

2018 Consolidated Financial Statements

Presentation to General Committee

April 23, 2019

Agenda

1. Introduction
2. Requirements
3. Audit Summary
4. Financial Results Discussion
5. Presentation by Mr. Kevin Travers, Partner, KPMG LLP-Audit Findings Report

1. Introduction

The Financial Statements are a report card on the financial position, health and strength of the City:

- reflect the financial position of the organization, the operating results, and how the City financed its activities and met its cash requirements
- confirm that the resources were obtained and used consistent with the budgets approved by Council

Statements consolidate the financial activities of:

- City of Markham
- Community Boards and Business Improvement Areas (BIAs)
- City's investment in Markham Enterprises Corporation

2. Requirements

- We are required by The *Municipal Act* to :
 - ✓ prepare annual financial statements in accordance with Canadian Generally Accepted Accounting Principles (GAAP) for governments as recommended by the Public Sector Accounting Board (PSAB),
 - ✓ have the financial statements audited by a licensed auditor,
 - ✓ report the financials to Council, and
 - ✓ publish the statements

3. Audit Summary

- Schedule:
 - KPMG audit team was onsite one week in November 2018 & one week in early February 2019, performing interim & preliminary year end work.
 - The team returned & was onsite for six weeks from February 19th until March 29th, 2019 carrying out the audit of the financial records of the City and associate corporations.
- No adjustments or differences were communicated to Management
- Clean audit opinion

4. Financial Results

Consolidated Statement of Financial Position (Balance Sheet)

	\$ in millions		
	<u>2018</u>	<u>2017</u>	<u>Incr. / (Decr.)</u>
Financial Assets	854.05	758.95	95.10
Financial Liabilities	<u>364.53</u>	<u>312.19</u>	<u>52.34</u>
Net Financial Assets	489.52	446.76	42.76
Non-Financial Assets	4,117.06	4,008.40	108.66
Accumulated Surplus	<u>4,606.58</u>	<u>4,455.16</u>	<u>151.42</u>

4. Financial Results

Consolidated Statement of Financial Position (Balance Sheet) cont'd.

❖ Financial Assets increased by \$95.10M

Financial Assets	Incr. / (Decr.)	Significant change drivers
Cash & investments	\$86.94 M	• Net increase in deferred revenues \$47.05M
		• Reduced spending on projects
Accounts receivable	\$(11.01 M)	• Deferred interest paid by Alectra \$7.58M
Investment in MEC	\$18.16 M	• Equity pick up \$21.33M, offset by reduction in share capital (\$1.54M) and dividends paid (\$1.63)

4. Financial Results

Consolidated Statement of Financial Position (Balance Sheet) cont'd.

❖ Financial Liabilities increased by \$52.34M

Financial Liabilities	Incr. / (Decr.)	Significant change drivers
Accounts payable & accrued liabilities	\$5.30 M	<ul style="list-style-type: none"> • Increase in amounts owed to Region & School boards - timing of water purchases & property taxes \$12.08M and payroll liabilities of \$2.04M • Offset by decrease in holdbacks (\$10.32M), released to contractors on completion of projects
Deferred revenues	\$47.05 M	<ul style="list-style-type: none"> • Inflows \$78.00M • Outflows (\$30.95M) - lower project spending
Long term liabilities	\$(0.71) M	<ul style="list-style-type: none"> • Scheduled loans re-payments to Canada Mortgage & Housing Corp. (CMHC) & Federation of Canadian Municipalities (FCM)

4. Financial Results

Consolidated Statement of Financial Position (Balance Sheet) cont'd.

❖ Non-Financial Assets increased by \$108.66M

Non-Financial Assets	Incr. / (Decr.)	Significant change drivers
Tangible Capital Assets (TCA)	\$108.10 M	•Land, Infrastructure, parks/pathways
Prepaid expenses and inventories	\$0.56 M	•Computer software licenses, maintenance agreements, winter control inventory

4. Financial Results

Consolidated Statement of Operations and Accumulated Surplus (Income Statement)

	\$ in millions		
	<u>2018</u>	<u>2017</u>	<u>Incr. / (Decr.)</u>
Revenues	561.41	601.79	(40.38)
Less Expenses	<u>409.99</u>	<u>385.87</u>	<u>24.12</u>
Annual Surplus	151.42	215.92	(64.50)
Accumulated Surplus, Beginning of Year	4,455.16	4,239.24	215.92
Accumulated Surplus, End of Year	<u>4,606.58</u>	<u>4,455.16</u>	<u>151.42</u>

4. Financial Results

Details of Accumulated Surplus

	\$ in millions		
	<u>2018</u>	<u>2017</u>	<u>Incr. / (Decr.)</u>
Operating fund surplus (excl. waterworks)	3.58	5.60	(2.02)
Waterworks	0.51	0.35	0.16
Community Boards and BIAs	<u>0.37</u>	<u>0.30</u>	<u>0.07</u>
Operating Surplus Total	4.46	6.25	(1.79)
Equity in Markham Enterprises Corporation	380.32	362.16	18.16
Invested in Tangible Capital Assets and Other	4,071.19	3,971.74	99.45
Reserves and Reserve Funds	<u>150.61</u>	<u>115.01</u>	<u>35.60</u>
Total Accumulated Surplus	<u>4,606.58</u>	<u>4,455.16</u>	<u>151.42</u>

5. Presentation of the Audit Findings Report

Kevin Travers, Partner, KPMG LLP