



Report to: Development Services Committee

Report Date: April 8, 2025

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**SUBJECT:** 2024 Consolidated Financial Statements  
**PREPARED BY:** Jay Pak, Senior Manager Financial Planning and Reporting  
Kishor Soneji, Manager Financial Reporting

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**RECOMMENDATION:**

- 1) That the presentation titled “2024 Consolidated Financial Statements” be received; and,
- 2) That the report titled “2024 Consolidated Financial Statements” be received; and,
- 3) That Council approve the draft Consolidated Financial Statements of The Corporation of the City of Markham (the City), including Community Boards, Business Improvement Areas (BIAs), Destination Markham Corporation and Investment in Markham Enterprises Corporation (MEC), for the fiscal year ended December 31, 2024; and,
- 4) That Council authorize Staff to publish the final audited Statements for the fiscal year ended December 31, 2024 upon receiving the Independent Auditors’ Report; and,
- 5) That the KPMG LLP Audit Findings Report for the year ended December 31, 2024 be received; and further,
- 6) That Staff be authorized and directed to do all things necessary to give effect to this resolution.

**EXECUTIVE SUMMARY:**

KPMG LLP has completed an audit of the Consolidated Financial Statements of the City of Markham and has expressed an unqualified opinion that the Statements present fairly, in all material respects, the consolidated financial position of the City.

During the course of the audit, KPMG reported on a small set of land additions (road buffers) that the City acquired in previous years but were only identified and confirmed in 2024 as a result of a roads-related project. Staff included these land parcels in the 2024 financial statements, but decided not to update the prior year financial information (opening balance) as the impact was not deemed material. KPMG agreed with this approach and is reporting on this adjustment as an “out-of-period uncorrected audit misstatement”. As KPMG notes in their audit findings report, this item has been corrected in 2024 and, as a result, the ending balances for tangible capital assets and accumulated surplus are correct.

The audited Statements are a report card on the financial position, health and strength of the City. The 2024 financial results continue to demonstrate Markham’s strong leadership and excellence in financial planning and fiscal prudence.

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Following approval, the audited Statements will be included in the 2024 Annual Report which will be published on the City's website. A link to the Annual Report will be provided to Council members.

**PURPOSE:**

The purpose of this report is to obtain Council adoption of the 2024 Statements and to seek authority to publish the audited financial information as required by the Municipal Act (the Act).

**BACKGROUND:**

The 2024 Consolidated Financial Statements, this report and its appendices are prepared in accordance with the Act as follows:

- Section 286 (1) requires the Treasurer to report the financial affairs of the municipality to Council.
- Section 294.1 requires a municipality to prepare, for each fiscal year, annual financial statements in accordance with generally accepted accounting principles (GAAP) for local governments as recommended, and from time to time, by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA Canada).
- Section 296 (1) requires a municipality to appoint an auditor, licensed under the Public Accounting Act, who is responsible for annually auditing the accounts and transactions of the municipality and its local boards and expressing an opinion on the financial statements of these bodies based on the audit.

The Public Sector Accounting Board (PSAB) issues recommendations and reporting requirements that serve the public's interest by strengthening accountability in the public sector through the development, recommendation, and acceptance of accounting and financial reporting standards.

The statements reflect the financial position of the City and its, operating results, and how the City financed its activities and met its cash requirements. Additionally, the statements confirm that the resources were obtained and used in a manner consistent with Council approved budgets.

The City engaged the external audit firm KPMG LLP, Chartered Professional Accountants to audit the Statements as at December 31, 2024 and their accompanying Notes to Financial Statements (Notes). The Notes comprise a summary of significant accounting policies and other explanatory information. The audit is conducted in accordance with Canadian Generally Accepted Auditing Standards to obtain reasonable assurance as to whether the Statements are free from material misstatement.

As required by PSAB, the City adopted prospectively the following new public sector accounting standards ("PS") for the year ended December 31, 2024. The adoption of these new accounting standards did not have a significant impact on the financial statements of the City.

- PS 3160, Public Private Partnerships ("P3s"), identifies requirements on how to account for and disclose transactions in which public sector entities procure major infrastructure assets and/or services from private sector entities. Recognition of assets arising from P3

arrangements is ultimately dependent on whether public sector entities control the purpose and use of the assets, access to the future economic benefits and exposure to the risks associated with the assets, any continued private sector financing beyond the commencement of the assets's operationalization and significant residual interest in the asset, if any, at the end of the term of P3s. Measurement of the asset and related liability will also be dependent on the overall model used to compensate the private sector entity.

- PS 3400, Revenue, establishes a single framework to categorize revenues to enhance the consistency of revenue recognition and its measurement. It distinguishes between exchange transactions (with performance obligations) and non-exchange transactions (without performance obligations). Revenue from exchange transactions is recognized when performance obligations are satisfied, while revenue from non-exchange transactions is recognized when the public sector entity has the authority to claim or retain the resources and a past event has occurred. The standard also provides guidance on measuring revenue, including considerations for variable consideration and non-cash transactions.
- Public Sector Guideline 8 (PSG-8) Purchased Intangibles provides guidance on recognizing and accounting for purchased intangible assets in the public sector. It defines purchased intangibles as identifiable non-monetary economic resources acquired through an arm's length transaction. The guideline requires recognition when the asset meets the criteria under PS 1000 Financial Statement Concepts and PS 3210 Assets. However, it does not prescribe detailed accounting treatment, instead directing entities to existing Public Sector Accounting Standards. PSG-8 does not apply to intangibles acquired through transfers, public-private partnerships, or inter-entity transactions.

The Statements include the City's wholly owned investment in Markham Enterprises Corporation (MEC), including MEC's shares in Alectra Inc. (Alectra) of 15% and Markham District Energy Inc. (MDE) of 100%.

## DISCUSSION:

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Balance Sheet, Appendix A – Page 1)

The Statement of Financial Position outlines the City's financial assets, financial liabilities and non-financial assets. The outcome of the statement shows an Accumulated Surplus and Accumulated Remeasurement of Gains (Losses) at year end of \$6,450.30M, an increase of \$713.30M (12.4%) over 2023.

	\$ in millions		
	<u>2024</u>	<u>2023</u>	<u>Incr. / (Decr.)</u>
Financial Assets	1,116.73	1,014.63	102.11
Financial Liabilities	536.41	506.60	29.81
<b>Net Financial Assets</b>	<b>580.32</b>	<b>508.03</b>	<b>72.30</b>
Non-Financial Assets	<b>5,869.98</b>	<b>5,228.98</b>	<b>641.00</b>
	<b>6,450.30</b>	<b>5,737.00</b>	<b>713.30</b>
<b>Accumulated Surplus</b>	<b>6,414.79</b>	<b>5,726.68</b>	<b>688.11</b>
<b>Accumulated Remeasurement of Gains</b>	<b>35.51</b>	<b>10.32</b>	<b>25.19</b>
	<b>6,450.30</b>	<b>5,737.00</b>	<b>713.30</b>

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**Financial Assets**

Financial assets are the resources controlled by the organization as a result of past events and from which future economic benefits are expected. Financial assets include cash and other assets expected to be converted to cash, sold or consumed either within a year or in the operating cycle. These assets are continually turned over in the course of normal business activities.

The City ended the year with financial assets totalling \$1,216.28M, an increase of \$201.65M or 19.9% from 2023.

**Cash & cash equivalents and investments** increased in 2024 from \$480.27M to \$622.57M (\$142.31M, 29.6%). This increase was driven by an increase in higher development charges collection in 2024 compared to 2023 (\$92.9M); refund of promissory note by Alectra Inc. (\$67.9M); receipt of grants, higher investment income and the impact of remeasurement of gains on principal protected notes and share of changes to other comprehensive income (\$54.1M); an increase in deposits and other revenues (\$19.6M). These are offset by a decrease in spending on operating and capital projects in 2024 compared to 2023 (\$17.8M) and by acquisition of real properties (\$112.9M). The average rate of return on investments in the general portfolio in 2024 was 7.57% (2023 – 6.2%).

**Property taxes receivable** increased from \$43.53M to \$50.77M (\$7.24M, 16.6%) mainly due to an increase in property tax levies for new properties levied towards end of year with a due date in the subsequent year.

**Accounts receivable** increased from \$82.89M to \$87.57M (\$4.69M, 5.7%) in 2024, mainly due to an increase in receivables for cash-in-lieu.

**Investment in MEC** decreased by \$51.42M (-12.6%) in 2024. This decrease in investment includes the 2024 equity income of \$28.72M, which is offset by refund of promissory note \$67.87M, a dividend payment of \$11.97M and a reduction in share capital of \$1.01M (Balance Sheet – Appendix A Page 16 Note 7).

**Financial Liabilities**

Financial liabilities are financial obligations to outside organizations or other individuals that are the result of transactions or events that occurred on or before the end of the accounting period.

Financial liabilities were \$536.41M at the end of 2024, an increase of \$29.81M (5.9%) from 2023.

**Accounts payable and accrued liabilities** increased in 2024 from \$160.94M to \$186.43M (\$25.49M, 15.8%) mainly due to an increase in amounts payable to vendors for construction projects (\$17.1M) due to timing, and an increase accrued liabilities related to employment (\$8.21M).

**Notes payable** decreased by \$94.00M in 2024 when compared to 2023, due to payment made to the vendor in January 2024 as per the terms of the contractual obligations.

**Deferred revenues** increased from \$181.22M to \$278.87M (\$97.65M, 53.9%) in 2024. The increase was mainly due to higher Development Charges (\$113.49M) and Community Benefit charges (\$2.6M) offset by higher usage of Canada Community Building Fund (\$2.4M) & other capital projects.

**Employee future benefits liabilities** increased by \$1.54M or 3.5% which included an increase as per actuarial valuations.

**Long-term liabilities** decreased from \$7.61M to \$6.74M (-\$0.87M, -11.4%) in recognition of payments toward long-term loans from the Federation of Canadian Municipalities (FCM) and Canada Mortgage and Housing Corporation (CMHC).

### **Non-Financial Assets**

Non-financial assets are assets with physical, rather than cash value. They include tangible capital assets (TCA) such as land and buildings, inventories of supplies such as salt and sand, as well as prepaid expenses.

Non-financial assets totalled \$5,862.75M at the end of 2024, an increase of \$641.0M (12.3%), which is almost entirely related to net increase in tangible capital assets of \$641.15M (amount comprised mainly of land valuation), offset by a decrease in salt & sand inventory and prepaid expenses. The major assets acquired through development, purchased or put into service following construction completion in 2024 include land, roads, stormwater & waterworks infrastructure and parks & pathways.

### **CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS** (Income Statement, Appendix A – Page 2)

This statement accounts for the City's consolidated revenues and expenses from operations, and includes other accounting adjustments such as the value of contributed assets from developers of \$612.28M (2023 – \$230.27M), deferred revenues earned of \$39.87M (2023 – \$32.43M), equity in income from MEC of \$28.72M (2023 – \$25.44M) and the amortization of TCA \$85.42M (2023 – \$84.12M). The major components of the statement are illustrated in the chart below.

	<b>\$ in millions</b>		
	<b><u>2024</u></b>	<b><u>2023</u></b>	<b><u>Incr. / (Decr.)</u></b>
Revenues	1,192.27	768.72	423.55
Less Expenses	504.16	484.59	19.57
<b>Annual Surplus</b>	<b>688.11</b>	<b>284.13</b>	<b>403.98</b>
Accumulated Surplus, Beginning of Year	<b>5,726.68</b>	<b>5,442.55</b>	<b>284.13</b>
Accumulated Surplus, End of Year	<b>6,414.79</b>	<b>5,726.68</b>	<b>688.11</b>

**Revenues**

The year-over-year increase in revenues of \$423.55M was driven by an increase in contribution from developers (\$382.0M, consisting mainly of land contributions), User charges (\$11.97M), investment income (\$12.06M), property tax levies (\$7.95M), deferred revenue earned (\$7.38M), and equity income from MEC (\$2.98M), offset by decreases in government transfers (-\$2.21M).

**Expenses**

The expenses increased by \$19.57M in 2024 compared to 2023. This was driven by expense increases in the areas of Environmental Services (\$6.20M), General Government (\$6.00M), Recreation, Library and Culture (\$4.85M), Planning & development services (\$2.54M), and Protection to Persons and Property<sup>1</sup> (\$1.62M) offset by a decrease in Transportation Services (-\$1.63M).

**Accumulated Surplus (Appendix A – Page 19)**

The accumulated surplus of \$6,414.79M consists of individual operating fund surpluses, equity in MEC, tangible capital assets, and reserves and reserve funds as outlined in the following table:

	<b>\$ in millions</b>		
	<b><u>2024</u></b>	<b><u>2023</u></b>	<b><u>Incr. / (Decr.)</u></b>
Operating surplus (excl. waterworks)	8.62	4.83	3.80
Waterworks	5.52	4.82	0.70
Destination Markham Corporation	3.81	3.67	0.14
Community Boards and BIAs	<u>0.55</u>	<u>0.57</u>	<u>(0.02)</u>
<b>Operating Surplus Total</b>	<b>18.50</b>	<b>13.89</b>	<b>4.61</b>
Less Transferred to Life Cycle Replacement and Other reserve funds	(8.62)	(4.83)	(3.80)
Transferred to Waterworks reserve	<u>(5.52)</u>	<u>(4.82)</u>	<u>(0.70)</u>
	<b>4.36</b>	<b>4.24</b>	<b>0.11</b>
Equity income from Markham Enterprises Corporation	355.82	407.95	(52.13)
Invested in Tangible Capital Assets	5,862.75	5,221.60	641.15
Reserves and Reserve Funds	284.10	245.27	38.83
Adjustment for real property acquisition due to timing	-	(94.00)	94.00
Other	<u>(92.23)</u>	<u>(58.37)</u>	<u>(33.87)</u>
<b>Total Accumulated Surplus</b>	<b><u>6,414.79</u></b>	<b><u>5,726.68</u></b>	<b><u>688.10</u></b>

**Operating Surplus**

The unaudited 2024 year-end results of operations were presented to General Committee on March 4, 2025. Pending audit results, General Committee approved the transfer of operating surplus to various reserves. The actual surplus from operations (excluding waterworks) presented before the transfers was \$10.2M (which is now reduced to \$8.62M due to additional expected expense accruals). The combined surplus of \$18.50M consists of: \$8.62M from operations, \$5.52M from Waterworks operations, \$3.81M from Destination Markham Corporation, and \$0.55M from the Community Boards and BIAs.

<sup>1</sup> Protection to Persons and Property includes by-law enforcement, inspections and fire services.

### Equity in Markham Enterprises Corporation

This represents the value of the City's investment in MEC of \$356.52M as noted in the Financial Assets section on page 4 of this report (also refer to Appendix A – Page 16, note 7).

### Invested in Tangible Capital Assets

The investment in tangible capital assets and other totaled \$5,862.75M. This represents the net book value of TCA such as land, buildings, equipment, infrastructure and other adjustments at year end.

### Reserves and Reserve Funds

The Reserves and Reserve Funds represent the means by which the City keeps track of monetary resources set aside by Council for specific, future purposes. The inflows into these funds are largely from the operating budget and the outflows are generally to fund capital projects, employee future benefit requirements and other initiatives as directed by Council. The Reserves and Reserve Funds totalled \$300.13M at the close of 2024, an increase of \$31.73M (13.5%) from 2023.

**Reserves** totalled \$340.71M, an increase of \$40.58M over 2023. The net increase was the result of the following changes to the Reserves:

	\$ in millions		
	<u>2024</u>	<u>2023</u>	<u>Incr. / (Decr.)</u>
<b>Reserves</b>			
Building fee	18.40	15.16	3.24
Capital gains	22.35	12.49	9.86
Corporate rate stabilization	30.05	30.06	(0.01)
COVID	-	3.00	(3.00)
Development fee	62.24	59.60	2.63
Facility ramp up	42.64	38.98	3.65
Firefighters sick leave benefits	7.76	7.26	0.50
Insurance	5.65	4.59	1.07
Long-term disability benefit	25.69	25.69	0.00
Waterworks	124.54	102.25	22.29
Other	1.40	1.05	0.35
<b>Total Reserves</b>	<b>340.71</b>	<b>300.13</b>	<b>40.58</b>

**Reserve Funds** decreased by \$1.75M from 2023. The increase was the result of the following changes to the Reserve Funds:

	<b>\$ in millions</b>		
	<b><u>2024</u></b>	<b><u>2023</u></b>	<b><u>Incr. / (Decr.)</u></b>
<b>Reserve Funds</b>			
Environmental land acquisition	13.97	13.06	0.91
Heritage land acquisition	0.86	0.89	(0.03)
Land acquisition	(398.62)	(359.56)	(39.07)
Library infrastructure	7.37	7.02	0.35
Life cycle replacement and capital	254.84	227.07	27.77
Non-DC growth	23.54	17.84	5.69
Post retirement benefits	21.09	20.09	1.00
Public art acquisition	9.07	6.93	2.13
Stormwater fee	(2.39)	(1.32)	(1.06)
Workplace Safety & Insurance Board	8.04	7.66	0.38
Other	5.64	5.46	0.18
<b>Total Reserve Funds</b>	<b><u>(56.61)</u></b>	<b><u>(54.86)</u></b>	<b><u>(1.75)</u></b>

## COMMUNICATION

Section 295 (1) of the Act requires municipalities to annually communicate to its taxpayers, the results of the municipality's year end. The financial statements will be published on the City's website upon receipt of the final audited version from KPMG LLP and will form an important part of the City's 2024 Annual Report, published online.

For the past twenty three consecutive years, the City has received the Government Finance Officers Association (GFOA) 'Canadian Award for Financial Reporting', most recently for the City's 2023 Annual Report and Financial Statements. The award provides recognition for excellence in governmental accounting and financial reporting. The receipt of this award signifies that Markham delivered a comprehensive annual financial report that demonstrates full transparency and disclosure over and above the minimum requirements of Generally Accepted Accounting Principles. Upon receiving the Independent Auditors' Report, the 2024 Annual Report and Financial Statements will again be submitted to the GFOA.

## RECOMMENDED BY:

Joseph Silva  
Treasurer

Trinela Cane  
Commissioner, Corporate Services

## ATTACHMENTS:

2024 Consolidated Financial Statements Presentation  
Appendix A – 2024 Consolidated Financial Statements  
Appendix B – 2024 Audit Findings Report