195
Various agreements for the purchase of goods and services for multiple TCHC capital projects	116	9	-	-	48	-	173
Train Operating and Servicing Agreement (TOSA) with Metrolinx associated with the Finch West LRT (Line 6) operations	14	14	15	15	16	86	160
Various agreements for the purchase of goods and services for multiple Toronto Zoo capital projects	43	-	-	-	-	-	43
Agreement for the provision of 279 Wheel-Trans buses to the TTC – 222 delivered to date	9	4	10	-	-	-	23
Agreement for the provision of 264 Light Rail vehicles to the TTC – 264 delivered to date	4	15	-	-	-	-	19
Various agreements for the purchase of goods and services for the Toronto Parking Authority capital projects and operational needs	-	-	16	-	-	-	16
Total commitments	**$ 759**	**$ 358**	**$ 410**	**$ 312**	**$ 440**	**$ 1,469**	**$ 3,748**

c. Lease commitments

At December 31, 2025, 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:

	2025
2026	$ 150
2027	114
2028	105
2029	56
2030	14
Thereafter	69
Total lease commitments	**$ 508**

(in millions of dollars, unless otherwise stated)

21. Budget data

Budget data presented in these Statements is based on the 2025 operating and capital budgets approved by City Council on February 11, 2025. 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 (i.e., recognition of TCA), as well as the recognition of debt proceeds as a liability and non-cash expenditures such as amortization on TCAs. The following chart reconciles the approved cash-based budget with the budget figures as presented in these Statements:

	Approved by Council:					
	Operating	**Capital**	**Non-levy**	**Consolidated entities**	**Adjustments**	**Total adjusted budget**
Revenues:						
Property taxes and taxation from other governments	$ 6,343	$ -	$ -	$ -	$ (103)	$ 6,240
Government transfers	4,719	968	1	2,236	(2,147)	5,777
User charges	2,166	1,199	2,131	1,177	(2,981)	3,692
Municipal land transfer tax	986	-	-	-	-	986
Development charges	-	784	-	-	-	784
Rent and concessions	64	-	-	478	-	542
Investment income	268	-	-	-	(8)	260
Other revenue sources	2,488	3,198	108	184	(4,968)	1,010
Total revenues	**17,034**	**6,149**	**2,240**	**4,075**	**(10,207)**	**19,291**
Expenses:						
Transportation	3,575	2,590	186	2,818	(4,445)	4,724
Social and family services	4,779	156	-	-	(263)	4,672
Protection to persons and property	2,308	195	-	-	(39)	2,464
Environmental services	133	1,397	2,054	-	(1,872)	1,712
Social housing	554	590	-	802	(523)	1,423
General government	3,740	433	-	-	(2,870)	1,303
Recreation and cultural services	1,212	611	-	455	(1,302)	976
Health services	661	52	-	-	(35)	678
Planning and development	72	125	-	-	30	227
Total expenses	**17,034**	**6,149**	**2,240**	**4,075**	**(11,319)**	**18,179**
Annual surplus	**$ -**	**$ -**	**$ -**	**$ -**	**$ 1,112**	**$ 1,112**

The below table summarizes the adjustments that were required to convert the City's Council approved budgets to PSAS-compliant budgets. Other adjustments required for accrual accounting include re-classifications between revenues and expenses ($346), internal cost recoveries ($346), and other individual adjustments that are immaterial for disclosure purposes.

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21. Budget data (cont.)

		2025
Revenue adjustments		
Eliminations for consolidated entities' budgets – revenues	$	(4,057)
Contributions to the City's operating fund, capital fund, and reserve and discretionary reserve funds		(3,073)
Proceeds from the issuance of long-term debt		(2,429)
Other adjustments required for accrual accounting		(648)
Total revenue adjustments	**$**	**(10,207)**
Expenditure adjustments		
Eliminations for consolidated entities' budgets – expenditures	$	(4,087)
Capitalization of tangible capital assets and recognition of amortization		(3,163)
Withdrawals from City's operating fund, capital fund and reserve and discretionary reserve funds		(2,797)
Debt principal repayments		(552)
Other adjustments required for accrual accounting		(720)
Total expenditure adjustments	**$**	**(11,319)**

22. Property taxes and taxation from other governments

		2025		2024
Tax levies from annual return of the property assessment roll	$	6,047	$	5,615
Tax levies from supplementary and omitted returns of the property assessment roll		78		74
Payments in lieu of tax		91		94
Heads and beds levy on public hospitals, provincial mental health facilities, universities, colleges, and correctional institutions		21		21
Other		4		4
Total property taxes and taxation from other governments	**$**	**6,241**	**$**	**5,808**

23. Government transfers

a. Government transfers by function

		2025		2024
Social and family services	$	3,370	$	3,006
Transportation		906		764
Health services		407		390
Planning and development		235		72
General government		122		122
Social housing		117		193
Protection to persons and property		78		63
Environmental services		6		36
Recreation and cultural services		102		23
Total transfers by function	**$**	**5,343**	**$**	**4,669**

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b. Government transfers by source

	2025	2024
Operating transfers		
Federal	$ 1,072	$ 883
Provincial	3,066	2,937
Other	19	30
Total operating transfers	**4,157**	**3,850**
Capital transfers		
Federal	782	406
Provincial	402	409
Other	-	1
Total capital transfers	**1,184**	**816**
Other transfers	**2**	**3**
Total transfers by source	**$ 5,343**	**$ 4,669**

In November 2023, through the New Deal for the City, a commitment of $600 in provincial funding over three fiscal years was publicly announced to help address financial pressures in the City's emergency shelter system. The City recognized the final $200 (2024 – $200) of revenue for costs associated with the provision of emergency shelters.

The City recognized $241 (2024 – $262) as part of the Government of Canada's Interim Housing Assistance Program. These additional transfer payments were provided by the federal government to recognize the City's efforts in offering interim housing services to asylum claimants in 2025.

In December 2023, the City approved the Ontario-Toronto New Deal Agreement (the New Deal), which included the Province's commitment to provide various government grants for the purpose of assisting the City with its long-term financial sustainability. The New Deal focused on providing government grants for essential service areas: Housing and Transportation. In 2025, the City recognized and received $145 (2024 – $214) of provincial grants to accelerate the construction and traffic mitigation measures for the Gardiner Expressway and Don Valley Parkway (DVP), as well as $100 (2024 – $100) of provincial grants to be used for subway and transit safety, recovery and sustainable operations.

The City received and recognized $58 (2024 – $31) of grants as part of the Building Faster Fund (BFF) program, which is designed to help municipalities pay for critical housing-enabling infrastructure and other related costs that support community growth.

Further details associated with government transfers can be found in Appendix 2, Consolidated schedule of segment disclosure – service.

24. Other revenue sources

	2025	2024
Hotel, lodging and sign tax	$ 165	$ 128
Utilities cut and other recoveries	140	163
Sale of properties and recycled materials	63	81
Other income	1,110	565
Total other revenue sources	**$ 1,478**	**$ 937**

Other income consists of individual balances that are immaterial for disclosure purposes.

(in millions of dollars, unless otherwise stated)

25. Total expenses

		2025		2024
Salaries, wages and benefits	$	7,997	$	7,642
Contracted services		2,903		2,205
Transfer payments to agencies, corporations, and other external organizations		2,201		2,083
Amortization (Schedule 1)		2,113		1,793
Materials		1,710		1,743
Interest on long-term debt		483		437
Other		621		283
Total expenses	**$**	**18,028**	**$**	**16,186**

Further details associated with the City's expenses can be found in Appendix 2, Consolidated schedule of segment disclosure – service.

26. Fair value hierarchy and risk management

a. Fair value hierarchy

The fair value hierarchy of the City's financial instruments as at December 31, 2025 is as follows:

	2025							
		Level 1		Level 2		Level 3		Total
Investments	$	7,506	$	328	$	-	$	7,834
Bank indebtedness		-		136		-		136
Mortgages payable		-		558		-		558
Long-term debt		7,937		1,330		-		9,267
Total	**$**	**15,443**	**$**	**2,352**	**$**	**-**	**$**	**17,795**

	2024							
		Level 1		Level 2		Level 3		Total
Investments	$	7,156	$	1,235	$	-	$	8,391
Bank indebtedness		-		66		-		66
Mortgages payable		-		490		-		490
Long-term debt		7,515		1,365		-		8,880
Total	**$**	**14,671**	**$**	**3,156**	**$**	**-**	**$**	**17,827**

There were no transfers between levels during 2025.

b. Risk management

The City's activities expose it to a range of financial risks, including credit risk, liquidity risk, and market risk (which includes interest rate risk and other price risk). The City's overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the City's financial performance.

Credit risk

Credit risk on financial instruments is the risk of financial loss occurring as a result of default or insolvency of a counterparty on its obligations to the City. The City is subject to credit risk with respect to its fixed income investments, accounts receivable, and loans receivable.

b. Risk management (cont.)

The fair value of the investment in debt securities represents the maximum credit risk exposure at the date of the Statements. Credit risk is managed by the City's internal investment managers, as well as third-party investment managers, which are responsible for regular monitoring of credit exposures. The credit quality of financial assets is generally assessed by reference to external credit ratings where available, or to historical information about counterparty default rates. The City further mitigates its credit risk by limiting its investment portfolio to investments at the investment grade.

The City's exposure to credit risk associated with accounts receivable is assessed as low as a significant portion is due from other governments. A provision is recognized for any doubtful accounts, further mitigating credit risk.

With respect to loans receivable, the City manages and controls credit risk by dealing primarily with recognized, creditworthy third parties (Note 3).

Liquidity risk

Liquidity risk is the risk that the City will encounter difficulty in meeting obligations associated with its financial liabilities. The City is subject to liquidity risk through its accounts payable and debt. To manage its liquidity risk, the City performs extensive budgeting exercises, ongoing monitoring of its short-term cash flows, and has highly liquid securities that can be easily converted to cash to ensure it meets all short-term obligations. The City also has access to other liquid resources, such as council-directed reserve funds and revolving credit facilities. Furthermore, accounts payable are primarily due and settled within 30 days of receipt of an invoice. The contractual maturities of mortgages payable and long-term debt are disclosed in Notes 12 and 13, respectively.

Market risk

Market risk is the risk that the fair value of future cash flows of investments and debt will fluctuate as a result of changes in market conditions, whether those changes are caused by factors specific to the individual investment, or factors affecting all securities traded in the market. Market risk encompasses a variety of financial risks, such as foreign currency risk, interest rate risk, and other price risk. The City recognizes that it is subject to market risk primarily through interest rate risk and other price risk.

i. Interest rate risk:

Interest rate risk is the risk that either future cash flows or the fair value of a financial instrument will fluctuate because of changes in market interest rates. The City is exposed to significant interest rate risk as a result of fixed income investments and fixed and floating rate debt.

- ***Fixed income investments:***

  The City is exposed to the risk of fluctuation in the fair value of its fixed income investments due to changes in interest rates. The City invests in debt instruments with varying terms to maturity. Those in the short-term investment portfolio have terms to maturity of eighteen months or less and as such have minimal sensitivity to changes in interest rates since these debt instruments have short maturity profiles and are usually held to maturity. However, debt instruments in the long-term investment portfolio are traded frequently at a high volume and rarely held to maturity – these have a greater sensitivity to changes in interest rates, which can cause fluctuations in fair value. For every 1% increase in the public market interest rates, the fair value of the investments held by the City as at December 31, 2025 would have decreased by approximately $316 (2024 – $324). For every 1% decline in public market interest rates, the fair value of the investments held by the City as at December 31, 2025 would have increased by approximately $316 (2024 – $324).

- ***Fixed and floating rate debt carried at fair value:***

  The City's net long-term debt, comprised mainly of debentures and mortgages, have lengthy terms and are not extinguished until maturity. They are therefore sensitive to changes in interest rates, which can cause fluctuations in fair value. For every 1% increase in public market interest rates, the net long-term debt held by the City as at December 31, 2025 would have decreased by $136 (2024 – $141). For every 1% decrease in public market interest rates, the net long-term debt held by the City as at December 31, 2025 would have increased by $152 (2024 – $159).

b. Risk management (cont.)

ii. Other price risk:

Other price risk refers to the risk that the fair value of financial instruments or future associated cash flows will fluctuate because of changes in market prices (other than those arising from interest rate risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar instruments traded in the market.

The City is exposed to other price risk due to its investments in a variety of marketable securities, including equities and fixed income instruments. Risk and volatility of investment returns are mitigated through diversification of investments. To minimize other price risk, the City operates within the constraints of an investment policy. Compliance to this policy is monitored by management, the Toronto Investment Board, and Council.

27. Comparative information

Certain 2024 comparative information have been regrouped from the Statements previously presented, to conform with the presentation adopted in 2025.

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(in millions of dollars, unless otherwise stated)

Schedule 1: Consolidated schedule of tangible capital assets

As at and for the year ended December 31, 2025

	Cost						Accumulated Amortization				
	Beginning	Additions	Disposals / transfers	Revaluation	Donated	Ending	Beginning	Amortization	Disposals	Ending	Net book value
General											
Land	$ 4,595	$ 155	$ (47)	$ -	$ -	$ 4,703	$ -	$ -	$ -	$ -	$ 4,703
Land improvements	5,795	977	(2)	-	15	6,785	2,576	402	-	2,978	3,807
Buildings and building improvements	12,700	1,098	(6)	-	-	13,792	4,681	349	(4)	5,026	8,766
Machinery and equipment	3,543	425	(106)	-	1	3,863	2,341	274	(106)	2,509	1,354
Motor vehicles	3,383	561	(89)	(50)	-	3,805	2,061	269	(109)	2,221	1,584
Total general	**30,016**	**3,216**	**(250)**	**(50)**	**16**	**32,948**	**11,659**	**1,294**	**(219)**	**12,734**	**20,214**
Infrastructure											
Land	140	95	-	-	-	235	-	-	-	-	235
Buildings and building improvements	1,194	313	-	-	-	1,507	337	44	-	381	1,126
Machinery and equipment	3,440	103	-	(6)	-	3,537	1,783	98	(2)	1,879	1,658
Water and wastewater linear	9,715	1,146	-	-	-	10,861	2,997	144	-	3,141	7,720
Roads linear	6,797	548	(77)	-	-	7,268	2,972	163	(70)	3,065	4,203
Transit	12,750	647	(22)	-	-	13,375	6,158	370	(20)	6,508	6,867
Total infrastructure	**34,036**	**2,852**	**(99)**	**(6)**	**-**	**36,783**	**14,247**	**819**	**(92)**	**14,974**	**21,809**
Assets under construction	**7,271**	**2,206**	**(2,743)**	**(14)**	**-**	**6,720**	**-**	**-**	**-**	**-**	**6,720**
Total	**$ 71,323**	**$ 8,274**	**$ (3,092)**	**$ (70)**	**$ 16**	**$ 76,451**	**$ 25,906**	**$ 2,113**	**$ (311)**	**$ 27,708**	**$ 48,743**

(in millions of dollars, unless otherwise stated)

Schedule 1: Consolidated schedule of tangible capital assets

As at and for the year ended December 31, 2024

	Cost						Accumulated Amortization				
	Beginning	Additions	Disposals / transfers	Revaluation	Donated	Ending	Beginning	Amortization	Disposals	Ending	Net book value
General											
Land	$ 4,530	$ 68	$ (10)	$ -	$ 7	$ 4,595	$ -	$ -	$ -	$ -	$ 4,595
Land improvements	5,432	350	(1)	-	14	5,795	2,336	240	-	2,576	3,219
Buildings and building improvements	12,209	504	(13)	-	-	12,700	4,376	310	(5)	4,681	8,019
Machinery and equipment	3,292	326	(76)	-	1	3,543	2,155	263	(77)	2,341	1,202
Motor vehicles	3,235	326	(178)	-	-	3,383	2,003	234	(176)	2,061	1,322
Total general	**28,698**	**1,574**	**(278)**	**-**	**22**	**30,016**	**10,870**	**1,047**	**(258)**	**11,659**	**18,357**
Infrastructure											
Land	140	-	-	-	-	140	-	-	-	-	140
Buildings and building improvements	1,036	158	-	-	-	1,194	302	35	-	337	857
Machinery and equipment	3,402	38	-	-	-	3,440	1,688	95	-	1,783	1,657
Water and wastewater linear	9,085	633	(3)	-	-	9,715	2,869	129	(1)	2,997	6,718
Roads linear	6,289	508	-	-	-	6,797	2,831	141	-	2,972	3,825
Transit	12,112	659	(21)	-	-	12,750	5,833	346	(21)	6,158	6,592
Total infrastructure	**32,064**	**1,996**	**(24)**	**-**	**-**	**34,036**	**13,523**	**746**	**(22)**	**14,247**	**19,789**
Assets under construction	**6,484**	**2,177**	**(1,390)**	**-**	**-**	**7,271**	**-**	**-**	**-**	**-**	**7,271**
Total	**$ 67,246**	**$ 5,747**	**$ (1,692)**	**$ -**	**$ 22**	**$ 71,323**	**$ 24,393**	**$ 1,793**	**$ (280)**	**$ 25,906**	**$ 45,417**

(in millions of dollars, unless otherwise stated)

Appendix 1: Consolidated schedule of government business enterprises

As at and for the year ended December 31, 2025 with comparatives to 2024

Condensed financial results ($)	Toronto Hydro Corporation		Toronto Parking Authority		Total	
Fiscal year ended	**2025**	**2024**	**2025**	**2024**	**2025**	**2024**
Financial position						
Assets						
Current	$ 615	$ 616	$ 85	$ 96	$ 700	$ 712
Capital	7,799	7,180	305	307	8,104	7,487
Other	251	339	38	38	289	377
Total assets	**8,665**	**8,135**	**428**	**441**	**9,093**	**8,576**
Liabilities						
Current	978	1,075	77	91	1,055	1,166
Long-term	5,319	4,860	2	2	5,321	4,862
Total liabilities	**6,297**	**5,935**	**79**	**93**	**6,376**	**6,028**
Net equity	**$ 2,368**	**$ 2,200**	**$ 349**	**$ 348**	**$ 2,717**	**$ 2,548**
City's share (Note 6)	**$ 2,357**	**$ 2,189**	**$ 349**	**$ 348**	**$ 2,706**	**$ 2,537**
Results of operations						
Revenues	$ 4,385	$ 4,006	$ 165	$ 169	$ 4,550	$ 4,175
Expenses	4,182	3,874	131	125	4,313	3,999
Net income	**$ 203**	**$ 132**	**$ 34**	**$ 44**	**$ 237**	**$ 176**
City's share (Note 6)	**$ 203**	**$ 132**	**$ 34**	**$ 44**	**$ 237**	**$ 176**
Distribution to City (Note 6)	60	84	33	33	93	117
Net book value of assets sold from the City to Toronto Hydro Corporation	11	11	-	-	11	11

(in millions of dollars, unless otherwise stated)

Appendix 2: Consolidated schedule of segment disclosure — service

As at and for the year ended December 31, 2025

	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*	$ 7,029	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 7,029
User charges	180	241	1,286	1,643	1	70	18	224	67	3,730
Government transfers	122	78	906	6	407	3,370	117	102	235	5,343
Net GBE income	237	-	-	-	-	-	-	-	-	237
Other	813	119	690	322	11	23	486	783	133	3,380
Total revenues	**8,381**	**438**	**2,882**	**1,971**	**419**	**3,463**	**621**	**1,109**	**435**	**19,719**
Salaries, wages, and benefits	653	2,248	2,260	299	504	887	277	749	120	7,997
Materials	342	45	444	171	30	334	175	148	21	1,710
Contracted services	216	51	777	262	30	1,175	177	177	38	2,903
Interest on long-term debt	37	8	259	12	1	37	84	21	24	483
Transfer payments	(119)	29	2	140	53	1,549	362	165	20	2,201
Other	251	22	135	59	2	26	85	37	4	621
Amortization	143	64	1,017	439	6	8	301	128	7	2,113
Total expenses	**1,523**	**2,467**	**4,894**	**1,382**	**626**	**4,016**	**1,461**	**1,425**	**234**	**18,028**
Annual surplus (deficit)	**$ 6,858**	**$ (2,029)**	**$ (2,012)**	**$ 589**	**$ (207)**	**$ (553)**	**$ (840)**	**$ (316)**	**$ 201**	**$ 1,691**

*Taxation revenues are allocated to General Government for presentation purposes however fund all divisional activities and consolidated entities as required.

(in millions of dollars, unless otherwise stated)

Appendix 2: Consolidated schedule of segment disclosure — service

As at and for the year ended December 31, 2024

	General government	Protection to persons and property	Transportation	Environmental	Health	Social and family	Social housing	Recreation and cultural	Planning and development	Consolidated
Taxation*	$ 6,636	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 6,636
User charges	100	298	1,280	1,601	1	69	18	209	34	3,610
Government transfers	122	63	764	36	390	3,006	193	23	72	4,669
Net GBE income	176	-	-	-	-	-	-	-	-	176
Other	1,088	103	600	322	3	44	505	367	79	3,111
Total revenues	**8,122**	**464**	**2,644**	**1,959**	**394**	**3,119**	**716**	**599**	**185**	**18,202**
Salaries, wages, and benefits	683	2,196	2,108	333	468	815	254	699	86	7,642
Materials	199	81	565	170	25	347	159	172	25	1,743
Contracted services	165	39	614	238	28	890	104	102	25	2,205
Interest on long-term debt	39	7	236	13	1	36	74	16	15	437
Transfer payments	(148)	56	(3)	139	48	1,543	258	125	65	2,083
Other	147	16	18	12	1	40	32	16	1	283
Amortization	133	57	922	271	6	7	286	109	2	1,793
Total expenses	**1,218**	**2,452**	**4,460**	**1,176**	**577**	**3,678**	**1,167**	**1,239**	**219**	**16,186**
Annual surplus (deficit)	**$ 6,904**	**$ (1,988)**	**$ (1,816)**	**$ 783**	**$ (183)**	**$ (559)**	**$ (451)**	**$ (640)**	**$ (34)**	**$ 2,016**

*Taxation revenues are allocated to General Government for presentation purposes however fund all divisional activities and 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, 2025

	City	Toronto Police Service	Toronto Transit Commission	Toronto Public Library	Toronto Community Housing Corporation	Other Agencies and Corporations	Total
Taxation*	$ 7,029	$ -	$ -	$ -	$ -	$ -	$ 7,029
User charges	2,493	65	1,036	3	18	115	3,730
Government transfers	4,451	75	620	6	117	74	5,343
Net GBE income	237	-	-	-	-	-	237
Other	2,667	59	253	54	485	(138)	3,380
Total revenues	**16,877**	**199**	**1,909**	**63**	**620**	**51**	**19,719**
Salaries, wages, and benefits	3,872	1,492	2,035	204	240	154	7,997
Materials	1,210	20	218	3	173	86	1,710
Contracted services	2,148	39	440	44	176	56	2,903
Interest on long-term debt	402	5	-	-	75	1	483
Transfer payments	4,075	(5)	(1,561)	82	(178)	(212)	2,201
Other	423	13	91	3	83	8	621
Amortization	879	52	838	43	287	14	2,113
Total expenses	**13,009**	**1,616**	**2,061**	**379**	**856**	**107**	**18,028**
Annual surplus (deficit)	**$ 3,868**	**$ (1,417)**	**$ (152)**	**$ (316)**	**$ (236)**	**$ (56)**	**$ 1,691**

*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, 2024

	City	Toronto Police Service	Toronto Transit Commission	Toronto Public Library	Toronto Community Housing Corporation	Other Agencies and Corporations	Total
Taxation*	$ 6,636	$ -	$ -	$ -	$ -	$ -	$ 6,636
User charges	2,390	56	1,034	1	18	111	3,610
Government transfers	3,924	60	442	6	193	44	4,669
Net GBE income	176	-	-	-	-	-	176
Other	2,174	47	325	19	501	45	3,111
Total revenues	**15,300**	**163**	**1,801**	**26**	**712**	**200**	**18,202**
Salaries, wages, and benefits	3,790	1,473	1,832	184	221	142	7,642
Materials	1,167	55	267	3	157	94	1,743
Contracted services	1,622	28	385	41	103	26	2,205
Interest on long-term debt	359	5	-	-	72	1	437
Transfer payments	3,825	16	(1,366)	43	(215)	(220)	2,083
Other	182	5	48	4	27	17	283
Amortization	636	46	768	54	276	13	1,793
Total expenses	**11,581**	**1,628**	**1,934**	**329**	**641**	**73**	**16,186**
Annual surplus (deficit)	**$ 3,719**	**$ (1,465)**	**$ (133)**	**$ (303)**	**$ 71**	**$ 127**	**$ 2,016**

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

The City's sinking funds financial statements

What this section contains

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INDEPENDENT AUDITOR'S 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, 2025
- the statement of operations and accumulated surplus (deficit) 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, 2025, and its results of operations and its 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 ***"Auditor's Responsibilities for the Audit of the Financial Statements"*** section of our auditor's 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.

KPMG

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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 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.

Auditor's 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 auditor's 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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- 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 auditor's 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 auditor's 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

Toronto, Canada

July 29, 2026

(in thousands of dollars, unless otherwise stated)

Statement of financial position

As at December 31, 2025 with comparatives to 2024

	2025	2024
Financial assets		
Cash and cash equivalents	$ 303,781	$ 162,887
Accounts receivable	8,875	7,905
Investments (Note 3)	2,892,375	2,700,941
Total financial assets	**3,205,031**	**2,871,733**
Liabilities		
Deferred revenue (Note 5)	52,804	47,033
Actuarial requirements (Note 4)	3,108,718	2,790,751
Total liabilities	**3,161,522**	**2,837,784**
Total accumulated surplus	**43,509**	**33,949**
Total liabilities and accumulated surplus	**$ 3,205,031**	**$ 2,871,733**

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

(in thousands of dollars, unless otherwise stated) Annual Financial Report 2025 • City of Toronto

Statement of operations and accumulated surplus

For the year ended December 31, 2025 with comparatives to 2024

		2025		2024
Revenues				
Contributions	$	547,867	$	497,023
Investment income (Note 6)		79,660		157,057
Total revenues		**627,527**		**654,080**
Expenses				
Changes in actuarial requirements (Note 4)		617,967		565,465
Other expenses		-		123
Total expenses		**617,967**		**565,588**
Annual surplus		**9,560**		**88,492**
Accumulated (deficit) – beginning of year		33,949		(54,543)
Accumulated surplus – end of year	**$**	**43,509**	**$**	**33,949**

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

(in thousands of dollars, unless otherwise stated)

Statement of cash flows

For the year ended December 31, 2025 with comparatives to 2024

	2025	2024
Cash flows provided by (used in):		
Operating activities		
Annual surplus	$ 9,560	$ 88,492
Changes in non-cash assets and liabilities		
Accounts receivable	(970)	(215)
Unrealized (gain) loss on investments	(433)	(81,264)
Accounts payable and accrued liabilities	-	(38)
Deferred revenue	433	81,264
Actuarial requirements	617,967	565,465
Cash provided by operating activities	**626,557**	**653,704**
Investing activities		
Purchase of investments	(934,408)	(1,531,700)
Proceeds from maturities of investments	14,395	88,243
Proceeds from sale of investments	734,350	887,825
Cash used in investing activities	**(185,663)**	**(555,632)**
Financing activities		
Maturity of debenture	(300,000)	(300,000)
Cash used in financing activities	**(300,000)**	**(300,000)**
Net increase (decrease) in cash and cash equivalents during the year	**140,894**	**(201,928)**
Cash and cash equivalents – beginning of year	162,887	364,815
Cash and cash equivalents – end of year	**$ 303,781**	**$ 162,887**

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

Notes to the financial statements

For the year ended December 31, 2025

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 Funds debt when it matures. When the accumulated Sinking Funds exceeds the maturity value of the related debenture, the excess may be applied against other Sinking Funds accounts created for the same purpose.

Note 7 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. Significant accounting policies

a. Basis of presentation

These financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards (PSAS) as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

b. Use of estimates and measurement uncertainty

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

c. Investments

Investments held in the sinking fund are restricted for fulfilling sinking fund requirements as per City of Toronto Act, 2006. Investments are measured at fair value and consist mainly of government and corporate bonds, money market securities, and guaranteed investment certificates, as well as equity pooled funds. 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 Statement of Operations and Accumulated Surplus.

Investment transactions are recorded on a trade date basis and transaction costs are expensed as incurred.

Unrealized gains and losses arising from a change in fair value of investments are recognized as deferred revenue until the investments mature or are sold due to the restricted nature of these investments.

c. Investments (cont.)

Realized gains and losses arising from disposition or maturity of investments are recognized in the Statement of Operations and Accumulated Surplus.

d. Financial instruments and fair value hierarchy

The following is a list of the Sinking Funds' financial instruments and their related measurement basis:

Financial assets	Measurement basis
Cash and cash equivalents	Cost / amortized cost
Accounts receivable	Cost / amortized cost
Investments	Fair value

Financial liabilities	Measurement basis
Accounts payable and accrued liabilities	Cost / amortized cost
Actuarial requirements	Cost / amortized cost

The cost / amortized cost of cash and cash equivalents and actuarial requirements approximates fair value. All financial instruments must be classified in accordance with the significance of the inputs used in making fair value measurements. The fair value hierarchy prioritizes the valuation techniques used to determine the fair value of a financial instrument based on whether the inputs to those techniques are observable or unobservable:

i. Level 1 – Derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

ii. Level 2 – Derived from quoted prices for similar assets and liabilities, quoted prices in markets that are not active, or models using inputs that are observable.

iii. Level 3 – Derived using discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable.

The fair value of the Sinking Funds' investments as at December 31, 2025, are Level 1 and Level 2.

e. Revenue recognition

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

Investment income includes interest income and realized gains and losses, net of bank service charges.

(in thousands of dollars, unless otherwise stated) Annual Financial Report 2025 • City of Toronto

3. Investments

	Fair Value Hierarchy	2025	2024
Debt investments issued or guaranteed by:			
Provincial governments	Level 1	$ 1,565,953	$ 1,511,020
Corporations	Level 1	470,965	408,049
Other Canadian municipalities	Level 1	26,634	19,836
City of Toronto	Level 1	16,882	17,365
Total debt investments		**2,080,434**	**1,956,270**
Equity fund investments issued or guaranteed by:			
Corporations	Level 1	645,572	579,175
Total equity fund investments		**645,572**	**579,175**
Real estate investments issued or guaranteed by:			
Corporations	Level 2	166,369	165,496
Total real estate investments		**166,369**	**165,496**
Total investments		**$ 2,892,375**	**$ 2,700,941**

Investments held in sinking funds are restricted for fulfilling sinking fund requirements as per City of Toronto Act, 2006. 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.

4. Actuarial requirements

The actuarial requirements liability of the Sinking Funds represents the amounts levied during the year as set out in the Sinking Funds debenture by-laws plus interest accrued, compounded at the Sinking Funds rates of 3.5%, or 4% 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.

	2025	2024
Actuarial requirements – beginning of year	$ 2,790,751	$ 2,525,286
Add: change in actuarial liability requirements	617,967	565,465
	3,408,718	3,090,751
Less: value of debentures matured during the year	(300,000)	(300,000)
Actuarial requirements – end of year	**$ 3,108,718**	**$ 2,790,751**

5. Deferred revenue

Deferred revenue consists of unrealized gains and losses arising from the change in fair value on investments. The following table provides a summary of significant components of the deferred revenue balance:

	2025			
	Opening balance	**In-year unrealized gains**	**In-year realized losses**	**Ending balance**
Total deferred revenue	**$ 47,033**	**$ 433**	**$ 5,338**	**$ 52,804**

	2024			
	Opening balance	**In-year unrealized gains**	**In-year realized (gains)**	**Ending balance**
Total deferred revenue	**$ 41,546**	**$ 81,264**	**$ (75,777)**	**$ 47,033**

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6. Investment income

	2025	2024
Investment income	$ 73,949	$ 139,456
Interest income	5,711	17,601
Total investment income	**$ 79,660**	**$ 157,057**

7. Schedule of projected debenture maturities

For the year ended December 31, 2025, the following is a list of the projected maturities of the Sinking Funds debentures, held within the City of Toronto, with comparative figures for fiscal 2024. The list only includes years when debentures are expected to mature.

	2025	2024
2026	$ 300,000	$ 300,000
2027	700,000	700,000
2029	600,000	600,000
2030	200,000	200,000
2031	150,000	150,000
2032	300,000	300,000
2033	335,000	335,000
2034	700,000	500,000
2035	400,000	400,000
2036	750,000	750,000
2039	330,000	330,000
2040	1,106,250	1,106,250
2041	650,000	650,000
2042	1,150,000	1,150,000
2044	300,000	300,000
2046	500,000	500,000
2048	300,000	300,000
2049	600,000	600,000
2051	350,000	350,000
2052	715,000	715,000
2054	700,000	500,000
2055	800,000	-
Total projected debenture maturities	**$ 11,936,250**	**$ 10,736,250**

8. Risk management

The Sinking Funds are subject to a range of financial risks including credit risk, liquidity risk, and market risk (which includes interest rate risk and other price risk) with respect to the investment portfolio. The Sinking Funds' overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Sinking Funds' financial performance.

a. Credit risk

Credit risk on financial instruments is the risk of financial loss occurring as a result of default or insolvency of a counterparty on its obligations to the Sinking Funds. The Sinking Funds are subject to credit risk with respect to fixed income investments.

The fair value of the investments in debt securities represents the maximum credit risk exposure at the date of the financial statements. Credit risk is managed by the Sinking Funds' internal investment managers, as well as third-party investment managers, which are responsible for regular monitoring of credit exposures. The credit quality of financial assets is generally assessed by reference to external credit ratings where available, or to historical information about counterparty default rates. The Sinking Funds further mitigate credit risk by limiting the investment portfolio to investments at the investment grade.

b. Liquidity risk

Liquidity risk is the risk that the Sinking Funds will be unable to settle or meet commitments as they come due. These commitments include payment of the funding obligations of the Sinking Funds. To manage liquidity risk, the Sinking Funds invest in a broader range of marketable securities, including equity funds and fixed income instruments that are actively traded and can be easily converted to cash.

c. Market risk

Market risk is the risk that the fair value of future cash flows of investments will fluctuate as a result of changes in market conditions, whether those changes are caused by factors specific to the individual investment, or factors affecting all securities traded in the market. Market risk encompasses a variety of financial risks, such as foreign currency risk, interest rate risk, and other price risk. The Sinking Funds are subject to market risk primarily through interest rate risk and other price risk.

i. Interest rate risk:

Interest rate risk is the risk that either future cash flows or the fair value of a financial instrument will fluctuate because of changes in market interest rates. The Sinking Funds are exposed to the risk of fluctuation in the fair value of their fixed income investments due to changes in interest rates. The Sinking Funds invest in debt instruments with varying terms to maturity. Debt instruments in the long-term investment portfolio are traded frequently at a high volume and rarely held to maturity – these have a greater sensitivity to changes in interest rates, which can cause fluctuations in fair value. For every 1% increase in the public market interest rates, the fair value of the fixed income investments held by the Sinking Funds as at December 31, 2025 would have decreased by approximately $254,220. For every 1% decrease in the public market interest rates, the fair value of the fixed income investments held by the Sinking Funds as at December 31, 2025 would have increased by approximately $254,220.

This fixed income investment sensitivity is mitigated by the liabilities of the Sinking Funds which have a similar duration and will have an opposite change in value under the same circumstances. Overall, due to the matching of the assets and liabilities, public market interest rate fluctuations will have a minimal impact on the net value of the Sinking Funds.

ii. Other price risk:

Other price risk refers to the risk that the fair value of financial instruments or future associated cash flows will fluctuate because of changes in market prices (other than those arising from interest rate risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar instruments traded in the market.

The Sinking Funds are exposed to other price risk due to investments in a variety of marketable securities, including equities and fixed income instruments. Risk and volatility of investment returns are mitigated through diversification of investments. To minimize other price risk, the Sinking Funds operate within the constraints of an investment policy. Compliance to this policy is monitored by management, the Toronto Investment Board, and City Council.

The City's trust funds financial statements

What this section contains

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INDEPENDENT AUDITOR'S 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 Trust Funds (the Entity), which comprise:

- the statement of financial position as at December 31, 2025
- the statement of operations and changes in fund balances for the year then ended
- the statement of cash flows for the year then ended
- the statement of continuity of fund balances 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, 2025, and its results of operations and fund balances and its 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 ***"Auditor's Responsibilities for the Audit of the Financial Statements"*** section of our auditor's 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.

KPMG

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Emphasis of Matter - Adoption of Canadian public sector accounting standards

We draw attention to Note 3 to the financial statements which describes that the Entity adopted Canadian public sector accounting standards, with a transition date of January 1, 2024. These standards were applied retrospectively by management to the comparative information presented in these financial statements.

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 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.

Auditor's 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 auditor's 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.

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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.

- 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 auditor's 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 auditor's 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

Toronto, Canada

July 29, 2026

(in thousands of dollars, unless otherwise stated)

Statement of financial position

As at December 31, 2025 with comparatives to 2024

	December 31, 2025	December 31, 2024	January 1, 2024
Assets			
Cash	$ 6,939	$ 6,638	$ 6,113
Accounts receivable	143	218	246
Due from City of Toronto (Note 4)	12,226	12,190	13,925
Investments (Note 5)	8,526	8,505	8,535
Total assets	**27,834**	**27,551**	**28,819**
Liabilities			
Accounts payable	183	181	173
Deferred revenue (Note 6)	438	343	251
Total liabilities	**621**	**524**	**424**
Fund balances	**27,213**	**27,027**	**28,395**
Total liabilities and fund balances	**$ 27,834**	**$ 27,551**	**$ 28,819**

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

(in thousands of dollars, unless otherwise stated)

Statement of operations and changes in fund balances

For the year ended December 31, 2025 with comparatives to 2024

	2025	2024
Revenues		
Investment income (Note 7)	$ 642	$ 1,072
Contributions and other income	2,975	2,843
Total revenues	**3,617**	**3,915**
Expenses	**3,431**	**5,283**
Annual surplus (deficit) (Note 3)	**186**	**(1,368)**
Fund balances – beginning of year (Note 2)	27,027	28,395
Fund balances – end of year	**$ 27,213**	**$ 27,027**

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

(in thousands of dollars, unless otherwise stated) Annual Financial Report 2025 • City of Toronto

Statement of cash flows

For the year ended December 31, 2025 with comparatives to 2024

	2025	2024
Cash flows provided by (used in):		
Operating activities		
Annual surplus (deficit)	$ 186	$ (1,368)
Change in non-cash operating items:		
Accounts receivable	75	28
Due from City of Toronto	(36)	1,735
Unrealized gain included in investments	(108)	(115)
Accounts payable	2	8
Deferred revenue	108	115
Cash provided by operating activities	**227**	**403**
Investing activities		
Purchase of investments	(6,359)	(6,308)
Proceeds from maturities of investments	6,250	6,374
Proceeds from sale of investments	183	56
Cash provided by investing activities	**74**	**122**
Net increase in cash during the year	**301**	**525**
Cash – beginning of year	6,638	6,113
Cash – end of year	**$ 6,939**	**$ 6,638**

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

(in thousands of dollars, unless otherwise stated)

Statement of continuity of fund balances

As at and for the year ended December 31, 2025

	Balance, beginning of year	Receipts	Investment income	Disbursements	Balance, end of year
Keele Valley Site Post-Closure	$ 7,875	$ -	$ 86	$ -	$ 7,961
Homes for the Aged Residents	6,468	2,975	210	3,275	6,378
Community Centre Development Levy Trust	4,423	-	44	-	4,467
Toronto Police Services Board Mounted Unit	1,985	-	89	73	2,001
Indemnity Deposit – Waterpark Place	1,354	-	48	-	1,402
Contract Aftercare Project	1,297	-	35	-	1,332
Regent Park Legacy Trust	870	-	9	-	879
Music Garden Trust Fund	628	-	33	32	629
Community Services and Facilities	479	-	5	-	484
Queen’s Quay Community Services	375	-	4	-	379
Lakeshore Pedestrian Bridge	313	-	12	-	325
Children’s Green House Trust	145	-	1	-	146
Green Lane Small Claims	137	-	1	-	138
Toronto Police Services Board	97	-	58	51	104
Public Art Maintenance Trust	79	-	1	-	80
Preservation Trust	63	-	1	-	64
Hugh Clydesdale	55	-	2	-	57
Michael Sansone	47	-	-	-	47
Other Trust Funds	337	-	3	-	340
Fund balances	**$ 27,027**	**$ 2,975**	**$ 642**	**$ 3,431**	**$ 27,213**

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

(in thousands of dollars, unless otherwise stated)

Statement of continuity of fund balances

As at and for the year ended December 31, 2024

	Balance, beginning of year	Receipts	Investment income	Disbursements	Balance, end of year
Keele Valley Site Post-Closure	$ 7,757	$ -	$ 118	$ -	$ 7,875
Homes for the Aged Residents	6,409	2,833	249	3,023	6,468
Community Centre Development Levy Trust	5,738	-	310	1,625	4,423
Toronto Police Services Board Mounted Unit	1,968	-	80	63	1,985
Indemnity Deposit – Waterpark Place	1,281	-	73	-	1,354
Contract Aftercare Project	1,243	-	54	-	1,297
Regent Park Legacy Trust	825	-	45	-	870
Music Garden Trust Fund	627	-	23	22	628
Community Services and Facilities	833	-	45	399	479
Queen’s Quay Community Services	356	-	19	-	375
Lakeshore Pedestrian Bridge	296	-	17	-	313
Children’s Green House Trust	138	-	7	-	145
Green Lane Small Claims	130	-	7	-	137
Toronto Police Services Board	97	-	6	6	97
Public Art Maintenance Trust	83	-	4	8	79
Preservation Trust	60	-	3	-	63
Hugh Clydesdale	52	-	3	-	55
Michael Sansone	46	-	1	-	47
Other Trust Funds	456	10	8	137	337
Fund balances	**$ 28,395**	**$ 2,843**	**$ 1,072**	**$ 5,283**	**$ 27,027**

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

Notes to the financial statements

For the year ended December 31, 2025

The City of Toronto Trust Funds (Trust Funds) consist of various trust funds administered by the City of Toronto (City). The Trust Funds' 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 (PSAS). The Trust Funds are not subject to income taxes under Section 149 (1) of the Income Tax Act (Canada). There is no specific budget established for the Trust Funds due to the nature of the funds.

1. Significant accounting policies

The significant accounting policies are summarized below.

a. Revenue recognition

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.

Cash receipts from users are recognized as revenue upon receipt of cash. Interest income is recognized as revenue on accrual basis of accounting. Accrual basis of accounting recognizes revenue when revenue is measurable and incurred.

Investment income includes dividends, interest and realized gains and losses and is included in the statement of operations and changes in fund balances.

b. Investments

Investments consisting of government and corporate bonds, equity instruments traded in an active market, debentures and short-term instruments of various financial institutions are authorized investments pursuant to the provisions of the City of Toronto Act, 2006. These investments held in the Trust Funds are restricted to fulfilling trust fund requirements as per the City of Toronto Act, 2006.

All investments, except for equity instruments traded in an active market, are measured at cost or amortized cost. Equity instruments traded in an active market are measured at fair value.

Investment transactions are recorded on a settlement date basis.

Unrealized gains and losses arising from a change in fair value of equity instruments are recognized as deferred revenue until the investments are sold due to the restricted nature of these investments.

Realized gains and losses arising from disposition or maturity of investments are recognized in the statement of operations and changes in fund balances.

c. Financial instruments and fair value hierarchy

The following is a list of the Trust Funds' financial instruments and their related measurement basis:

Financial assets	Measurement basis
Cash and cash equivalents	Cost / amortized cost
Accounts receivable	Cost / amortized cost
Due from City of Toronto	Cost / amortized cost
Investments (except for equity instruments traded in an active market)	Cost / amortized cost
Equity instruments traded in an active market	Fair value

Financial liabilities	Measurement basis
Accounts payable	Cost / amortized cost

Financial instruments measured at fair value must be classified in accordance with the significance of the inputs used in making fair value measurements. The fair value hierarchy prioritizes the valuation techniques used to determine the fair value of a financial instrument based on whether the inputs to those techniques are observable or unobservable:

i. Level 1 – Derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

ii. Level 2 – Derived from quoted prices for similar assets and liabilities, quoted prices in markets that are not active, or models using inputs that are observable.

iii. Level 3 – Derived using discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable.

The fair value of the Trust Funds' equity instruments as at December 31, 2025 are Level 1.

The Trust Funds' investment activities expose it to a range of financial risks, including market risk, liquidity risk, and credit risk.

d. Expenses

Expenses 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.

(in thousands of dollars, unless otherwise stated) Annual Financial Report 2025 • City of Toronto

2. 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 surplus/loss at the reporting date and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Adoption of new accounting standards

Effective January 1, 2024, the Trust Funds adopted PSAS. These standards were retrospectively adopted and therefore the 2024 comparative figures have been restated. These are the first financial statements prepared in accordance with PSAS. Key adjustments resulting from the adoption of these standards are as follows:

Summary of adjustments

Fund balances as at January 1, 2024:		
Fund balances, as previously reported	$	110,007
Removal of Toronto Atmospheric Fund		(81,260)
Adjustment for investments measured at cost / amortized cost		(101)
Adjustment for unrealized (gain) loss included in deferred revenue		(251)
Fund balances, as currently reported	**$**	**28,395**

Fund balances as at December 31, 2024:		
Fund balances, as previously reported	$	97,032
Removal of Toronto Atmospheric Fund		(69,516)
Adjustment for investments measured at cost / amortized cost		(146)
Adjustment for unrealized (gain) loss included in deferred revenue		(343)
Fund balances, as currently reported	**$**	**27,027**

Annual deficit for the year ended December 31, 2024:		
Annual surplus, as previously reported	$	(12,975)
Removal of Toronto Atmospheric Fund		11,744
Adjustment for investments measured at cost / amortized cost		(137)
Annual deficit, as currently reported	**$**	**(1,368)**

Cash provided by operating activities for the year ended December 31, 2024:		
Cash (used in), as previously reported	$	(10,576)
Removal of Toronto Atmospheric Fund		10,979
Adjustment for investments measured at cost / amortized cost		(115)
Adjustment for unrealized loss included in deferred revenue		115
Cash provided by operating activities, as currently reported	**$**	**403**

Cash provided by investing activities for the year ended December 31, 2024:		
Cash provided by, as previously reported	$	11,101
Removal of Toronto Atmospheric Fund		(10,979)
Cash provided by operating activities, as currently reported	**$**	**122**

4. Due from City of Toronto

As at December 31, 2025 the Trust Funds have amounts due from the City of Toronto of $12,226 (December 31, 2024 – $12,190 and January 1, 2024 – $13,925) 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.

(in thousands of dollars, unless otherwise stated)

5. Investments

Investments consist of the following:

	December 31, 2025			December 31, 2024			January 1, 2024		
	As reported	Fair value	Book value	As reported	Fair value	Book value	As reported	Fair value	Book value
Short-term investments	$ 7,502	$ 7,604	$ 7,502	$ 7,587	$ 7,733	$ 7,587	$ 7,709	$ 7,810	$ 7,709
Equity instruments	1,024	1,024	587	918	918	575	826	826	575
Total investments	**$ 8,526**	**$ 8,628**	**$ 8,089**	**$ 8,505**	**$ 8,651**	**$ 8,162**	**$ 8,535**	**$ 8,636**	**$ 8,284**

	December 31, 2025	December 31, 2024	January 1, 2024
Weighted average rate of return	5.20%	6.59%	6.07%
Range of maturity dates	2026-2034	2025-2034	2024-2034
Excess of fair value over book value	$ 539	$ 489	$ 352

6. Deferred revenue

Deferred revenue consists of unrealized gains and losses arising from the change in fair value of equity instruments. The following table provides a summary of significant components of the deferred revenue balance:

	December 31, 2025			
	Opening balance	In-year unrealized gains	In-year realized (gains)	Ending balance
Total deferred revenue	**$ 343**	**$ 108**	**$ (13)**	**$ 438**

	December 31, 2024				
	Opening balance	Opening adjustment January 1, 2024	In-year unrealized gains	In-year realized (gains)	Ending balance
Total deferred revenue	**$ -**	**$ 251**	**$ 115**	**$ (23)**	**$ 343**

7. Investment income

	2025	2024
Investment income	$ 147	$ 87
Interest income	495	985
Total investment income	**$ 642**	**$ 1,072**

8. Risk exposure

The Trust Funds are subject to market risk, credit risk, liquidity 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 market conditions affecting all securities traded in the market.

a. Credit risk

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

b. Liquidity risk

Liquidity risk is the risk that The Trust Funds will encounter difficulty in meeting obligations associated with its financial liabilities. The Trust Funds are subject to liquidity risk through its accounts payable.

c. Market risk

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.

i. Interest rate risk:

Interest rate risk is the risk that either future cash flows or the fair value of a financial instrument will fluctuate because of changes in market interest rates. The Trust Funds' investments are comprised primarily of fixed interest rates instruments.

ii. Other price risk:

Price risk is the risk that 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.

9. 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, 2025, the Trust Funds have met their objective of having sufficient liquid resources to meet their current requirements.

Supplemental financial & statistical information

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. Figures from prior years that have been restated are identified as such in the schedules below.)

1. Five year review summary

	2025	2024	2023	2022	2021
Population*	3,271,830	3,273,119	3,110,984	3,025,647	2,974,293
Households*	1,359,255	1,359,790	1,292,432	1,256,980	1,211,822
Areas in square kilometres	634	634	634	634	634
Full-time employees	56,174	53,821	51,590	49,980	48,285
Housing starts	10,561	18,715	30,516	20,864	17,959
Building permit values	$ 16,467	$ 17,544	$ 14,189	$ 12,489	$ 12,911

*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.

2. Taxation assessment upon which tax rates were set**

	2025	2024	2023	2022	2021
Residential, multi-residential, new multi-residential, farmlands, and managed forest	$ 660,872	$ 649,716	$ 639,652	$ 631,031	$ 620,468
Commercial, industrial and pipeline	137,041	135,321	135,075	135,228	135,309
Total	**$ 797,913**	**$ 785,037**	**$ 774,727**	**$ 766,259**	**$ 755,777**
Total per capita	**$ 243,874**	**$ 239,844**	**$ 249,030**	**$ 253,255**	**$ 254,103**

**Taxation related information reflects Current Value Assessment (CVA).

(in millions of dollars, unless otherwise stated)

3. Tax rates (urban area)*

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

	2025	2024	2023	2022	2021
City purposes	0.6010870	0.5622890	0.5132740	0.4789330	0.4580130
School board purposes	0.1530000	0.1530000	0.1530000	0.1530000	0.1530000
Total	**0.7540870**	**0.7152890**	**0.6662740**	**0.6319330**	**0.6110130**

b. Multi-residential (expressed in per cent)

	2025	2024	2023	2022	2021
City purposes	1.0443050	1.0094780	0.9748480	0.9403840	0.9403840
School board purposes	0.1530000	0.1530000	0.1530000	0.1530000	0.1530000
Total	**1.1973050**	**1.1624780**	**1.1278480**	**1.0933840**	**1.0933840**

c. Commercial (expressed in per cent)

	2025	2024	2023	2022	2021
City purposes	1.3954780	1.3486770	1.2898170	1.2420090	1.2001860
School board purposes	0.8800000	0.8800000	0.8800000	0.8800000	0.9024760
Total	**2.2754780**	**2.2286770**	**2.1698170**	**2.1220090**	**2.1026620**

d. Industrial (expressed in per cent)

	2025	2024	2023	2022	2021
City purposes	1.5043030	1.4059560	1.2909260	1.2046810	1.1853460
School board purposes	0.8800000	0.8800000	0.8800000	0.8800000	0.8800000
Total	**2.3843030**	**2.2859560**	**2.1709260**	**2.0846810**	**2.0653460**

e. Pipeline (expressed in per cent)

	2025	2024	2023	2022	2021
City purposes	1.1561460	1.0815200	0.9873160	0.9212560	0.8810160
School board purposes	0.8800000	0.8800000	0.8800000	0.8800000	0.8800000
Total	**2.0361460**	**1.9615200**	**1.8673160**	**1.8012560**	**1.7610160**

*Taxation related information reflects Current Value Assessment (CVA).

4. Property taxes receivable – end of year

	2025	2024	2023 Restated	2022	2021
Amount	$ 527	$ 458	$ 403	$ 462	$ 381
Per capita	$ 161	$ 140	$ 130	$ 153	$ 128

5. Net long-term debt – end of year

	2025	2024	2023	2022	2021
Amount	$ 9,267	$ 8,880	$ 8,586	$ 8,859	$ 8,146
Per capita	$ 2,832	$ 2,713	$ 2,760	$ 2,928	$ 2,739

(in millions of dollars, unless otherwise stated) Annual Financial Report 2025 • City of Toronto

6. Interest charges for net long-term debt

	2025	2024	2023	2022	2021
Amount	$ 481	$ 436	$ 421	$ 365	$ 364
Per capita	$ 147	$ 133	$ 135	$ 121	$ 122

7. Long-term debt supported by property taxes

	2025	2024	2023	2022	2021
Gross long-term debt	$ 9,825	$ 9,370	$ 9,037	$ 9,299	$ 8,535
Net long-term debt (net of sinking fund deposits)	$ 9,267	$ 8,880	$ 8,586	$ 8,859	$ 8,146

8. Long-term debt and mortgages charges

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

	2025	2024	2023	2022	2021 Restated
Amount	$ 1,192	$ 1,223	$ 1,030	$ 880	$ 902
Percentage of total consolidated expenses	6.61%	7.56%	6.83%	6.35%	6.81%

9. Legal debt limit*

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

	2025	2024	2023	2022	2021
Property tax levy amount	$ 6,126	$ 5,690	$ 5,273	$ 4,872	$ 4,672
Debt limit	$ 919	$ 854	$ 791	$ 731	$ 701

*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.

10. Taxes collected

	2025	2024	2023	2022	2021
City collection	$ 7,132	$ 6,699	$ 6,182	$ 6,129	$ 6,093
Taxes transferred to the school board	2,197	2,158	2,119	2,083	2,075
Total	**$ 9,329**	**$ 8,857**	**$ 8,301**	**$ 8,212**	**$ 8,168**

11. Trust funds balance – end of year

	2025	2024 Restated	2023	2022	2021
Trust funds – end of year	$ 27	$ 27	$ 110	$ 111	$ 116

(in millions of dollars, unless otherwise stated)

12. Summary of consolidated revenues and expenses

a. Consolidated revenues by source

	2025	2024	2023	2022 Restated	2021
Residential and commercial property taxation	$ 6,126	$ 5,690	$ 5,273	$ 4,872	$ 4,672
Transfers from other governments	5,343	4,669	4,278	4,463	4,682
User charges	3,730	3,610	3,457	3,224	2,798
Municipal land transfer tax	788	828	751	1,038	1,172
Development charges	783	789	446	344	365
Rental and concessions	613	584	553	513	477
Investment income	506	801	337	131	147
Government business enterprise earnings	237	176	178	197	146
Taxation from other government	115	118	107	102	95
Other	1,478	937	945	749	687
Total	**$ 19,719**	**$ 18,202**	**$ 16,325**	**$ 15,633**	**$ 15,241**

b. Consolidated expenses by function

	2025	2024	2023	2022 Restated	2021
Transportation	$ 4,894	$ 4,460	$ 4,074	$ 3,787	$ 3,648
Social and family services	4,016	3,678	3,570	3,080	2,658
Protection to persons and property	2,467	2,452	2,241	2,104	1,985
General government	1,523	1,218	1,062	1,081	1,066
Social housing	1,461	1,167	1,068	1,003	950
Recreation and cultural services	1,425	1,239	1,137	1,009	969
Environment services	1,382	1,176	1,143	1,118	1,148
Health services	626	577	612	642	687
Planning and development	234	219	168	51	132
Total	**$ 18,028**	**$ 16,186**	**$ 15,075**	**$ 13,875**	**$ 13,243**

c. Annual surplus

	2025	2024	2023	2022 Restated	2021
Annual surplus	**$ 1,691**	**$ 2,016**	**$ 1,250**	**$ 1,758**	**$ 1,998**

(in millions of dollars, unless otherwise stated)

13. Accumulated surplus

	2025	2024	2023	2022 Restated	2021
Financial assets	$ 17,719	$ 18,225	$ 17,301	$ 16,702	$ 14,941
Liabilities	29,275	28,230	26,903	26,089	23,320
Net debt	**(11,556)**	**(10,005)**	**(9,602)**	**(9,387)**	**(8,379)**
Non-financial assets	49,276	45,888	43,304	40,867	38,805
Accumulated surplus	**$ 37,720**	**$ 35,883**	**$ 33,702**	**$ 31,480**	**$ 30,426**

14. Consolidated summary of funding transfers from other governments

	2025	2024	2023 Restated	2022	2021
Social assistance	$ 1,085	$ 1,125	$ 957	$ 843	$ 758
Child care assistance	1,123	788	901	694	482
Social housing	620	602	518	244	375
Government of Canada transfer – TTC	441	277	441	342	203
Province of Ontario transfer – capital	402	409	132	126	147
Government of Canada transfer – capital	341	129	36	178	172
Health services	171	170	151	149	157
Pandemic support	-	-	117	986	1,743
Other	1,160	1,169	1,025	901	645
Total	**$ 5,343**	**$ 4,669**	**$ 4,278**	**$ 4,463**	**$ 4,682**

15. Consolidated expenses by object

	2025	2024	2023	2022 Restated	2021
Salaries, wages and benefits	$ 7,997	$ 7,642	$ 7,069	$ 6,679	$ 6,418
Contracted services	2,903	2,205	2,209	1,969	1,754
Transfer payments	2,201	2,083	1,860	1,530	1,427
Amortization	2,113	1,793	1,776	1,651	1,554
Materials	1,710	1,743	1,387	1,269	1,284
Interest on long-term debt & TCHC mortgage	483	437	421	375	361
Other	621	283	353	402	445
Total	**$ 18,028**	**$ 16,186**	**$ 15,075**	**$ 13,875**	**$ 13,243**

16. Reserve & reserve fund balance – end of year

	2025	2024	2023	2022	2021
Amount	**$ 5,468**	**$ 5,607**	**$ 5,288**	**$ 5,427**	**$ 4,103**

(in millions of dollars, unless otherwise stated)

17. Tangible capital assets

	2025	2024	2023	2022 Restated	2021
Cost					
Infrastructure	$ 36,783	$ 34,036	$ 32,064	$ 29,424	$ 27,405
General assets	32,948	30,016	28,698	27,190	25,871
Assets under construction	6,720	7,271	6,484	6,684	6,323
Total – cost	**76,451**	**71,323**	**67,246**	**63,298**	**59,599**
Accumulated amortization					
Infrastructure	14,974	14,247	13,523	12,774	11,843
General assets	12,734	11,659	10,870	10,124	9,370
Total – accumulated amortization	**27,708**	**25,906**	**24,393**	**22,898**	**21,213**
Net book value	**$ 48,743**	**$ 45,417**	**$ 42,853**	**$ 40,400**	**$ 38,386**

18. Capital expenses by function

	2025	2024	2023	2022	2021
Transportation	$ 1,715	$ 1,345	$ 1,231	$ 837	$ 922
Social housing	505	264	-	-	-
Recreation and cultural services	260	137	79	60	91
Planning and development	84	143	84	7	71
Environment services	50	86	53	74	203
Protection to persons and property	35	63	16	27	12
Social and family services	3	24	(5)	23	7
Health services	1	1	(1)	(1)	-
General government	(28)	(32)	148	169	(52)
Total	**$ 2,625**	**$ 2,031**	**$ 1,605**	**$ 1,196**	**$ 1,254**

19. Property tax breakdown

	2025	2024	2023	2022	2021
Property taxes	**$ 6,125**	**$ 5,690**	**$ 5,273**	**$ 4,872**	**$ 4,672**
Payments in Lieu (PIL) of taxes*					
Net assessment based	91	94	86	81	71
Non-assessment based	25	24	21	21	24
Total – PIL of taxes	**116**	**118**	**107**	**102**	**95**
Total property taxes	**$ 6,241**	**$ 5,808**	**$ 5,380**	**$ 4,974**	**$ 4,767**

*Net assessment based PIL is calculated based on the current value assessment (CVA) for Federal, Provincial and Municipal properties, multiplied by applicable tax rates. Non-assessment based PIL include heads and beds levies on institutions (colleges and universities, public hospitals and correctional facilities), acreage levy, and airport passenger levies.

Toronto