



2019 Consolidated Financial Statements

Presentation to General Committee

April 20, 2020



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 2019 performing interim and preliminary year end work.
 - The team continued the audit of the financial records of the City and associate corporations over a six week period this year:
 - onsite from February 24th until March 16th
 - remotely from March 17th to March 2
- No adjustments or differences were communicated to Management
- Clean audit opinion



4. Financial Results

Consolidated Statement of Financial Position (Balance Sheet)

	\$ in millions		
	<u>2019</u>	<u>2018</u>	<u>Incr. / (Decr.)</u>
Financial Assets	813.62	854.07	(40.45)
Financial Liabilities	<u>336.75</u>	<u>364.55</u>	<u>(27.80)</u>
Net Financial Assets	476.87	489.52	(12.65)
Non-Financial Assets	<u>4,221.99</u>	<u>4,117.07</u>	<u>104.92</u>
Accumulated Surplus	<u>4,698.86</u>	<u>4,606.59</u>	<u>92.27</u>



4. Financial Results

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

❖ Financial Assets decreased by \$40.45M

Financial Assets	Incr. / (Decr.)	Significant change drivers
Cash & investments	\$(44.66 M)	<ul style="list-style-type: none">• Increased spending on projects \$78.1M• Offsets:<ul style="list-style-type: none">- Increase in Gas tax funds \$10.2M- MEC dividend \$6.8M- Property taxes collected \$5.8M- MAT revenues \$3.7M
Accounts receivable	\$1.99 M	<ul style="list-style-type: none">• Increased receivable for Region of York for shared project agreements
Investment in MEC	\$1.16 M	<ul style="list-style-type: none">• Equity pick up \$10.81M• Gain on merger with Guelph Municipal Holdings Inc. \$0.66M• Offset by reduction in share capital (\$1.85M) and dividends paid (\$8.46M)



4. Financial Results

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

❖ Financial Liabilities decreased by \$27.80M

Financial Liabilities	Incr. / (Decr.)	Significant change drivers
Accounts payable & accrued liabilities	\$2.72 M	• Increase in amounts owed to vendors as a result of completion of capital works, refundable deposits & to Destination Markham Corp. \$10.31M
		• Offset by decrease in net amount owed to the Region for water purchases and shared projects \$9.77M
Deferred revenues	(\$30.24 M)	• Inflows \$65.09M • Outflows (\$95.34M) - higher project spending
Long term liabilities	\$(0.73) M	• Scheduled payments for FCM & CMHC loans



4. Financial Results

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

❖ Non-Financial Assets increased by \$104.92M

Non-Financial Assets	Incr. / (Decr.)	Significant change drivers
Tangible Capital Assets (TCA)	\$104.49 M	<ul style="list-style-type: none">• Land, Infrastructure, parks/pathways
Prepaid expenses and inventories	\$0.43 M	<ul style="list-style-type: none">• Winter control inventory• Prepaid computer software licenses & maintenance agreements



4. Financial Results

Consolidated Statement of Operations and Accumulated Surplus (Income Statement)

	\$ in millions		
	<u>2019</u>	<u>2018</u>	<u>Incr. / (Decr.)</u>
Revenues	529.21	561.41	(32.20)
Less Expenses	<u>436.94</u>	<u>409.99</u>	<u>26.95</u>
Annual Surplus	92.27	151.42	(59.15)
Accumulated Surplus, Beginning of Year	<u>4,606.59</u>	<u>4,455.17</u>	<u>151.42</u>
Accumulated Surplus, End of Year	<u>4,698.86</u>	<u>4,606.59</u>	<u>92.27</u>



4. Financial Results

Details of Accumulated Surplus

	\$ in millions		
	<u>2019</u>	<u>2018</u>	<u>Incr. / (Decr.)</u>
Operating fund surplus (excl. waterworks)	3.04	3.58	(0.54)
Waterworks	1.98	0.52	1.46
Community Boards and BIAs	<u>0.44</u>	<u>0.37</u>	<u>0.07</u>
Operating Surplus Total	5.46	4.47	0.99
Equity in Markham Enterprises Corporation	381.48	380.32	1.16
Invested in Tangible Capital Assets and Other	4,181.86	4,071.19	110.67
Reserves and Reserve Funds	<u>130.06</u>	<u>150.61</u>	<u>(20.55)</u>
Total Accumulated Surplus	<u>4,698.86</u>	<u>4,606.59</u>	<u>92.27</u>



5. Presentation of the Audit Findings Report

Kevin Travers, Partner, KPMG LLP