



2020 Consolidated Financial Statements

Presentation to Council

April 20, 2021



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)
- Destination Markham Corporation
- City's investment in Markham Enterprises Corporation



2. Requirements

The City is required by The *Municipal Act* to :

- ✓ prepare annual financial statements in accordance with Canadian Generally Accepted Accounting Principles for governments as recommended by the Public Sector Accounting Board,
- ✓ 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 2020 performing interim and preliminary year end work.
 - The team continued the audit of the financial records of the City and associate corporations remotely from February 22nd to April 1, 2021 this year
- No adjustments or differences were communicated to Management
- Clean audit opinion



4. Financial Results

Consolidated Statement of Financial Position (Balance Sheet)

| | \$ in millions | | |
|-----------------------------|------------------------|------------------------|------------------------|
| | <u>2020</u> | <u>2019</u> | <u>Incr. / (Decr.)</u> |
| Financial Assets | 853.32 | 813.62 | 39.70 |
| Financial Liabilities | <u>358.89</u> | <u>336.74</u> | <u>22.15</u> |
| Net Financial Assets | 494.43 | 476.88 | 17.55 |
| Non-Financial Assets | 4,270.61 | 4,221.99 | 48.62 |
| Accumulated Surplus | <u>4,765.04</u> | <u>4,698.87</u> | <u>66.17</u> |



4. Financial Results

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

Financial Assets increased by \$39.70M

| Financial Assets | Incr./ (Decr.) | Significant Changes |
|---------------------------|----------------|--|
| Cash and investments | \$26.87M | <ul style="list-style-type: none">• Decrease in spending on capital projects• Increase from receipt of \$9.67M Safe Restart Agreement funding• Decrease in property taxes collected \$16.9M, and MAT revenues \$3.0M• Decrease in revenues in Recreation, Culture and Library |
| Property taxes receivable | \$10.86M | <ul style="list-style-type: none">• Decrease due to waiving of penalty and interest charges on property taxes in arrears to assist residents and businesses experiencing financial hardship due to COVID-19 |
| Investment in MEC | \$3.50M | <ul style="list-style-type: none">• Equity in income \$15.48M, offset by reduction in share capital \$1.70M and dividends paid \$10.28M |



4. Financial Results

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

Financial Liabilities increased by \$22.15M

| Financial Liabilities | Incr./ (Decr.) | Significant Changes |
|--|----------------|--|
| Accounts payable and accrued liabilities | (\$10.28M) | <ul style="list-style-type: none">Decrease in amounts owed to: Region of York for water and shared capital projects \$7.9M, vendors as a result of completion of capital works \$5.9M and payroll liabilities \$2.4MOffset by increase in amounts owed to vendors for refundable deposits as a result of completion of projects |
| Deferred revenues | \$30.97M | <ul style="list-style-type: none">Increase in amounts collected \$76.34MOffset by amounts earned on capital projects \$45.36M |
| Employee future benefits liabilities | \$2.20M | <ul style="list-style-type: none">Increase of \$1.4M due to actuarial valuation |
| Long term liabilities | \$(0.73)M | <ul style="list-style-type: none">Scheduled payments for FCM and CMHC loans |



4. Financial Results

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

Non-Financial Assets increased by \$48.62M

| Non-Financial Assets | Incr./ (Decr.) | Significant Changes |
|----------------------------------|----------------|---|
| Tangible capital assets | \$47.91M | <ul style="list-style-type: none">Land, Infrastructure, parks/pathways |
| Prepaid expenses and inventories | \$0.71M | <ul style="list-style-type: none">Computer software licenses, insurance, maintenance agreements, winter control inventory |



4. Financial Results

Consolidated Statement of Operations and Accumulated Surplus (Income Statement)

| | \$ in millions | | |
|--|------------------------|------------------------|------------------------|
| | <u>2020</u> | <u>2019</u> | <u>Incr. / (Decr.)</u> |
| Revenues | 474.76 | 520.76 | (46.00) |
| Less Expenses | <u>408.59</u> | <u>428.48</u> | <u>(19.89)</u> |
| Annual Surplus | 66.17 | 92.28 | (26.10) |
| Accumulated Surplus, Beginning of Year | 4,698.87 | 4,606.59 | 92.28 |
| Accumulated Surplus, End of Year | <u>4,765.04</u> | <u>4,698.87</u> | <u>66.17</u> |



4. Financial Results

Details of Accumulated Surplus

| | \$ in millions | | |
|---|------------------------|------------------------|------------------------|
| | <u>2020</u> | <u>2019</u> | <u>Incr. / (Decr.)</u> |
| Operating surplus (excl. waterworks) | 9.41 | 3.04 | 6.37 |
| Waterworks | 4.57 | 1.98 | 2.59 |
| Destination Markham Corporation | 2.16 | - | 2.16 |
| Community Boards and BIAs | <u>0.50</u> | <u>0.44</u> | <u>0.06</u> |
| Operating Surplus Total | 16.64 | 5.46 | 11.18 |
| Equity in income of Markham Enterprises Corporation | 384.98 | 381.48 | 3.50 |
| Invested in Tangible Capital Assets and Other | 4,265.76 | 4,217.85 | 47.91 |
| Reserves and Reserve Funds | 124.85 | 130.06 | (5.21) |
| Other | (27.19) | (35.98) | 8.79 |
| Total Accumulated Surplus | <u>4,765.04</u> | <u>4,698.87</u> | <u>66.17</u> |



5. Presentation of the Audit Findings Report

Kevin Travers, Partner KPMG LLP