



Report to: General Committee

Report Date: April 21, 2026

SUBJECT: 2025 Consolidated Financial Statements
PREPARED BY: Kishor Soneji, Senior Manager Financial Reporting

RECOMMENDATION:

- 1) That the presentation titled “2025 Consolidated Financial Statements” be received; and,
- 2) That the report titled “2025 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, 2025; and,
- 4) That Council authorize Staff to publish the final audited Statements for the fiscal year ended December 31, 2025 upon receiving the Independent Auditor’s Report; and,
- 5) That the KPMG LLP Audit Findings Report for the year ended December 31, 2025 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.

The audited Statements are a report card on the financial position, health and strength of the City. The 2025 financial results continue to demonstrate Markham’s strong leadership and excellence in financial planning and fiscal prudence.

Following approval, the audited Statements will be included in the 2025 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 2025 Statements and to seek authority to publish the audited financial information as required by the Municipal Act (the Act).

BACKGROUND:

The 2025 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 and guidelines.

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, 2025 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.

The City did not adopt any new public sector accounting standards ("PS"), as no new accounting standard or amendment is effective for the year ended December 31, 2025.

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 \$6,801.73M, an increase of \$351.43M (5.4%) over 2024.

	\$ in millions		
	<u>2025</u>	<u>2024</u>	<u>Incr./ (Decr.)</u>
Financial Assets	1,249.30	1,116.73	132.56
Financial Liabilities	576.82	536.41	40.41
Net Financial Assets	672.48	580.32	92.15
Non-Financial Assets	6,129.25	5,869.98	259.27
	6,801.73	6,450.30	351.43
Accumulated Surplus	6,717.97	6,414.79	303.18
Accumulated Remeasurement of Gains	83.76	35.51	48.25
	6,801.73	6,450.30	351.43

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 \$1,249.30M, an increase of \$132.56M or 11.9% from 2024.

Cash & cash equivalents and investments increased in 2025 from \$622.57M to \$725.37M (\$102.79M, 16.5%). This increase was driven by higher investment income and the impact of remeasurement of gains on principal protected notes and share of changes to other comprehensive income (\$59.9M); an increase in deposits, grants and other revenues (\$27.1M), and lower payments to vendors for operating and constructions projects and Region (\$32.2M). These are offset by lower development charge collection when compared to 2024 (\$16.6M). The average rate of return on investments in the general portfolio in 2025 was 8.0% (2024 – 7.6%).

Property taxes receivable decreased from \$50.77M to \$46.27M (-\$4.5M, -8.9%) mainly due to higher property tax payments collected in 2025 when compared to 2024.

Accounts receivable increased from \$87.57M to \$97.75M (\$10.18M, 11.6%) in 2025, mainly due to an increase in interest accrued on investments and other receivables for associate entities.

Investment in MEC increased by \$24.09M (6.8%) in 2025. This increase in investment includes the 2025 equity income of \$35.94M, which is offset by a dividend payment of \$10.84M and a reduction in share capital of \$1.0M (Balance Sheet – Appendix A Page 19-20 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 \$576.82M at the end of 2025, an increase of \$40.41M (7.5%) from 2024.

Accounts payable and accrued liabilities increased in 2025 from \$186.43M to \$242.85M (\$56.42M, 30.3%) mainly due to an increase in amounts payable to Region for water (\$42.2M)

due to timing, and an increase in DC credit liabilities (\$33.6M) which are offset by a decrease in accrued liabilities related to vendor payments for construction projects (\$11.1M) and payable to the Region for tax levies (\$7.4M).

Deferred revenues decreased from \$278.87M to \$259.83M (-\$19.04M, -6.8%) in 2025. The decrease was mainly due to higher usage of Development Charges (\$16.6M), Canada Community Building Fund (\$7.5M), and Community Benefit charges (\$1.1M) to fund capital projects, offset by higher unspent grant and developers funding (\$6.4M).

Employee future benefits liabilities increased by \$3.94M or 8.8% to reflect updates to actuarial valuations.

Long-term liabilities decreased from \$6.74M to \$5.84M (-\$0.9M, -13.4%) 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 \$6,129.25M at the end of 2025, an increase of \$259.27M (4.4%), which is almost entirely related to a net increase in tangible capital assets of \$211.6M in land and assets classified as works-in-progress. The major assets acquired through development, purchased or put into service following construction completion in 2025 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 \$236.70M (2024 – \$612.28M), deferred revenues earned of \$49.69M (2024 – \$39.87M), equity income from MEC of \$35.09M (2024 – \$28.42M) and the amortization of TCA of \$87.38M (2024 – \$85.42M). The major components of the statement are illustrated in the chart below.

	<u>\$ in millions</u>		
	<u>2025</u>	<u>2024</u>	<u>Incr. / (Decr.)</u>
Revenues	858.65	1,192.27	(333.62)
Less Expenses	555.47	504.16	51.31
Annual Surplus	303.18	688.11	(384.93)
Accumulated Surplus, Beginning of Year	6,414.79	5,726.68	688.11
Accumulated Surplus, End of Year	6,717.97	6,414.79	303.18

Revenues

The year-over-year decrease in revenues of \$333.62M was driven by a decrease in contribution from developers (-\$375.57M, consisting mainly of land contributions), offset by increases in investment income (\$10.77M), deferred revenue earned (\$9.87M), property tax levies (\$8.19M), equity income from MEC (\$6.62M); and government transfers (\$5.43M).

Expenses

The expenses increased by \$51.31M in 2025 compared to 2024. This was driven by expense increases in the areas of Environmental Services (\$15.67M), Transportation Services (\$9.17M), Recreation and Culture Services (\$8.14M), Planning & Development Services (\$8.08M), Protection to Persons and Property (\$6.93M) and General Government (\$3.30M).

Accumulated Surplus (Appendix A – Page 29-30)

The accumulated surplus of \$6,717.97M consists of individual operating fund surpluses, equity in MEC, tangible capital assets, and reserves and reserve funds as outlined in the following table:

	<u>\$ in millions</u>		
	<u>2025</u>	<u>2024</u>	<u>Incr. / (Decr.)</u>
Operating surplus (excl. waterworks)	7.39	8.62	(1.23)
Waterworks	3.34	5.52	(2.19)
Destination Markham Corporation	4.00	3.81	0.19
Community Boards and BIAs	<u>0.53</u>	<u>0.55</u>	<u>(0.02)</u>
Operating Surplus Total	15.26	18.50	(3.24)
Less Transferred to Life Cycle Replacement and Other reserve funds	(7.39)	(8.62)	1.23
Transferred to Waterworks reserve	<u>(3.34)</u>	<u>(5.52)</u>	<u>2.19</u>
	4.53	4.36	0.17
Equity income from Markham Enterprises Corporation	379.91	355.82	24.09
Invested in Tangible Capital Assets	6,121.79	5,862.75	259.04
Reserves and Reserve Funds	303.63	284.10	19.54
Other	<u>(91.89)</u>	<u>(92.23)</u>	<u>0.34</u>
Total Accumulated Surplus	<u>6,717.97</u>	<u>6,414.78</u>	<u>303.18</u>

Operating Surplus

The unaudited 2025 year-end results of operations were presented to General Committee on March 10, 2026. 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 \$7.39M. The combined surplus of \$15.26M consists of: \$7.39M from operations, \$3.34M from Waterworks operations, \$4.0M from Destination Markham Corporation, and \$0.53M from the Community Boards and BIAs.

Equity in Markham Enterprises Corporation

This represents the value of the City's investment in MEC of \$379.91M as noted in the Financial Assets section on page 4 of this report (also refer to Appendix A – Page 19-20, note 7).

Invested in Tangible Capital Assets

The investment in tangible capital assets and other totaled \$6,121.79M. 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 \$303.33M at the close of 2025, an increase of \$19.53M (6.9%) from 2024.

Reserves totalled \$361.34M, an increase of \$20.64M over 2024. The net increase was the result of the following changes to the Reserves:

	<u>\$ in millions</u>		
	<u>2025</u>	<u>2024</u>	<u>Incr. / (Decr.)</u>
Reserves			
Building fee	21.27	18.40	2.87
Capital gains	41.20	22.35	18.85
Corporate rate stabilization	30.05	30.05	0.00
Development fee	47.82	62.24	(14.42)
Facility ramp up	44.62	42.64	1.99
Firefighters sick leave benefits	8.02	7.76	0.26
Insurance	6.68	5.65	1.03
Long-term disability benefit	25.69	25.69	0.00
Waterworks	134.22	124.54	9.69
Other	1.76	1.40	0.37
Total Reserves	<u>361.34</u>	<u>340.71</u>	<u>20.64</u>

Reserve Funds decreased by \$1.11M from 2024. The decrease was the result of the following changes to the Reserve Funds:

	\$ in millions		
	<u>2025</u>	<u>2024</u>	<u>Incr. / (Decr.)</u>
Reserve Funds			
Environmental land acquisition	14.71	13.97	0.74
Land acquisition	(418.53)	(398.62)	(19.91)
Library infrastructure	7.63	7.37	0.26
Life cycle replacement and capital	266.54	254.84	11.71
Municipal accomodation tax	2.55	0.00	2.55
Non-DC growth	25.76	23.54	2.22
Post retirement benefits	21.81	21.09	0.73
Public art acquisition	8.76	9.07	(0.31)
Stormwater fee	(3.48)	(2.39)	(1.09)
Workplace Safety & Insurance Board	9.56	8.04	1.53
WSIB excess compensation	3.29	3.17	0.12
Other	3.70	3.33	0.37
Total Reserve Funds	<u>(57.71)</u>	<u>(56.60)</u>	<u>(1.11)</u>

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, pulished online.

For the past twenty four consecutive years, the City has received the Government Finance Officers Association (GFOA) '*Canadian Award for Financial Reporting*', most recently for the City's 2024 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 2025 Annual Report and Financial Statements will again be submitted to the GFOA.

RECOMMENDED BY:

Joseph Silva
Treasurer

Trinela Cane
Commissioner, Corporate Services

ATTACHMENTS:

2025 Consolidated Financial Statements Presentation
Appendix A – 2025 Consolidated Financial Statements
Appendix B – 2025 Audit Findings Report