

Consolidated Financial Statements of

**THE CORPORATION OF  
THE CITY OF MARKHAM**

December 31, 2019

## **INDEPENDENT AUDITORS' 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, 2019 with comparative figures for 2018**  
**(All dollar amounts are in \$000)**

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	<b>Note</b>	<b>2019</b>	<b>2018</b>
<b>FINANCIAL ASSETS</b>			
Cash and investments	<b>4</b>	<b>\$344,476</b>	\$389,141
Property taxes receivable	<b>5</b>	<b>26,653</b>	25,591
Accounts receivable		<b>61,016</b>	59,026
Investment in Markham Enterprises Corporation	<b>6</b>	<b>381,477</b>	380,312
		<b>\$813,622</b>	\$854,070
<b>FINANCIAL LIABILITIES</b>			
Accounts payable and accrued liabilities	<b>7</b>	<b>\$151,241</b>	\$148,524
Deferred revenues	<b>8</b>	<b>142,603</b>	172,847
Employee future benefits liabilities	<b>9</b>	<b>32,103</b>	31,649
Long-term liabilities	<b>10</b>	<b>10,800</b>	11,530
		<b>\$336,747</b>	\$364,550
<b>NET FINANCIAL ASSETS</b>		<b>\$476,875</b>	\$489,520
<b>NON-FINANCIAL ASSETS</b>			
Tangible capital assets	<b>11</b>	<b>\$4,217,849</b>	\$4,113,357
Inventories of supplies		<b>2,032</b>	1,503
Inventories of land - heritage estates		<b>86</b>	86
Prepaid expenses		<b>2,021</b>	2,119
		<b>\$4,221,988</b>	\$4,117,065
Contingency	<b>16</b>		
Contractual rights	<b>20</b>		
Subsequent event	<b>21</b>		
<b>ACCUMULATED SURPLUS</b>	<b>14</b>	<b>\$4,698,863</b>	\$4,606,585

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, 2019 with comparative figures for 2018**  
**(All dollar amounts are in \$000)**

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	Note	2019		2018
		Budget (note 18)	Actual	Actual
<b>Revenues</b>				
Property taxes		\$161,759	\$162,536	\$156,737
User charges	12	196,694	189,080	192,852
Government transfers	13	12,443	15,573	11,158
Contributions from developers and others		1,525	41,637	128,130
Investment income		23,352	23,284	15,726
Tax penalties		4,158	4,811	4,482
Gain on sale of tangible capital assets		-	128	873
Deferred revenue earned		46,435	65,543	20,543
Equity pick up from Markham Enterprises Corporation	6	-	11,476	21,327
Other		5,793	15,149	9,578
<b>TOTAL REVENUES</b>		<b>\$452,159</b>	<b>\$529,217</b>	<b>\$561,406</b>
<b>Expenses</b>				
General government		\$55,742	\$53,259	\$52,289
Protection to persons and property		53,661	52,041	49,254
Transportation services		70,482	75,509	61,103
Environmental services		153,377	159,498	146,179
Recreation and cultural services		89,958	85,622	88,324
Planning and development services		17,684	10,986	12,803
Other		34	24	34
<b>TOTAL EXPENSES</b>		<b>\$440,938</b>	<b>\$436,939</b>	<b>\$409,986</b>
<b>ANNUAL SURPLUS</b>		<b>\$11,221</b>	<b>\$92,278</b>	<b>\$151,420</b>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>		<b>4,606,585</b>	<b>4,606,585</b>	<b>4,455,165</b>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	14	<b>\$4,617,806</b>	<b>\$4,698,863</b>	<b>\$4,606,585</b>

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, 2019 with comparative figures for 2018**  
**(All dollar amounts are in \$000)**

	2019		2018
	Budget	Actual	Actual
<b>Annual surplus</b>	<b>\$11,221</b>	<b>\$92,278</b>	\$151,420
Acquisition of tangible capital assets including capital work in progress	(102,953)	(182,824)	(185,230)
Amortization of tangible capital assets	78,565	78,188	76,384
Disposal/write-down of tangible capital assets	-	144	754
	<b>(\$13,167)</b>	<b>(\$12,214)</b>	\$43,328
Acquisition of inventories of supplies	-	(2,032)	(1,503)
Acquisition prepaid expenses	-	(2,021)	(2,119)
Consumption of inventories of supplies	-	1,503	1,263
Use of prepaid expenses	-	2,119	1,790
<b>Change in net financial assets</b>	<b>(\$13,167)</b>	<b>(\$12,645)</b>	\$42,759
Net financial assets, beginning of year	<b>489,520</b>	<b>489,520</b>	446,761
Net financial assets, end of year	<b>\$476,353</b>	<b>\$476,875</b>	\$489,520

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, 2019 with comparative figures for 2018**  
**(All dollar amounts are in \$000)**

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	2019	2018
<b>CASH PROVIDED BY (USED IN):</b>		
<b>OPERATING ACTIVITIES</b>		
Annual surplus	\$92,278	\$151,420
Add (deduct) items not involving cash		
Amortization of tangible capital assets	78,188	76,384
Disposal of tangible capital assets	144	754
Change in employee future benefits and other liabilities	454	696
Equity pick up in Markham Enterprises Corporation	(11,476)	(21,327)
Contributed tangible assets	(39,796)	(120,344)
Change in non-cash assets and liabilities		
Property taxes receivable	(1,062)	355
Accounts receivable	(1,990)	9,625
Accounts payable and accrued liabilities	2,717	5,798
Long term liabilities	(730)	(706)
Deferred revenue	(30,244)	46,571
Inventories of supplies	(529)	(240)
Prepaid expenses	98	(329)
<b>Net change in cash from operating activities</b>	<b>\$88,052</b>	<b>\$148,657</b>
<b>CAPITAL ACTIVITIES</b>		
Acquisition of tangible capital assets	(143,028)	(64,886)
<b>Net change in cash from capital activities</b>	<b>(\$143,028)</b>	<b>(\$64,886)</b>
<b>INVESTING ACTIVITIES</b>		
Dividend from Markham Enterprises Corporation	8,460	1,634
Decrease in share capital of Markham Enterprises Corporation	1,851	1,540
<b>Net change in cash from investing activities</b>	<b>\$10,311</b>	<b>\$3,174</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(\$44,665)</b>	<b>\$86,945</b>
<b>OPENING CASH AND CASH EQUIVALENTS</b>	<b>389,141</b>	<b>302,196</b>
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	<b>\$344,476</b>	<b>\$389,141</b>
<b>Supplementary information:</b>		
Interest paid	387	412
Interest received	9,468	9,075

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## **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) Reporting Entity**

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

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. 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 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".

### **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.

**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**f) 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.

**g) Deferred Revenue**

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

**h) 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.

**i) Employee Future Benefits**

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 contribution 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.



## 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

### j) 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.

### k) 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.

#### (i) 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 and building improvements	40
Equipment	5 – 20
Furniture & fixtures	10 – 15
Infrastructure	10 – 100
Library materials, furniture & fixtures	7 – 10
Park & pathways	10 – 60
Vehicles	7 – 9
Waterworks equipment & infrastructure	7 – 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.

#### (ii) 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 time of registration.

#### (iii) Works of Art and Cultural and Historic Assets

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

#### (iv) Interest Capitalization

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

**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(v) Inventories of Supplies**

Inventories of supplies held for consumption are recorded at the lower of cost and replacement cost.

**(vi) Inventories of land**

Inventories of heritage land held for sale and are recorded at cost.

**l) 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.

**m) Budget Figures**

The approved operating and capital budgets for 2019 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 on a project-oriented basis, the costs of which may be carried but over one or more 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 (Note 18).

**n) 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 17.

**o) Liability for Contaminated Sites**

Under PS 3260, contaminated sites are defined as the 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. The City adopted this standard on a prospective basis.

Contaminated sites are defined as the result of contamination being introduced that exceeds an environmental standard. 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)**

**p) Newly Adopted Accounting Standard**

Effective January 1, 2019, the City has adopted following standard issued by PSAB:

- (i) PS 3430 Restructuring Transactions, requires that assets and liabilities in restructuring transactions to be measured at their carrying amount. It also prescribes financial statement presentation and disclosure requirement.

The adoption of this standard has not resulted in additional note disclosures. There are no restructuring transactions to disclose for 2019.

**q) Future Accounting Pronouncements**

These standards and amendments were not effective for the year ended December 31, 2019, and have therefore not been applied in preparing these consolidated financial statements. Management is currently assessing the impact of the following accounting standards updates on the future consolidated financial statements.

- (i) PS 1201, Financial Statement Presentation, was issued in June, 2011. This standard requires entities to present a new statement of remeasurement gains and losses separate from the consolidated statement of operations and accumulated surplus. This new statement includes unrealized gains and losses arising from remeasurement of financial instruments and items denominated in foreign currencies and any other comprehensive income that arises when a government includes the results of government business enterprises and partnerships. This section is effective for fiscal years beginning on or after April 1, 2021 (the City's December 31, 2022 year-end) and applies when PS 3450, Financial Instruments, and PS 2601, Foreign Currency Translation, are adopted.
- (ii) PS 3450, Financial Instruments, establishes the standards on accounting for and reporting all types of financial instruments including derivatives. The effective date of this standard has recently been deferred and is now effective for fiscal periods beginning on or after April 1, 2021 (the City's December 31, 2022 year-end).
- (iii) PS 2601, Foreign Currency Translation, establishes the standards on accounting for and reporting transactions that are denominated in a foreign currency. The effective date of this standard has been deferred and is now effective for fiscal periods beginning on or after April 1, 2021 (the City's December 31, 2022 year-end). Earlier adoption is permitted. A public sector entity adopting this standard must also adopt the new financial instruments standard.
- (iv) PS 3400, Revenue, establishes a single framework to categorize revenues to enhance the consistency of revenue recognition and its measurement. This section is effective for fiscal years beginning on or after April 1, 2022 (the City's December 31, 2023 year-end).
- (v) PS 3280, Asset Retirement Obligation, addresses the recognition, measurement, presentation and disclosure of legal obligations associated with retirement of tangible capital assets in productive use. This section is effective for fiscal year beginning on or after April 1, 2021 (the City's December 31, 2022 year-end).

## 2. 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	2019	2018
Taxation	\$ 242,690	\$ 325,708	\$ 568,398	\$ 543,368
Payment in lieu of taxes	327	968	1,295	977
Supplementary taxes	2,638	3,319	5,957	5,962
<b>Amount requisitioned and transferred</b>	<b>\$ 245,655</b>	<b>\$ 329,995</b>	<b>\$ 575,650</b>	<b>\$ 550,307</b>

## 3. 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.

Total OMERS contributions amounted to \$24,512 (2018 - \$22,930) of which \$12,256 (2018 - \$11,465) represented the City's portion and \$12,256 (2018 - \$11,465) represented employees portion

Since OMERS is a multi-employer pension plan, the City does not recognize any share of the pension plan deficit of \$3.4 billion as of 2019 (2018 - \$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.

## 4. CASH AND INVESTMENTS

	2019	2018
Cash	\$ 138,544	\$ 169,044
Investments	205,932	220,097
	<b>\$ 344,476</b>	<b>\$ 389,141</b>

Cash balance includes investments in the amount of \$10,000 (2018 - \$12,169) 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 for money market and face value for bonds, had a market value of \$213,099 (2018 - \$217,695) at the end of the year. For the year 2019, the average rate of return earned was 3.40% (2018 - 3.12%).

## 5. PROPERTY TAXES RECEIVABLE

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

	2019	2018
Current year	\$ 21,710	\$ 20,029
Arrears prior years	5,944	6,563
	<b>27,654</b>	26,592
Less: Allowance for uncollectible taxes	<b>(1,001)</b>	(1,001)
	<b>\$ 26,653</b>	\$ 25,591

The Municipal Property Assessment Corporation (MPAC) is responsible for the valuation of the 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 Province of Ontario introduced a four-year property assessment cycle in 2009, which included a mandatory phase-in of reassessment increases for all properties. The Province chose to repeat the four-year assessment cycle and therefore, for the 2017 through 2020 tax years, all properties are assessed and taxed based on their CVA as of the valuation date of January 1st, 2016. The 2020 taxation year marks the fourth and last year of the current phase-in cycle.

The City of Markham'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. This financial uncertainty continues to illustrate the requirement of the provision allowance, which was established in the amount of \$1,001 (2018 - \$1,001). Further, as a result of an initiative by the Chair of the Assessment Review Board (ARB), a commitment was made by the ARB to address the regular and systemic backlog of all property assessment appeals.

## 6. INVESTMENT IN MARKHAM ENTERPRISES CORPORATION

Markham Enterprises Corporation (MEC) is wholly owned by the City of Markham. MEC owns 100% of Markham District Energy Inc. (MDE) and 15.00% of Alectra Inc. (2018 – 15.73%).

On January 1, 2019, Alectra Inc. amalgamated with Guelph Hydro Electric Systems Inc. ("GHESI"). Alectra Inc. issued 485,000 Class G Common Shares to Guelph Municipal Holdings Inc. ("GMHI") in consideration for all the issued and outstanding shares of GHESI. This common shares issuance by Alectra Inc. represents an effective 4.6% interest in its aggregate issued and outstanding classes of common shares. The new shareholder ownership structure as a result of this merger is as follows: Barrie Hydro Holdings – 8.4%, Enersource Corporation – 29.6%, Hamilton Utilities Corporation – 17.3%, Markham Enterprises Corporation – 15%, St. Catharines Hydro Inc. – 4.6%, Vaughan Holdings Inc. – 20.5% and GMHI – 4.6%.

**THE CORPORATION OF THE CITY OF MARKHAM**  
**Notes to the Consolidated Financial Statements**  
**Year ended December 31, 2019**  
**(All dollar amounts are in \$000)**

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**6. INVESTMENT IN MARKHAM ENTERPRISES CORPORATION (continued)**

The following consolidated financial statements of Markham Enterprises Corporation include the financial information of its subsidiaries Markham District Energy Inc. and Alectra Inc. for the period from January 1, 2019 to December 31, 2019.

	2019	2018
<b>Assets</b>		
Current	21,811	18,717
Capital	127,105	117,879
Investment in Alectra Inc.	309,255	316,007
Other	1,778	1,778
Total Assets	459,949	454,381
<b>Liabilities</b>		
Current	9,617	8,674
Other	57,878	54,418
Long Term	10,977	10,977
Total Liabilities	78,472	74,069
<b>Shareholder's Equity</b>		
Common shares	96,065	97,916
Promissory notes payable	79,184	79,184
Retained earnings and contributed Surplus	206,228	203,212
Total Shareholder's Equity	381,477	380,312
Total Liabilities and Shareholder's Equity	459,949	454,381
<b>Results of Operations</b>		
Revenues	37,030	45,667
Operating expenses	25,020	24,340
Gain on acquisition of GHESI	657	-
<b>Net Income</b>	12,667	21,327
Impact of adoption of IFRS 16 on retained earnings	(1,191)	-
Net equity pick up in Markham Enterprises Corporation	11,476	21,327
(Decrease) in share capital	(1,851)	(1,540)
Dividend	(8,460)	(1,634)
Net Change in Equity in Markham Enterprises Corporation	1,165	18,153
Opening shareholder's equity	380,312	362,159
Closing shareholder's equity	381,477	380,312

## 7. 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 accounting period that require Markham to pay for goods and services acquired or provided prior to the accounting date. A breakdown of the accounts payable and accrued liabilities is as follows:

	2019	2018
Trade accounts payable	\$ 53,416	\$ 44,829
Payable to other governments	71,279	80,479
Payroll liabilities	6,873	7,983
Accrued liabilities	19,673	15,233
	<b>\$ 151,241</b>	<b>\$ 148,524</b>

## 8. DEFERRED REVENUE

Deferred revenue represents user charges and fees which have been collected but for which the related services have yet to be performed. These amounts will be recognized as revenues in the fiscal year the services are performed. The following is the current status of the deferred revenue:

	Opening balance	Inflows	Revenue earned	Closing balance
Development charges	\$57,277	\$24,457	\$43,322	\$ 38,412
Parkland cash-in-lieu	65,050	7,076	21,431	50,695
Federal Gas tax	8,368	20,085	13,321	15,132
Section 37 funds	6,215	2,792	537	8,470
Other	-	323	253	70
	<b>136,910</b>	<b>54,733</b>	<b>78,864</b>	<b>112,779</b>
Deferred revenue and deposits	35,937	10,360	16,473	29,824
	<b>\$ 172,847</b>	<b>\$ 65,093</b>	<b>\$ 95,337</b>	<b>\$ 142,603</b>

## 9. EMPLOYEE FUTURE BENEFITS LIABILITIES

	2019	2018
Long-term disability	\$ 5,903	\$ 5,877
Post-employment benefits	13,050	13,184
Vacation pay - City	2,938	2,792
Vacation pay - Library	161	125
Vested sick leave benefits	6,214	6,142
Workplace Safety & Insurance Board	3,837	3,529
	<b>\$ 32,103</b>	<b>\$ 31,649</b>

## 9. EMPLOYEE FUTURE BENEFITS LIABILITIES (continued)

### a) Long-Term Disability Benefits (LTD)

The City provides long-term disability benefits to eligible employees. At the year end, the accrued liability of \$5,903 (2018 – \$5,877) represents the actuarial valuation of benefits to be paid on the history of claims with employees. The City has established a long-term disability reserve to reduce 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 2017.

### 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 benefit liability at December 31, 2019 is \$13,050 (2018 – \$13,184). The accrued benefit liability and the net benefit cost for the fiscal year were determined by an actuarial valuation for December 2018.

### 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 approximately \$6,214 (2018 - \$6,142). The accrued benefit liability and the net benefit cost for the fiscal year were determined by an actuarial valuation for December 2018.

### d) Workplace Safety and Insurance Board (WSIB) Obligations

Effective January 1, 1999, the Corporation of the City of Markham 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 WSIB amounted to \$3,837 (2018 - \$3,529) 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 2016.

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

	LTD	Post employment benefits	Vested sick- leave	WSIB	2019	2018
Accrued benefit liability, beginning of year	\$ 5,877	\$ 13,184	\$ 6,142	\$ 3,529	\$ 28,732	\$ 28,179
Service cost	888	461	538	260	2,147	2,067
Interest cost	187	455	260	188	1,090	1,124
Benefit payments	(870)	(927)	(761)	(377)	(2,935)	(2,633)
Amortization of actuarial loss(gain)	(179)	(123)	35	237	(30)	(5)
<b>Accrued benefit liability, end of year</b>	<b>\$ 5,903</b>	<b>\$ 13,050</b>	<b>\$ 6,214</b>	<b>\$ 3,837</b>	<b>\$ 29,004</b>	<b>\$ 28,732</b>
Unamortized actuarial (gain) loss	(346)	(1,455)	438	997	(366)	(395)
<b>Accrued benefit obligation, end of year</b>	<b>\$ 5,557</b>	<b>\$ 11,595</b>	<b>\$ 6,652</b>	<b>\$ 4,834</b>	<b>\$ 28,638</b>	<b>\$ 28,337</b>



## 9. EMPLOYEE FUTURE BENEFITS LIABILITIES (continued)

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 more significant assumptions made:

	LTD	Post employment benefits	Vested sick- leave	WSIB
Expected inflation rate	N/A	2.00%	1.75%	1.75%
Expected level of salary increase	N/A	3.00%	2.75%	3.00%
Interest discount rate	3.50%	4.00%	4.00%	4.00%

## 10. LONG-TERM LIABILITIES

On July 1, 2010 and April 14, 2014, the City received a loan of \$12,000 from Canada Mortgage Housing Corporation (CMHC) and a \$4,000 low-interest loan from Federation of Canadian Municipalities (FCM) respectively through the Region. As a lower-tier municipality the City does not have the ability to borrow long-term funds, and as such the borrowing was done through the Region. The loan received on July 1, 2010 was used to fund the purchase of the Markham District Energy Birchmount plant. The plant was subsequently leased back to Markham District Energy (MDE), a 100% subsidiary of MEC. The loan received on April 14, 2014 was used to fund the cost of Cornell Community Centre.

The loan of \$12,000 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 first payment was due July 1, 2011. The loan of \$4,000 is to be amortized over a period of 20 years, at an interest rate of 2%. An annual payment to Region of \$244 consists of principal and interest. The first payment was due October 4, 2014.

Principal payments are repayable annually as follows:

2020	757
2021	784
2022	811
2023	840
2024	870
2025 and thereafter	6,738
<b>Total</b>	<b>10,800</b>

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**11. TANGIBLE CAPITAL ASSETS**

	Cost				Accumulated Depreciation				Net Book Value	
	Jan 1, 2019	Additions	Disposals & Adjustments	Dec 31, 2019	Jan 1, 2019	For the year	Disposals & Adjustments	Dec 31, 2019	Balance at Dec,31, 2019	Balance at Dec,31, 2018
Land	2,044,517	81,573	(144)	2,125,946	-	-	-	-	2,125,946	2,044,517
Buildings	410,598	7,716	-	418,314	126,319	9,909	-	136,228	282,086	284,279
Equipment	33,975	2,859	(3,509)	33,325	18,205	3,558	(3,509)	18,254	15,071	15,770
Furniture & fixtures	7,958	170	(66)	8,062	5,692	592	(66)	6,218	1,844	2,266
Infrastructure	1,441,399	59,666	(6,536)	1,494,529	485,769	38,013	(6,536)	517,246	977,283	955,630
Library materials, furniture & fixtures	22,115	1,631	(1,968)	21,778	12,216	2,614	(1,968)	12,862	8,916	9,899
Parks & Pathways	91,321	9,385	(3,804)	96,902	34,847	5,173	(3,804)	36,216	60,686	56,474
Vehicles	16,058	1,500	(764)	16,794	8,598	1,887	(764)	9,721	7,073	7,460
Waterworks equipment & infrastructure	1,053,417	21,802	(948)	1,074,271	344,212	16,442	(948)	359,706	714,565	709,205
<b>Total</b>	<b>5,121,358</b>	<b>186,302</b>	<b>(17,739)</b>	<b>5,289,921</b>	<b>1,035,858</b>	<b>78,188</b>	<b>(17,595)</b>	<b>1,096,451</b>	<b>4,193,470</b>	<b>4,085,500</b>
<b>Capital work in progress</b>	<b>27,857</b>	<b>(3,478)</b>		<b>24,379</b>					<b>24,379</b>	<b>27,857</b>
<b>Grand Total</b>	<b>5,149,215</b>	<b>182,824</b>	<b>(17,739)</b>	<b>5,314,300</b>	<b>1,035,858</b>	<b>78,188</b>	<b>(17,595)</b>	<b>1,096,451</b>	<b>4,217,849</b>	<b>4,113,357</b>

**a) Capital work in progress**

Assets under construction having a value of \$24,379 (2018 - \$27,857) 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 contribution assets received during the year is \$39,796 (2018 - \$120,344) comprised of land in the amount of \$5,957 (2018 - \$70,344), roads infrastructure in the amount of \$25,683 (2018 - \$38,166) and water and wastewater infrastructure in the amount of \$8,156 (2018 - \$11,834).

**c) Tangible Capital Assets Disclosed at Nominal Values**

Where an estimate of fair value could not be made, the tangible capital asset was recognized at a nominal value.

**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.

## 12. USER CHARGES

	2019	2018
Water and sewer billing to ratepayers	\$ 130,470	121,384
Building permits	6,184	11,791
Culture venues	3,772	3,613
Engineering	7,385	10,231
Facility rentals	9,458	9,196
Licenses	1,617	1,808
Landscaping	1,581	3,362
Parking violations	3,493	3,056
Planning	5,922	10,357
Recreation programs	13,901	13,244
Other	5,297	4,810
Total	\$ 189,080	192,852

## 13. GOVERNMENT TRANSFERS

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

	2019	2018
Provincial Grant:		
Environmental services	1,297	1,260
Recreation and cultural services	647	658
Planning and development services	308	337
	\$ 2,252	\$ 2,255
Federal Grant:		
General government	13,321	8,903
	\$ 13,321	\$ 8,903
	\$ 15,573	\$ 11,158

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**14. ACCUMULATED SURPLUS**

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

	2019	2018
City operating fund surplus including library, community boards, and business improvement areas	5,462	4,464
Equity in Markham Enterprises Corporation	381,477	380,312
Invested in tangible capital assets and other	4,181,871	4,071,191
	<b>4,568,810</b>	<b>4,455,967</b>
<b>RESERVES SET ASIDE FOR SPECIFIC PURPOSES BY COUNCIL</b>		
Berczy landscape feature	203	203
Building fee	11,155	13,603
Capital gains	4,160	4,160
Corporate rate stabilization	22,527	21,131
Development fee	364	1,179
Election expenses	231	8
Election rebates	385	675
Facility ramp up	19,535	14,861
Firefighters sick leave benefits	6,776	6,340
Insurance	4,059	3,932
Long-term disability benefits	21,975	21,093
Waterworks	82,159	80,400
Total reserves	<b>173,529</b>	<b>167,585</b>
<b>RESERVE FUNDS SET ASIDE FOR SPECIFIC PURPOSES BY COUNCIL</b>		
Cemetery expenses	120	117
Emerald Ash Borer	387	552
Environmental land acquisition	10,326	9,838
Environmental sustainability fund	95	111
Heritage	339	345
Land acquisition	(215,236)	(164,929)
Library infrastructure	6,366	6,218
Life cycle replacement and capital	120,800	100,832
Museum	19	18
Non-DC growth	9,063	6,549
Post retirement benefits	14,566	14,229
Public art acquisition	3,158	2,723
Stormwater fee	(133)	224
Theatre	879	813
Trees for Tomorrow program	6	29
Workplace Safety & Insurance Board (WSIB)	4,334	4,234
WSIB excess compensation	1,435	1,130
Total reserves fund	<b>(43,476)</b>	<b>(16,967)</b>
<b>Total</b>	<b>4,698,863</b>	<b>4,606,585</b>

## 15. LEASE OBLIGATIONS

As at December 31, 2019, the City is committed to minimum annual operating lease payments for premises and equipment as follows:

2020	88
2021	89
2022	67
2023	43
2024	43
2025 and thereafter	173
<b>Total</b>	<b>\$ 503</b>

## 16. CONTINGENCY

### 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 financial statements for any liability that may result.

## 17. 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 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, Human Resources, Legal, Sustainability 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.

**17. 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.

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**17. SEGMENTED INFORMATION (continued)**

	General Government	Protection to persons and property	Transportation services	Environmental Services	Recreation and Cultural services	Planning and Development	Others	2019	2018
<b>Revenues</b>									
Property taxes	162,536	-	-	-	-	-	-	162,536	156,737
User charges	3,171	7,545	11,689	131,590	27,574	7,511	-	189,080	192,852
Government transfers	13,321	-	-	1,297	647	308	-	15,573	11,158
Contribution from developers and others	41,637	-	-	-	-	-	-	41,637	128,130
Investment income	23,284	-	-	-	-	-	-	23,284	15,726
Tax penalties	4,811	-	-	-	-	-	-	4,811	4,482
Gain on sale of tangible assets	128	-	-	-	-	-	-	128	873
Deferred revenue earned	65,543	-	-	-	-	-	-	65,543	20,543
Equity pick up from Markham Enterprises Corporation	11,476	-	-	-	-	-	-	11,476	21,327
Others	12,388	516	579	761	894	7	4	15,149	9,578
<b>Total</b>	<b>338,295</b>	<b>8,061</b>	<b>12,268</b>	<b>133,648</b>	<b>29,115</b>	<b>7,826</b>	<b>4</b>	<b>529,217</b>	<b>561,406</b>
<b>Expenses</b>									
Salaries, Wages and employee benefits	25,528	47,732	14,558	8,429	47,607	7,727	-	151,581	148,082
Operating Materials and Supplies	12,456	1,140	5,233	5,639	14,373	998	24	39,863	33,206
Contracted Services	13,045	1,285	18,733	118,801	10,556	2,129	-	164,549	149,221
Rents and Financial Expenses	(1,976)	114	182	2,795	717	132	-	1,964	2,306
External Transfers to others	357	-	-	-	50	-	-	407	375
Long Term Debt Charges	387	-	-	-	-	-	-	387	412
Amortization of tangible capital assets	3,462	1,770	36,803	23,834	12,319	-	-	78,188	76,384
<b>Total Expenses</b>	<b>53,259</b>	<b>52,041</b>	<b>75,509</b>	<b>159,498</b>	<b>85,622</b>	<b>10,986</b>	<b>24</b>	<b>436,939</b>	<b>409,986</b>
<b>Annual Surplus/(Deficit)</b>	<b>285,036</b>	<b>(43,980)</b>	<b>(63,241)</b>	<b>(25,850)</b>	<b>(56,507)</b>	<b>(3,160)</b>	<b>(20)</b>	<b>92,278</b>	<b>151,420</b>

## 18. BUDGET FIGURES

The budget figures presented in these consolidated financial statements are based on the Council approved 2019 budget. The following table reconciles the approved budget figures as presented in these financial statements using the accrual basis of accounting.

	2019 \$	2018 \$
<b>Revenues</b>		
Approved operating budget	393,712	378,456
Approved capital budget	124,686	77,715
Transfer from reserve funds	(66,239)	(50,823)
Total revenues	452,159	405,348
<b>Expenses</b>		
Approved operating budget	393,712	378,456
Transfer to reserve funds	(53,178)	(46,004)
Expenses not capitalized	21,733	19,627
Post-employment benefit expenses	106	77
Amortization	78,565	73,756
Total expenses	440,938	425,912
Annual surplus/(deficit)	11,221	(20,564)

## 19. TRUST FUNDS

Trust funds administered by the City for the benefit of others amounting to \$2,436 (2018 - \$2,431) have not been included in the "Consolidated Statement of Financial Position" nor have their operations been included in the "Consolidated Statement of Operations and Accumulated Surplus". The details of trust funds administered by the City and their Financial Position and Statement of Financial Activities and Fund Balances 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, 2019 the balance was \$84 (2018 - \$82).

### 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, 2019 the balance was \$1,299 (2018 - \$1,299).



## 19. 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, 2019 the balance was nil (2018 - \$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, 2019 the balance was \$943 (2018 - \$942).

### 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, 2019 the balance was \$10 (2018 - \$10).

### 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, 2019 the balance was \$100 (2018 - \$98).

## 20. CONTRACTUAL RIGHTS

City revenues to be generated in the future, in relation to existing lease agreements are approximately \$27,112. The City has also entered into Provincial funding agreements, whereby the estimated future funding is \$41,733.

Year	Lease agreements	Provincial funding agreements
2020	2,635	9,980
2021	2,597	10,433
2022	2,576	10,433
2023	2,239	10,887
2024	2,277	-
2025 and thereafter	14,788	-
<b>Total</b>	<b>27,112</b>	<b>41,733</b>

## **21. SUBSEQUENT EVENT**

Subsequent to December 31, 2019 the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the US, Canadian, Ontario and local governments, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions, however, the success of these interventions is not currently determinable. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the City is not known at this time.

## **22. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year.