

Consolidated Financial Statements of
**THE CORPORATION OF THE
CITY OF MARKHAM**

December 31, 2024

Independent Auditor's Report

(To be provided following Council adoption of the financial statements)

THE CORPORATION OF THE CITY OF MARKHAM
Consolidated Statement of Financial Position
December 31, 2024 with comparative figures for 2023
(All dollar amounts are in \$000's)

	Note	2024	2023
FINANCIAL ASSETS			
Cash and cash equivalents	5	\$268,276	\$214,766
Investments	5	354,296	265,500
Property taxes receivable	6	50,766	43,530
Accounts receivable		87,573	82,885
Investment in Markham Enterprises Corporation	7	355,822	407,946
		\$1,116,733	\$1,014,627
FINANCIAL LIABILITIES			
Accounts payable and accrued liabilities	8	\$186,429	\$160,936
Liability for asset retirement obligation		19,571	19,571
Notes payable	9	-	94,000
Deferred revenues	10	278,873	181,222
Employee future benefits liabilities	11	44,799	43,264
Long-term liabilities	12	6,738	7,608
		\$536,410	\$506,601
NET FINANCIAL ASSETS		\$580,323	\$508,026
NON-FINANCIAL ASSETS			
Tangible capital assets	13	\$5,862,749	5,221,595
Inventories		3,068	3,588
Prepaid expenses		4,163	3,793
		\$5,869,980	5,228,976
Commitments	17		
Contingencies	18		
Contractual rights	22		
ACCUMULATED SURPLUS	16	6,414,791	5,726,679
ACCUMULATED REMEASUREMENT OF GAINS (LOSSES)		35,512	10,323
		\$6,450,303	\$5,737,002

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

THE CORPORATION OF THE CITY OF MARKHAM
Consolidated Statement of Operations and Accumulated Surplus
For the year ended December 31, 2024 with comparative figures for 2023
(All dollar amounts are in \$000's)

	Note	2024		2023
		Budget (note 20)	Actual	Actual
Revenues				
Property taxes		\$187,742	\$192,366	\$184,417
User charges	14	231,504	231,050	219,083
Government transfers	15	14,663	19,362	21,567
Contributions from developers and others		7,077	612,277	230,273
Investment income		18,517	39,671	27,615
Tax penalties		5,301	7,312	6,300
Gain on sale of tangible capital assets		-	-	267
Deferred revenue earned		45,025	39,817	32,433
Equity income from Markham Enterprises Corporation	7	14,821	28,421	25,441
Other		7,327	21,994	21,324
TOTAL REVENUES		\$531,977	\$1,192,270	\$768,720
Expenses				
	19			
General government		74,105	\$72,708	\$66,710
Protection to persons and property		62,981	61,188	59,569
Transportation services		78,561	70,319	71,952
Environmental services		179,765	177,191	170,987
Recreation and cultural services		100,072	102,879	98,028
Planning and development services		25,232	19,856	17,312
Other		39	17	30
TOTAL EXPENSES		520,755	\$504,158	\$484,588
ANNUAL SURPLUS		\$11,222	\$688,112	\$284,132
ACCUMULATED SURPLUS, BEGINNING OF YEAR		5,726,679	5,726,679	5,442,547
ACCUMULATED SURPLUS, END OF YEAR	16	\$5,737,901	\$6,414,791	\$5,726,679

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

THE CORPORATION OF THE CITY OF MARKHAM
Consolidated Statement of Change in Net Financial Assets
For the year ended December 31, 2024 with comparative figures for 2023
(All dollar amounts are in \$000's)

	Note	2024		2023
		Budget	Actual	Actual
Annual surplus		\$11,222	\$688,112	\$284,132
Acquisition of tangible capital assets		(158,697)	(115,423)	(181,417)
Contributed tangible capital assets	13		(612,277)	(230,273)
Amortization of tangible capital assets		84,830	85,432	84,121
Asset retirement obligation incurred in year		-	-	(1,316)
Loss (gain) on disposal of tangible capital assets		-	731	(267)
Proceeds from disposal of tangible capital assets		-	383	267
		(\$62,645)	\$46,958	(\$44,753)
Acquisition of inventories		-	(3,068)	(3,588)
Acquisition prepaid expenses		-	(4,163)	(3,793)
Consumption of inventories		-	3,588	3,757
Use of prepaid expenses		-	3,793	4,569
Change in net financial assets excluding net remeasurement gains		(\$62,645)	\$47,108	(\$43,808)
Net remeasurement of gains for the year		-	25,189	10,323
Net change in net financial assets		(62,645)	72,297	(33,485)
Net financial assets, beginning of year		508,026	508,026	541,511
Net financial assets, end of year		\$445,381	\$580,323	508,026

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

THE CORPORATION OF THE CITY OF MARKHAM
Consolidated Statement of Remeasurement of Gains and Losses
For the year ended December 31, 2024 with comparative figures for 2023
(All dollar amounts are in \$000's)

	<u>2024</u>	<u>2023</u>
Accumulated remeasurement gains, beginning of year	\$ 10,323	\$ -
Realized amounts reclassified to Consolidated Statement of Operations	(2,002)	-
Unrealized gains in the current year attributable to portfolio investments	26,891	10,473
Share of other comprehensive gain (loss) from Markham Enterprises Corporation	300	(150)
Accumulated remeasurement gains, end of year	\$ 35,512	\$ 10,323

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

THE CORPORATION OF THE CITY OF MARKHAM
Consolidated Statement of Cash Flows
For the year ended December 31, 2024 with comparative figures for 2023
(All dollar amounts are in \$000's)

	<u>2024</u>	<u>2023</u>
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Annual surplus	\$ 688,112	\$ 284,132
Add (deduct) items not involving cash		
Amortization of tangible capital assets	85,432	84,121
Loss (gain) on disposal of tangible capital assets	731	(267)
Change in employee future benefits and other liabilities	1,535	2,970
Equity in income of Markham Enterprises Corporation	(28,421)	(25,291)
Contributed tangible capital assets	(612,277)	(230,273)
Change in non-cash assets and liabilities		
Property taxes receivable	(7,236)	(8,738)
Accounts receivable	(4,688)	5,147
Accounts payable and accrued liabilities	25,493	3,771
Notes payable	(94,000)	94,000
Long term liabilities	(870)	(840)
Deferred revenue	97,651	10,106
Inventories	520	169
Prepaid expenses	(370)	776
Net change in cash from operating activities	\$ 151,612	\$ 219,783
INVESTING ACTIVITIES		
Acquisition of tangible capital assets	(115,423)	(181,417)
Proceeds from disposal of tangible capital assets	383	267
Net of purchase of investments and proceeds	(63,907)	7,715
Net change in cash from investing activities	(178,947)	(\$173,435)
FINANCING ACTIVITIES		
Dividend from Markham Enterprises Corporation	11,966	14,821
Proceeds from the refund of promissory note from Alectra	67,867	-
Return of capital	1,012	962
Net change in cash from financing activities	\$ 80,845	\$ 15,783
NET CHANGE IN CASH & CASH EQUIVALENTS	\$ 53,510	\$ 62,131
OPENING CASH & CASH EQUIVALENTS	214,766	152,635
CLOSING CASH & CASH EQUIVALENTS	\$ 268,276	\$ 214,766
Supplementary information:		
Interest paid	245	275
Interest received	13,422	16,654

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

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of The Corporation of The City of Markham (the City) are prepared by management in accordance with Canadian public sector accounting standards, as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA Canada).

Significant accounting policies adopted by the City are as follows:

a) Basis of consolidation

These consolidated financial statements reflect the assets, liabilities, revenues and expenses of the reporting entity. The reporting entity is comprised of all organizations, local boards and committees accountable for the administration of their financial affairs and resources, to the City, and which are owned or controlled by the City, including the following:

- City of Markham Public Library Board
- Old Markham Village Business Improvement Area
- Unionville Business Improvement Area
- Destination Markham Corporation

Inter-entity transactions and balances are eliminated on consolidation.

b) Investment in Markham Enterprises Corporation

Markham Enterprises Corporation (MEC) and its subsidiaries are accounted for on a modified equity basis, consistent with the Canadian public sector accounting standards as recommended by PSAB for government business enterprises. Under the modified equity basis of accounting, the business enterprise's accounting principles are not adjusted to conform to those of the City, and inter-organizational transactions and balances are not eliminated. The City recognizes its equity interest in the annual income or loss of MEC in its consolidated statement of operations and accumulated surplus with a corresponding increase or decrease in its investment asset account. The share of other comprehensive income or loss in MEC is recognized in City's consolidated statement of remeasurement of gains and losses. Any dividends that the City may receive from MEC are reflected as reductions in the investment asset account.

c) Accounting for Region and School Board Transactions

The property taxes, other revenues, expenses, assets and liabilities with respect to the operations of the Regional Municipality of York (the Region) and the York Region District School Boards (School Boards) are not reflected in the municipal fund balances of these consolidated financial statements.

d) Trust Funds

Trust funds and their related operations administered by the municipality are not consolidated, but are reported separately on the "Trust Funds Statement of Financial Position" and the "Trust Funds Statement of Operations and Fund Balances".

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Basis of Accounting

Revenues are recorded in the period in which the transactions or events occurred that gave rise to the revenue.

Expenses are the cost of goods and services acquired in the period whether or not payment has been made or invoices received.

f) Financial Instruments

PS 3450 Financial Instruments establishes standards on the recognition and measurement of different categories of financial instruments, including derivatives.

The City's investments in Principal Protected Notes (PPNs) meet the criteria of a financial instrument with an embedded derivative. The standards permit financial instruments containing one or more embedded derivatives to be designated as a hybrid (combined) instrument and carried at fair value. This designation is irrevocable. The City has elected to record the PPNs at fair value. The cumulative change in fair value of these financial instruments is recorded in accumulated surplus as remeasurement gain and losses and is included in the value of the investments presented in the consolidated statements of financial position. Upon disposition of the PPNs, the cumulative remeasurement gains and losses are reclassified to the consolidated statement of operations and accumulated surplus, and all other gains and losses related to the disposition of the PPNs are directly recorded in the consolidated statement of operations and accumulated surplus.

Investments also include bonds and debentures which are recorded and measured at amortized cost. Discounts and premiums arising on the purchase of these investments are amortized over the term of the investments. If there is a loss of value that is other than a temporary decline in value, the respective investment will be written down to market value to recognize the loss in the consolidated statement of operations.

g) Government Transfers

Government transfers are recognized in the financial statements in the period in which the events giving rise to the transfer occurred, providing that the transfers are authorized, any eligibility criteria and stipulations have been met, and reasonable estimates of the amounts can be made.

The City adopted PS 3410, Government Transfers that establishes the recognition, measurement and disclosure requirements for government transfers. It provides specific revenue recognition criteria for transferring government and recipient government.

h) Deferred Revenues

Funds received for specific purposes are accounted for as deferred revenue until the City discharges the obligation, which led to receipt of the funds.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Property Taxes and Related Revenues

Property tax billings are prepared by the City based on assessment rolls compiled by the Municipal Property Assessment Corporation (MPAC). Property tax rates are established annually by City Council, incorporating amounts to be raised for local services and amounts that the City is required to collect on behalf of the Region and School Boards for education purposes. Realty taxes are billed based on the assessment rolls provided by MPAC.

A normal part of the assessment process is the issuance of supplementary assessment rolls that provide updated information with respect to changes in property assessment. Once a supplementary assessment roll is received, the City determines the property taxes applicable and issues supplementary tax bills. Assessments and the related property taxes are subject to appeal. Any supplementary billing adjustments made necessary by the determination of such changes will be recognized in the fiscal year they are determined and the impact shared with the Region and School Boards as appropriate.

The City is entitled to collect interest and penalties on overdue property taxes. These revenues are recorded in the period the interest and penalties are levied.

j) Employee Future Benefits Liabilities

The City accounts for its participation in the Ontario Municipal Employee Retirement System (OMERS), a multi-employer public sector pension fund, which is accounted for as a defined benefit plan. Vacation entitlements are accrued for as entitlements are earned. Sick leave benefits are accrued where they are vested and subject to pay out when an employee leaves the City's employment. Other employee future benefits are accrued in accordance with the projected benefit method prorated on service and management's best estimate of salary escalation and retirement ages of employees. Actuarial valuations, where necessary for accounting purposes, are performed triennially. The discount rate used to determine the accrued benefit obligation was determined by reference to market interest rates at the measurement date on high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments. Unamortized actuarial gains or losses are amortized on a straight-line basis over the expected average remaining service life of the related employee groups.

Unamortized actuarial gains or losses for event-triggered liabilities, such as those determined as claims related to Workplace Safety and Insurance Board (WSIB) are amortized over the average expected period during which the benefits will be paid. The cost of plan amendments is accounted for in the period they are adopted.

The City, on approval from City Council, has set aside funds specifically for the financing of future costs.

k) Investment Income

Investment income is reported as revenue in the period earned. Investment income earned on obligatory reserve funds is added to the fund balance and forms part of the respective deferred revenue and/or obligatory reserve funds balance.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

m) Tangible Capital Assets

Tangible capital assets are recorded at cost which includes amounts that are directly attributed to acquisition, construction, development or betterment of the asset. The cost, less residual value of the tangible capital assets, excluding land, are amortized on a straight-line basis over their estimated useful lives in number of years as follows:

Asset	Useful Life - Years
Buildings	40
Equipment	5 – 20
Furniture and fixtures	10 – 15
Infrastructure	10 – 100
Library materials, furniture and fixtures	7 – 10
Park and pathways	10 – 60
Vehicles	7 – 9
Waterworks equipment	9
Waterworks infrastructure	15 – 100

Amortization is prorated to six months in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

(i) Contributions of Tangible Capital Assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue. Tangible capital assets conveyed from developers are recorded at the estimated engineering value at the time of registration.

(ii) Works of Art and Cultural and Historic Assets

Works of art and cultural and historic assets are not recorded as assets in these consolidated financial statements.

(iii) Interest Capitalization

Interest is capitalized whenever external debt is issued to finance the construction of tangible capital assets.

n) Assets

The assets standard provides additional guidance on the definition of assets and what is meant by economic resources, control, past transactions and events and from which future economic benefits are to be obtained. For the year ended December 31, 2024, all the material assets have been reported.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Inventories

Inventories of supplies held for consumption are recorded at the lower of cost and replacement cost. Inventories of heritage land held for sale are recorded at lower of the cost or net realizable value.

p) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenditures during the period. Actual results could differ from these estimates.

q) Budget Figures

The approved operating and capital budgets for 2024 are reflected on the consolidated statement of operations and accumulated surplus and on the consolidated statement of change in net financial assets. The Capital budget is report on a project-oriented basis, the costs of which may be carried over one or multiple years and, therefore, may not be comparable with the current year actual amounts. The budget presented in these financial statements has been reconciled to the approved budgets to reflect the accrual basis of accounting in note 20. As a result of changes to the Municipal Act, 2001 (Part VI Special Powers and Duties of the Head of Council) that affected the City's Budget process, City Council approved in-year additions to the 2024 capital budget plan resulting in a change to the 2024 capital budget from \$118,263 as originally approved to \$128,195.

r) Segment Disclosure

A segment is defined as a distinguishable activity or group of activities of a government for which it is appropriate to separately report financial information to achieve the objectives of the standard. The City has provided definitions of the segments used and presented financial information in segmented format in note 19.

s) Contaminated Sites

Contaminated sites are defined as sites that are contaminated as a result of contamination being introduced in air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. This standard relates to sites that are not in productive use and sites in productive use where an unexpected event resulted in contamination.

A liability for remediation of contaminated sites is recognized, net of any expected recoveries, when all of the following criteria are met:

- an environmental standard exists
- contamination exceeds the environmental standard
- the organization is directly responsible or accepts responsibility for the liability
- future economic benefits will be given up, and
- a reasonable estimate of the liability can be made.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

t) Asset Retirement Obligations

PS 3280 Asset Retirement Obligations (ARO) is recognized when, as at the financial reporting date, all of the following criteria are met:

- There is a legal obligation to incur 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.

The substantial portion of ARO liability for the City stems from the removal of asbestos in several of the buildings owned by the City. The ARO liability for removal of asbestos has been based on actual demolition cost of a building containing asbestos. The City has also identified associated costs related to the asbestos disposal and calculated a cost per square foot, which was applied to the remaining buildings built before 1990. Where renovations had taken place, the gross area of the structure was pro-rated to account for partial abatement. Assumptions used in the calculations are revised on an annual basis. However, there is no change in assumptions for the period ended December 31, 2024.

The City elected not to apply present value technique to measuring asset retirement obligation liability and as a result does not recognize any accretion expenses in the consolidated financial statements.

u) Adoption of new accounting standards

City adopted 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.

- (i) 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, 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.
- (ii) PS 3400, Revenue, establishes a single framework to categorize revenues to enhance the consistency of revenue recognition and its measurement.
- (iii) Public Sector Guideline 8 Purchased Intangibles, allows public sector entities to recognize intangibles purchased through an exchange transaction.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

v) Future accounting pronouncements

These following standards and amendments were not yet effective for the year ended December 31, 2024, and have therefore not been applied in preparing these consolidated financial statements. Management is currently assessing the impact of these accounting standards updates on future financial statements.

Standards applicable for fiscal years beginning on or after April 1, 2026 (the City's December 31, 2027 year end):

- (i) The Conceptual Framework for Financial Reporting in the Public Sector, the revised framework defines and elaborates on the characteristics of public sector entities and financial reporting objectives. The revised conceptual framework will replace the existing conceptual framework, which consists of Section PS 1000, Financial Statement Concepts, and Section PS 1100, Financial Statement Objectives. The conceptual framework is to be applied prospectively.
- (ii) PS 1202 – Financial Statement Presentation: this new reporting model will be built upon the existing Section PS 1201 of the same name to better respond to the need for understandable financial statements.
- (iii) PS 3251 - Employee Benefits will replace the current section PS 3250 and PS 3255. The proposed section is currently undergoing discussions where further changes are expected as a result of the re-exposure comments. Effective date is currently not determined.

(w) 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 rights for the year ended on December 31, 2024, are disclosed in note 22.

Contractual obligations represent obligations, that will result in liabilities upon the completion of agreed upon terms specified in contracts and/or agreements in future fiscal periods. For further details regarding the City's contractual obligations, including the nature, extent and timing of these types of transactions, please refer to note 17.

(x) 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 consolidated financial statements. The existence of the asset and/or liability is ultimately dependent upon the occurrence or nonoccurrence of a future event that is outside of the entity's control.

For the year ended December 31, 2024, the City is not aware of any contingent asset. However, disclosure regarding the City's contingent liabilities, including the nature, extent, and basis of estimates (if available), can be found in note 18.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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, as well as their close family members.

PS 2200 - Related Party Disclosure, requires the City to disclose circumstances in which the entity enters into transactions with its related parties at a value different from that which would have been arrived at if the parties were unrelated (i.e. not at arm's length) and these transactions are considered to have a significant financial impact on the City's consolidated financial statements. In the event qualifying transactions are identified, the City would disclose the nature of relationships with all involved parties, type of related party transaction, and amounts recognized in the consolidated financial statements.

(z) Reserves and Reserve Funds

Reserve funds are comprised of funds set aside for specific purposes. City Council has authorized the allocation of interest to reserve funds but not to reserves. There are two types of reserve funds:

- (i) Obligatory reserve funds are funds received and set aside for specific purposes by legislation or contractual agreements. These funds can only be used for prescribed purposes and are reported as deferred revenue on the consolidated statement of financial position.
- (ii) Council directed reserve funds are created by council for specific purposes through bylaw and are reported in the accumulated surplus balance on the consolidated statement of financial position.

2. ADOPTION OF NEW ACCOUNTING STANDARDS

During the current year, the City adopted the following new accounting standards that came into effect as at January 1, 2024. The adoption of these new accounting standards did not have a significant impact on the consolidated financial statements of the City.

(a) PS 3160 Public Private Partnerships:

On January 1, 2024, the City adopted Canadian public sector accounting standard PS 3160 Public Private Partnership. The standards were adopted prospectively from the date of adoption. The new accounting standard provide standards for accounting and reporting infrastructure assets and liabilities arising from public-private partnership (P3) arrangements in the public sector. It applies to arrangements where a public sector entity collaborates with a private sector partner to design, build, acquire, or improve infrastructure; finance the project beyond its readiness for use; and operate and/or maintain the infrastructure. The standard requires recognition of the infrastructure asset and a corresponding liability when the public sector entity controls the asset's purpose, use, and residual interest, and expects to benefit from its service potential while being exposed to related risks. The asset is initially measured at cost, representing its fair value at the recognition date, and subsequently amortized over

its useful life. The liability is measured based on the nature of consideration provided to the private partner, following either the financial liability model or the user-pay model.

(b) PS 3400 Revenue:

On January 1, 2024, the City adopted Canadian public sector accounting standard PS 3400 Revenue. The standards were adopted prospectively from the date of adoption. The new accounting standards provide 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.

(c) Public Sector Guideline 8 (PSG-8) Purchased Intangibles:

On January 1, 2024, the City adopted PSG-8 Purchased Intangibles. The guideline 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. City adopted PSG-8 prospectively.

3. OPERATIONS OF SCHOOL BOARDS AND THE REGION OF YORK

Further to note 1, requisitions were made by the Region and School Boards requiring the City to collect property taxes and payments in lieu of property taxes on their behalf. The amounts collected and remitted are summarized as follows:

	School Boards	Region of York	2024	2023
Taxation	\$254,721	\$401,003	\$655,724	\$633,034
Payment in lieu of taxes	312	1,184	1,496	1,455
Supplementary taxes	3,318	6,682	10,000	9,434
Amount requisitioned and transferred	\$258,351	\$408,869	\$667,220	\$643,923

4. PENSION AGREEMENTS

The City makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of its employees. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of credited service and average earnings. Employees contribute between 9.0% and 15.9% of their salary and the City matches the employee contribution.

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Notes to the Consolidated Financial Statements
For the year ended December 31, 2024 with comparative figures for 2023
(All dollar amounts are in \$000's)

Total OMERS contributions amounted to \$27,938 (2023 - \$27,592) of which \$13,969 (2023 - \$13,796) represented the City's portion and \$13,969 (2023 - \$13,796) represented employees' portion. Since OMERS is a multi-employer pension plan, the City does not recognize any share of the pension plan deficit of \$2.9 billion as of 2024 (2023 - \$4.2 billion) based on the fair market value of the Plan's assets, as this is a joint responsibility of all Ontario municipalities and their employees.

5. CASH & CASH EQUIVALENT AND INVESTMENTS

	2024	2023
Cash & cash equivalents	\$ 268,276	\$ 214,766
Investments	354,296	265,500
	\$ 622,572	\$ 480,266

Cash balance includes investments in the amount of \$3,848 (2023 - \$9,499) which have a maturity date of less than three months. Investments consist of authorized investments pursuant to the provisions of the Municipal Act and include short-term instruments of various financial institutions, government bonds, and Treasury Bills. Investments, which are reported at cost and amortized cost, had a market value of \$146,177 (2023 - \$148,027) at the end of the year. Investments also include PPN of \$159,752 (2023 - \$117,473) which are reported at fair market value and include \$35,512 (2023 - \$10,473) attributable to unrealized gain.

6. PROPERTY TAXES RECEIVABLE

The balance in property taxes receivable, including penalties and interest, is comprised of the following:

	2024	2023
Current year	\$40,560	\$33,743
Arrears prior years	13,157	12,738
	53,717	46,481
Less: Allowance for uncollectible taxes	(2,951)	(2,951)
	\$50,766	\$43,530

The Municipal Property Assessment Corporation (MPAC) is responsible for current value assessment (CVA) of all properties in Ontario. MPAC determines the CVA for all properties and provides it annually to municipalities in the form of an Assessment Roll, which the municipalities use to calculate property taxes for each individual property.

The most recent province-wide property assessment was made in 2016 which continues to be the basis for property assessments for property tax determination.

The City's property tax revenue and property tax receivables rely on the stability of the assessment roll, which is subject to annual assessment appeals that create an amount of uncertainty related to the amount of property tax receivables. Based on the current tax assessments, the City has provided a provision allowance in the amount of \$2,951 (2023 - \$2,951).

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Notes to the Consolidated Financial Statements
For the year ended December 31, 2024 with comparative figures for 2023
(All dollar amounts are in \$000's)

7. INVESTMENT IN MARKHAM ENTERPRISES CORPORATION

Markham Enterprises Corporation (MEC) is wholly owned by the City. MEC owns 100% (2023 – 100%) of Markham District Energy Inc. (MDE) and 15% of Alectra Inc. (Alectra) (2023 – 15%).

The following consolidated financial statements of MEC include the financial information of its subsidiaries MDE and Alectra for the period from January 1, 2024 to December 31, 2024.

	2024	2023
Assets		
Current	21,203	22,098
Capital assets	168,875	151,186
Investment in Alectra Inc.	328,725	316,252
Other	1,828	1,979
Total assets	\$520,631	\$491,515
Liabilities		
Current	47,472	43,423
Other	117,337	40,146
Total liabilities	\$164,809	\$83,569
Shareholder's equity		
Common shares	89,848	90,860
Promissory notes payable	11,317	79,184
Retained earnings and contributed surplus	254,657	237,902
Total shareholder's equity	\$355,822	\$407,946
Total liabilities and shareholder's equity	\$520,631	\$491,515
Results of operations		
Revenue	\$60,330	\$55,337
Operating expenses	31,909	29,896
Net Income	28,421	25,441
Share of other comprehensive income (loss)	300	(150)
City's share of net income in MEC	28,721	25,291
Opening balance, beginning of year	407,946	398,438
City's share of net income in MEC	28,721	25,291
Dividend received	(11,966)	(14,821)
Proceeds from the refund of promissory note from Alectra	(67,867)	-
Return of capital	(1,012)	(962)
Closing balance, end of year	355,822	407,946

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities include financial obligations to outside organizations and individuals as a result of transactions and events on or before the end of the accounting period. They are the result of contracts, agreements and legislation in force at the end of the year that require the City to pay for goods and services acquired or provided prior to year end. A breakdown of accounts payable and accrued liabilities is as follows:

	2024	2023
Payable to other governments	\$61,959	\$62,651
Trade accounts payable	86,612	82,812
Accrued liabilities	26,066	11,977
Payroll liabilities	11,792	3,496
	\$186,429	\$160,936

9. NOTES PAYABLE

In 2023, the City has entered into an agreement with a vendor for acquisition of real property and provided a promissory note in the amount of \$94,000. During 2024, the promissory note was fully repaid.

10. DEFERRED REVENUES

Deferred revenue – obligatory reserve funds constitutes funds received that have been set aside for specific purposes as outlined in provincial legislation (such as Community Benefit Charge and Section 37 funds), City by-laws and third party agreements. Deferred revenue – general includes cash received for user charges and security deposits. These amounts will be recognized as revenues in the fiscal year the services are performed or eligible expenses are incurred. The following represents the activity and year end balances for deferred revenue.

	Opening balance	Receipts	Revenue earned	Closing Balance
Obligatory reserve funds:				
Development charges	\$123,810	\$113,540	\$32,268	\$205,082
Canada Community Building Fund	19,353	11,744	14,140	16,957
Section 37 funds	8,241	1,095	131	9,205
Community benefit charge	-	2,572	299	2,273
Other	3	-	-	3
	151,407	128,951	46,838	233,520
General:				
Deferred revenue and deposits	29,815	70,083	54,545	45,353
	\$181,222	\$199,034	\$101,383	\$278,873

11. EMPLOYEE FUTURE BENEFITS LIABILITIES

	2024	2023
Long-term disability benefits	\$6,405	\$6,155
Post-employment benefits	19,169	18,808
Vested sick leave benefits	7,260	7,161
Workplace Safety & Insurance Board	7,570	6,950
	<u>\$40,404</u>	<u>\$39,074</u>
Vacation pay - City	4,208	4,009
Vacation pay - Library	187	181
	<u>\$44,799</u>	<u>\$43,264</u>

a) Long-Term Disability Benefits (LTD)

The City provides long-term disability benefits to eligible employees. At year end, the accrued liability of \$6,405 (2023 – \$6,155) represents the actuarial valuation of benefits to be paid, based on the history of claims with employees. The City has established a long-term disability reserve to reduce the future impact of these obligations. The accrued benefit liability and the net benefit cost for the fiscal year were determined by an actuarial valuation for December 2023 and projected to December 2024.

b) Post-Employment Benefits

The City provides for post-employment benefits (extended health and dental benefits) to eligible retiring employees to age 65. The City recognizes these post-employment costs as they are earned during the employee's tenure of service. The post-employment benefit liability at December 31, 2024 is \$19,169 (2023 – \$18,808). The accrued benefit liability and the net benefit cost for the fiscal year were determined by an actuarial valuation for December 2021 and projected to December 2024.

c) Vested Sick-Leave Benefits

Under the sick-leave benefit plan, which is available only to the City's Firefighters, employees can accumulate unused sick leave and may become entitled to a cash payment when they leave the City's employment. The liability for these accumulated days, to the extent that they have vested and could be taken in cash by an employee on termination, amounted to \$7,260 (2023 - \$7,161). The accrued benefit liability and the net benefit cost for the fiscal year were determined by an actuarial valuation for December 2021 and projected to December 2024.

d) Workplace Safety and Insurance Board (WSIB) Obligations

Effective January 1, 1999, the City became a Schedule II employer under the Workplace Safety and Insurance Act and follows a policy of self-insurance for all its employees. The City remits payments to the WSIB as required to fund disability payments. The estimated future liability relating to the WSIB claims amounted to \$7,570 (2023 - \$6,950) and was determined by an actuarial valuation. A Workplace Safety and Insurance Reserve Fund, funded by annual contributions from the Operating Fund, has been established to protect against any unknown future liability. The accrued benefit liability and the net benefit cost for the fiscal year were determined by an actuarial valuation for December 2022 and projected to December 2024.

THE CORPORATION OF THE CITY OF MARKHAM
Notes to the Consolidated Financial Statements
For the year ended December 31, 2024 with comparative figures for 2023
(All dollar amounts are in \$000's)

11. EMPLOYEE FUTURE BENEFITS LIABILITIES (continued)

Information about the City's self-insured, defined benefit plans is as follows:

	LTD	Post employment benefits	Vested sick- leave	WSIB	2024	2023
Accrued benefit liability, beginning of year	\$ 6,155	\$ 18,808	\$ 7,161	\$ 6,950	\$ 39,074	\$ 36,511
Service cost	1,084	996	632	916	3,628	3,401
Interest cost	287	753	294	416	1,750	1,487
Increase due to plan amendment/survivor awards	-	-	-	-	-	1,454
Benefit payments	(1,180)	(1,324)	(917)	(969)	(4,390)	(4,054)
Amortization of actuarial loss (gain)	59	(64)	90	257	342	275
Accrued benefit liability, end of year	\$ 6,405	\$ 19,169	\$ 7,260	\$ 7,570	\$ 40,404	\$ 39,074
Unamortized actuarial (gain) loss	232	(253)	(255)	(2,078)	(2,354)	(2,663)
Accrued benefit obligation, end of year	\$ 6,637	\$ 18,916	\$ 7,005	\$ 5,492	\$ 38,050	\$ 36,411

The actuarial valuations of the plans were based upon a number of assumptions about the future events, which reflect management's best estimates. The following represents the significant assumptions made:

	LTD	Post employment benefits	Vested sick- leave	WSIB
Expected inflation rate	N/A	1.75%	1.75%	2.50%
Expected level of salary increase	N/A	2.75%	2.75%	3.00%
Interest discount rate	4.50%	4.00%	4.00%	4.50%
Expected Average Remaining Service Life (EARS�) in years	N/A	13	13	11

12. LONG-TERM LIABILITIES

As a lower-tier municipality the City does not have the ability to borrow long-term funds, and as such the borrowing is done through the Region. The long-term liabilities issued and outstanding are as follows:

- The loan of \$12,000 received on July 1, 2010 from Canada Mortgage Housing Corporation (CMHC) through Region, was used to fund the purchase of the Markham District Energy Birchmount plant. The plant was subsequently leased back to MDE, a 100% owned subsidiary of MEC. The loan is to be amortized over a period of 20 years, at an interest rate of 4.04%. An annual payment to the Region of \$886 consists of principal and interest.
- The loan of \$4,000 received on April 14, 2014 from Federation of Canadian Municipalities (FCM) through Region was used to fund the cost of Cornell Community Centre. The loan is to be amortized over a period of 20 years, at an interest rate of 2%. An annual payment to the Region of \$244 consists of principal and interest.

Principal payments are repayable annually as follows:

2025	\$901
2026	933
2027	967
2028	1,002
2029	1,038
2030 and thereafter	1,897
	<u>\$6,738</u>

13. TANGIBLE CAPITAL ASSETS

a) Assets under construction

Assets under construction having a value of \$51,249 (2023 - \$39,904) have not been amortized. Amortization of these assets will commence when the asset is put into service.

b) Contributed Tangible Capital Assets

Contributed tangible capital assets have been recognized at fair market value at the date of contribution. The value of contributed assets received during the year is \$612,277 (2023 - \$230,273) comprised of land in the amount of \$576,098 (2023 - \$210,723), infrastructure in the amount of \$7,197 (2023 - \$14,135) and waterworks equipment and infrastructure in the amount of \$26,562 (2023 - \$5,415).

c) Tangible Capital Assets Disclosed at Nominal Values

Where an estimate of fair value cannot be made, the tangible capital asset is recognized at a nominal value. Land is the only asset where nominal values are assigned.

d) Works of Art and Historical Treasures

The City manages and controls various works of art and non-operational historical cultural assets including buildings, artifacts, paintings and sculptures located at City sites and public display areas. These assets are not recorded as tangible capital assets and are not amortized.

e) Asset retirement obligations

The cost of tangible capital assets and accumulated depreciation for buildings and infrastructure includes \$19,571 (2023 - \$19,571) and \$19,250 (2023 - \$19,156) respectively, attributable to asset retirement costs. As at December 31, 2024, these buildings and infrastructure assets remained in productive use, thus the carrying value of the liability for the asset retirement obligation remained consistent with the values reported in 2023.

THE CORPORATION OF THE CITY OF MARKHAM
Notes to the Consolidated Financial Statements
For the year ended December 31, 2024 with comparative figures for 2023
(All dollar amounts are in \$000's)

13. TANGIBLE CAPITAL ASSETS (continued)

	Cost				Accumulated Depreciation				Net Book Value	
	Dec 31, 2023	Additions/ transfers	Disposals & Adjustments	Dec 31, 2024	Dec 31, 2023	For the year	Disposals & Adjustments	Dec 31, 2024	2024	2023
Land	3,065,384	604,090	(1,163)	3,668,311	-	-	-	-	3,668,311	3,065,384
Buildings	484,461	7,087	-	491,548	196,889	11,082	(48)	207,923	283,625	287,572
Equipment	44,665	11,102	(2,306)	53,461	20,503	5,407	(2,306)	23,604	29,857	24,162
Furniture & Fixtures	3,372	64	(932)	2,504	2,555	169	(932)	1,792	712	817
Infrastructure	1,616,225	36,004	(9,174)	1,643,055	629,035	40,506	(9,175)	660,366	982,689	987,190
Library materials, furniture & fixtures	16,526	2,016	(1,870)	16,672	10,488	1,899	(1,870)	10,517	6,155	6,038
Parks & Pathways	120,209	15,888	(3,454)	132,643	47,512	6,551	(3,454)	50,609	82,034	72,697
Vehicles	16,864	8,812	(3,481)	22,195	9,992	2,027	(3,481)	8,538	13,657	6,872
Waterworks equipment & infrastructure	1,150,406	31,292	(1,651)	1,180,047	419,447	17,791	(1,651)	435,587	744,460	730,959
Total	6,518,112	716,355	(24,031)	7,210,436	1,336,421	85,432	(22,917)	1,398,936	5,811,500	5,181,691
Capital Work in progress	39,904	11,345	-	51,249	-	-	-	-	51,249	39,904
Grand Total	6,558,016	727,700	(24,031)	7,261,685	1,336,421	85,432	(22,917)	1,398,936	5,862,749	5,221,595

THE CORPORATION OF THE CITY OF MARKHAM
Notes to the Consolidated Financial Statements
For the year ended December 31, 2024 with comparative figures for 2023
(All dollar amounts are in \$000's)

14. USER CHARGES

	2024	2023
Water and sewer billing to ratepayers	\$148,995	\$143,876
Recreation programs	16,280	12,751
Building permits	14,242	10,590
Facility rentals	13,057	10,874
Engineering	12,800	13,387
Planning & landscaping	10,752	13,746
Other	5,379	5,576
Culture venues	3,872	3,381
Parking violations	3,358	3,073
Licenses	2,315	1,829
Total	\$231,050	\$219,083

Other user charges includes property tax administration fees, waterworks services, and legal administration fees.

15. GOVERNMENT TRANSFERS

The City recognizes the transfer of government funding as revenue in the year the events giving rise to the transfer occur. The details of government transfers for the year are:

	2024	2023
Provincial Grants:		
General government	\$ 100	\$ -
Environmental services	2,464	2,173
Recreation and cultural services	407	397
Planning and development services	770	587
	\$ 3,741	\$ 3,157
Federal Grants:		
General government	14,184	14,559
Environmental services	1,295	3,491
Recreation and cultural services	130	348
Planning and development services	12	12
	\$ 15,621	\$ 18,410
	\$ 19,362	\$ 21,567

THE CORPORATION OF THE CITY OF MARKHAM
Notes to the Consolidated Financial Statements
For the year ended December 31, 2024 with comparative figures for 2023
(All dollar amounts are in \$000's)

16. ACCUMULATED SURPLUS

Accumulated surplus consists of individual fund surplus and reserves and reserve funds as follows:

	2024	2023
City operating fund surplus including library, community boards, Destination Markham Corporation and business improvement areas	\$18,498	\$13,889
Less: transferred to reserve and reserve funds	(14,141)	(9,650)
	\$4,357	\$4,239
Equity in Markham Enterprises Corporation	355,822	407,946
Invested in tangible capital assets	5,862,749	5,221,595
Adjustment for real property acquisition due to timing	-	(94,000)
Other	(92,233)	(58,368)
	\$6,130,695	\$5,481,412
RESERVES SET ASIDE FOR SPECIFIC PURPOSES BY COUNCIL		
Berczy landscape feature	\$203	\$203
Building fee	18,401	15,164
Capital gains	22,352	12,492
Corporate rate stabilization	30,046	30,056
COVID	-	2,996
Development fee	62,238	59,604
Election expenses	540	240
Election rebates	658	605
Facility ramp up	42,636	38,982
Firefighters sick leave benefits	7,760	7,260
Insurance	5,651	4,586
Long-term disability benefits	25,685	25,685
Waterworks	124,538	102,253
Total reserves	\$340,708	\$300,126
RESERVE FUNDS SET ASIDE FOR SPECIFIC PURPOSES BY COUNCIL		
Cemetery expenses	\$139	\$133
Emerald Ash Borer	192	192
Environmental land acquisition	13,969	13,058
Environmental sustainability fund	62	70
Heritage	485	490
Heritage land acquisition	863	888
Land acquisition	(398,622)	(359,556)
Library infrastructure	7,374	7,024
Life cycle replacement and capital	254,836	227,069
Non-DC growth	23,536	17,843
Post retirement benefits	21,086	20,087
Public art acquisition	9,068	6,934
Stormwater fee	(2,387)	(1,324)
Theatre	1,147	1,046
Trees for Tomorrow program	439	517
Workplace Safety & Insurance Board (WSIB)	8,037	7,656
WSIB excess compensation	3,164	3,014
Total reserves fund	(\$56,612)	(\$54,859)
Total	\$6,414,791	\$5,726,679

17. COMMITMENTS

As at December 31, 2024, the City is committed to minimum annual operating lease payments for premises and equipment as follows:

2025	\$114
2026	114
2027	100
2028	52
Total	\$380

18. CONTINGENCIES

Unsettled Legal Claims and Potential Other Claims

The City has been named as the defendant in certain legal actions in which damages have been sought. The outcome of these actions is not determinable at this time and, accordingly, no provision has been made in these consolidated financial statements for any liability that may result.

19. SEGMENTED INFORMATION

The City is a diverse municipal government that provides a wide range of services to its citizens. For management reporting purposes, the City's operations and activities are organized functionally based on services provided. Certain allocation methodologies are employed in the preparation of segmented financial information. User charges and other revenues are allocated to the segments based upon the segment that generated the revenue. Government transfers are allocated to the segment based upon the purpose for which the transfer was made. Deferred revenues earned and developer contributions are allocated to General Government.

The segmented information of revenues and expenses with a brief description of the service area, is as follows:

a) General Government

General government service area includes the Office of Mayor and Members of Council, Chief Administrative Officer, People Services (Human Resources), Legal, Sustainability & Asset Management Office, Legislative Services, Financial Services, Corporate Communications and Community Engagement, and Information Technology Services. The departments are responsible for general governance and corporate management.

b) Protection to Persons and Property

Protection service area includes Fire and Emergency Services and Building Standards. The departments are responsible to perform fire prevention and protection, fire alarm, building services and other auxiliary services.

19. SEGMENTED INFORMATION (continued)

c) Transportation Services

Transportation service area includes Roads, Parking Control and Asset Management. The departments are responsible for road maintenance, hard-top and loose-top maintenance, winter patrol, salt, sanding, snow removal, street lighting and administration of facilities and parking.

d) Environmental Services

Environmental service area includes Waterworks and Waste Management. The departments are responsible for the administration of the sanitary and storm sewer system, distribution of water, and the administration of garbage collection and garbage recycling.

e) Recreation and Cultural Services

The recreation and cultural service area includes Park, Recreation services, Culture services and Markham Public Libraries. The departments are responsible for providing and facilitating the development and maintenance of high-quality parks, recreation services and cultural services, and administration of libraries.

f) Planning and Development Services

Planning and development services area includes Planning and Urban Design and Engineering. The departments are responsible for administration of land use plans and policies for sustainable development of the City.

g) Other

The Legislative Services department is responsible for administration of cemetery maintenance and morgues.

THE CORPORATION OF THE CITY OF MARKHAM
Notes to the Consolidated Financial Statements
For the year ended December 31, 2024 with comparative figures for 2023
(All dollar amounts are in \$000's)

19. SEGMENTED INFORMATION (continued)

	General government	Protection to persons and property	Transportation services	Environmental services	Recreation and cultural services	Planning and development services	Other	2024	2023
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues									
Property taxes	192,366	-	-	-	-	-	-	192,366	184,417
User charges	4,891	17,115	16,571	150,714	31,006	10,753	-	231,050	219,083
Government transfers	12,088	-	-	5,955	537	782	-	19,362	21,567
Contribution from developers and others	612,277	-	-	-	-	-	-	612,277	230,273
Investment income	39,671	-	-	-	-	-	-	39,671	27,615
Tax penalties	7,312	-	-	-	-	-	-	7,312	6,300
Gain on sale of tangible assets	-	-	-	-	-	-	-	-	267
Deferred revenue earned	39,817	-	-	-	-	-	-	39,817	32,433
Equity in income of Markham Enterprises Corporation	28,421	-	-	-	-	-	-	28,421	25,441
Other	17,184	560	2,091	1,211	900	44	4	21,994	21,324
Total revenues	954,027	17,675	18,662	157,880	32,443	11,579	4	1,192,270	768,720
Expenses									
Salaries, wages and employee benefits	43,196	55,352	18,161	8,448	54,289	11,225	-	190,671	174,373
Operating materials and supplies	13,733	2,006	4,973	2,003	14,214	1,036	17	37,982	38,995
Contracted services	12,875	1,712	13,545	138,062	13,418	7,436	-	187,048	184,382
Rents and financial expenses	(2,220)	190	284	3,052	960	159	-	2,425	2,171
External transfers to others	370	-	-	-	-	-	-	370	271
Long term debt charges	245	-	-	-	-	-	-	245	275
Amortization of tangible capital assets	4,509	1,928	33,356	25,626	19,998	-	-	85,417	84,121
Total expenses	72,708	61,188	70,319	177,191	102,879	19,856	17	504,158	484,588
Annual surplus/(deficit)	881,319	(43,513)	(51,657)	(19,311)	(70,436)	(8,277)	(13)	688,112	284,132

20. BUDGET FIGURES

The budget figures presented in these consolidated financial statements are based on the Council approved 2024 budget (inclusive of in-year additions to the capital budget due to change in Municipal Act, 2001 – note 1(q)). The following table reconciles the approved budget figures as presented in these consolidated financial statements using the accrual basis of accounting.

	2024	2023
	\$	\$
Revenues		
Approved operating budget	469,433	444,715
Approved capital budget	128,195	262,645
Transfer from reserve funds	(65,651)	(118,495)
Total revenues	531,977	588,865
Expenses		
Approved operating budget	469,433	444,715
Transfer to reserve funds	(64,371)	(62,879)
Expenses not capitalized	30,502	50,230
Post-employment benefit expenses	361	875
Amortization	84,830	83,836
Total expenses	520,755	516,777
Annual surplus/(deficit)	11,222	72,088

21. TRUST FUNDS

Trust funds administered by the City for the benefit of others amounting to \$2,461 (2023 - \$2,455) have not been included in the Consolidated Statement of Financial Position of the City nor have their operations been included in the Consolidated Statement of Operations and Accumulated Surplus of the City. The details of the trust funds are as follows:

a) Morgan Park Trust Fund

The T. & G. Morgan Memorial Fund in Markham Village was established in 1918 as a result of the last Will and Testament of George Morgan to hold funds, the interest earned on which can be used to offset certain maintenance costs of Morgan Park. As at December 31, 2024 the trust fund balance was \$94 (2023 - \$91).

b) Varley-McKay Art Foundation Trust Fund

The Varley-McKay Art Foundation Trust Fund was established by Council Resolution on December 11, 2001. This trust is funded by the amount received from the Estate of Kathleen G. McKay. Interest earned on these funds is available to the Varley-McKay Art Foundation of Markham to fund art appreciation and development. As at December 31, 2024 the trust fund balance was \$1,299 (2023 - \$1,299).

21. TRUST FUNDS (continued)

c) Markham Environmental Advisory Committee Trust Fund

The Markham Environmental Advisory Committee (previously the Markham Conservation Committee) Trust Fund was established by Council Resolution on April 15, 1992 to receive donations, grants, subsidies, and other amounts, to be used to cover costs associated with conservation and naturalization programs and projects undertaken by the Markham Environmental Advisory Committee. As at December 31, 2024 the trust fund balance was nil (2023 - \$nil).

d) Cemetery Trust Fund

The Cemetery Trust Fund was established under the Regulations of the Cemeteries Act to accumulate certain funds from the sale or transfer of an interment right to a purchaser in accordance with the Regulations. These funds are to be held in trust for the care and maintenance of the cemetery. Interest earned on amounts held by the Fund is used towards the maintenance, security and preservation of the cemetery, its grounds, buildings, equipment and markers in accordance with the Regulations. As at December 31, 2024 the trust fund balance was \$945 (2023 - \$945).

e) Older Adults In Action Trust Fund

Council Resolution established the Older Adults in Action Trust Fund on March 10, 1998 to collect donations for the Club and Older Adult Centre. As at December 31, 2024 the trust fund balance was \$12 (2023 - \$12).

f) Markham History - Research and Publication Trust Fund

The Markham History – Research and Publication Trust Fund was established by Council Resolution on June 1, 2004 to plan and monitor the implementation of research, writing, digitizing and production of historical media that illuminates various themes in Markham's history. As at December 31, 2024 the trust fund balance was \$112 (2023 - \$109).

22. CONTRACTUAL RIGHTS

City revenues to be generated in the future, in relation to existing lease agreements are approximately \$24,972. The City has also entered into Provincial funding agreements, whereby the estimated future funding is \$45,230.

Year	Lease agreements	Provincial funding agreements
2025	4,972	11,086
2026	3,837	11,086
2027	3,704	11,529
2028	3,640	11,529
2029	3,330	-
2030 and thereafter	5,489	-
Total	24,972	45,230

23. FINANCIAL INSTRUMENTS

(a) Fair value measurement hierarchy:

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:

- Level 1: when valuation can be based on quoted prices in active markets for identical assets and liabilities;
- Level 2: when they are valued using quoted prices for similar assets and liabilities, quoted prices in markets that are not active, or models using inputs that are observable; and
- Level 3: when their values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable.

Fair value inputs are taken from observable markets where possible, but if they are unavailable, judgement is required in establishing fair value. The City's fair value hierarchy is classified as Level 2 for PPN. The classification for disclosure purposes has been determined in accordance with generally accepted pricing models, based on discounted cash flow analysis, with the most significant inputs being the contractual terms of the instrument and the market discount rates that reflect the credit risk of counterparties.

2024	Level 1	Level 2	Level 3	2024
	\$	\$	\$	\$
Financial Assets:				
Cash and cash equivalents	268,276	-	-	268,276
Investments	194,544	159,752	-	354,296
Property taxes receivable	50,766	-	-	50,766
Accounts receivable	87,573	-	-	87,573
Financial Liabilities:				
Accounts payable and accrued liabilities	186,429	-	-	186,429
Long-term liabilities	6,738	-	-	6,738
2023	Level 1	Level 2	Level 3	2023
	\$	\$	\$	\$
Financial Assets:				
Cash and cash equivalents	214,766	-	-	214,766
Investments	148,027	117,473	-	265,500
Property taxes receivable	43,530	-	-	43,530
Accounts receivable	82,885	-	-	82,885
Financial Liabilities:				
Accounts payable and accrued liabilities	160,936	-	-	160,936
Notes payable	94,000	-	-	94,000
Long-term liabilities	7,608	-	-	7,608

THE CORPORATION OF THE CITY OF MARKHAM
Notes to the Consolidated Financial Statements
For the year ended December 31, 2024 with comparative figures for 2023
(All dollar amounts are in \$000's)

The carrying amount of cash & cash equivalents, investments excluding those as disclosed in note 5, property tax receivables, accounts receivable, investment in Markham Enterprises Corporation, liability for sub-division development, customer deposits, accounts payable and accrued liabilities, employee future benefits liabilities, long-term liabilities, and contract holdbacks approximate their fair value due to the short-term maturity of these financial instruments.

The carrying value and fair value of the City's other financial instruments are as follows:

Description	2024		2023	
	Carrying value	Fair value	Carrying value	Fair value
	\$	\$	\$	\$
Assets:				
Investments				
Principal protected notes	125,400	159,752	107,000	117,473
Bonds	151,212	146,177	103,027	104,623
GICs	45,000	45,000	45,000	45,000
	321,612	350,929	255,027	267,096

(b) Credit Risk:

Credit risk is the risk of a financial loss to the City if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Such risks arise principally from certain financial assets held by the City consisting of accounts receivables.

As at December 31, 2024 there were no significant balances of accounts receivable due from any single customer. There was nil (2023 - \$nil) of write-offs during the year except for the write offs of \$636 (2023 - \$785) related to section 354 of the Municipal Act, 2001 which was approved by the City Council . The City actively monitors accounts receivable and has the right to enforce payment as per the contract.

(c) Liquidity Risk:

Liquidity risk is the risk that the City will not be able to meet its obligations as they become due. The City's objective is to have sufficient liquidity to meet these liabilities when due. The City monitors its cash balance and cash flows generated from operations to meet its liquidity requirements.

THE CORPORATION OF THE CITY OF MARKHAM
Notes to the Consolidated Financial Statements
For the year ended December 31, 2024 with comparative figures for 2023
(All dollar amounts are in \$000's)

2024	Contractual cash flows				
	Carrying value	Within 1 year	1-5 years	>5 years	Total
Description	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	186,429	186,429	-	-	186,429
Liability for asset retirement obligation	19,571	-	-	19,571	19,571
Long term liabilities	6,738	901	5,015	822	6,738
	212,738	187,330	5,015	20,393	212,738

2023	Contractual cash flows				
	Carrying value	Within 1 year	1-5 years	>5 years	Total
Description	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	160,936	160,936	-	-	160,936
Liability for asset retirement obligation	19,571	-	-	19,571	19,571
Notes payable	94,000	94,000	-	-	94,000
Long term liabilities	7,608	870	5,698	1,040	7,608
	282,115	255,806	5,698	20,611	282,115

(d) Market Risk:

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and other price risks, will affect the City's net results of operations or the fair value of its holdings of financial instruments.

- Foreign currency risk – the City is not exposed to any significant currency risk due to limited foreign currency transactions.
- Interest rate risk – the City limits its exposure to interest rate risk by issuing long-term fixed rate debt in the form of debentures, and promissory notes. At December 31, 2024, the City did not hold financial assets or financial liabilities that expose it to significant variation in cash flow due to fluctuations in interest rates.
- Other price risk – other price risk arises when the fair value of equity funds changes due to a decrease in a stock market index or other risk variables. The City's exposure to this type of risk is limited to investments in PPN.