

Consolidated Financial Statements of
**THE CORPORATION OF THE
CITY OF MARKHAM**

December 31, 2021

Independent Auditor's 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, 2021 with comparative figures for 2020
(All dollar amounts are in \$000's)

	Note	2021	2020
FINANCIAL ASSETS			
Cash and investments	4	\$516,645	371,353
Property taxes receivable	5	34,147	37,506
Accounts receivable		62,791	59,477
Investment in Markham Enterprises Corporation	6	394,816	384,983
		\$1,008,399	\$853,319
FINANCIAL LIABILITIES			
Accounts payable and accrued liabilities	7	\$191,655	\$140,962
Deferred revenue	8	221,530	173,584
Employee future benefits liabilities	9	34,433	34,305
Long-term liabilities	10	9,260	10,043
		\$456,878	\$358,894
NET FINANCIAL ASSETS		\$551,521	\$494,425
NON-FINANCIAL ASSETS			
Tangible capital assets	11	\$4,662,186	\$4,265,760
Inventories		3,373	1,632
Prepaid expenses		2,493	3,220
		\$4,668,052	\$4,270,612
Commitments	15		
Contingencies	16		
Contractual rights	20		
ACCUMULATED SURPLUS	14	\$5,219,573	\$4,765,037

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, 2021 with comparative figures for 2020
(All dollar amounts are in \$000's)

	Note	2021		2020
		Budget (note 18)	Actual	Actual
Revenues				
Property taxes		\$168,629	\$168,375	\$167,013
User charges	12	205,803	201,156	183,161
Government transfers	13	17,921	27,348	20,112
Contributions from developers and others		4,869	366,328	53,025
Investment income		14,893	12,101	14,201
Tax penalties		4,276	6,414	1,438
(Loss) on sale of tangible capital assets		-	(1,622)	(134)
Deferred revenue earned		25,929	40,101	14,365
Equity income from Markham Enterprises Corporation	6	10,300	20,121	15,486
Other		6,328	16,100	6,092
TOTAL REVENUES		\$458,948	\$856,422	\$474,759
Expenses				
General government		50,645	\$48,676	\$46,714
Protection to persons and property		56,342	55,182	51,704
Transportation services		74,959	60,243	64,260
Environmental services		161,698	162,625	159,650
Recreation and cultural services		88,161	61,810	73,195
Planning and development services		20,775	13,328	13,033
Other		34	22	29
TOTAL EXPENSES		\$452,614	\$401,886	\$408,585
ANNUAL SURPLUS		\$6,334	\$454,536	\$66,174
ACCUMULATED SURPLUS, BEGINNING OF YEAR		4,765,037	4,765,037	4,698,863
ACCUMULATED SURPLUS, END OF YEAR	14	\$4,771,371	\$5,219,573	\$4,765,037

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, 2021 with comparative figures for 2020
(All dollar amounts are in \$000's)

	2021		2020
	Budget	Actual	Actual
Annual surplus	\$6,334	\$454,536	\$66,174
Acquisition of tangible capital assets	(121,658)	(479,258)	(127,641)
Amortization of tangible capital assets	80,117	80,114	79,258
Loss on disposal of tangible capital assets	-	1,622	134
Proceeds from disposal of tangible capital assets	-	1,096	338
	(\$35,207)	\$58,110	\$18,263
Acquisition of inventories	-	(3,287)	(1,546)
Acquisition prepaid expenses	-	(2,493)	(3,220)
Consumption of inventories	-	1,546	2,032
Use of prepaid expenses	-	3,220	2,021
Change in net financial assets	(\$35,207)	\$57,096	\$17,550
Net financial assets, beginning of year	494,425	494,425	476,875
Net financial assets, end of year	\$459,218	\$551,521	\$494,425

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, 2021 with comparative figures for 2020
(All dollar amounts are in \$000's)

	<u>2021</u>	<u>2020</u>
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Annual surplus	\$454,536	\$66,174
Add (deduct) items not involving cash		
Amortization of tangible capital assets	80,114	79,258
Loss on disposal of tangible capital assets	1,622	134
Change in employee future benefits and other liabilities	128	2,202
Equity income from Markham Enterprises Corporation	(20,121)	(15,486)
Contributed tangible capital assets	(364,253)	(50,842)
Change in non-cash assets and liabilities		
Property taxes receivable	3,359	(10,853)
Accounts receivable	(3,314)	1,539
Accounts payable and accrued liabilities	50,693	(10,279)
Long term liabilities	(783)	(757)
Deferred revenue	47,946	30,981
Inventories	(1,741)	486
Prepaid expenses	727	(1,199)
Net change in cash from operating activities	\$248,913	\$91,358
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(115,005)	(76,799)
Proceeds from disposal of tangible capital assets	1,096	338
Net change in cash from capital activities	(\$113,909)	(\$76,461)
INVESTING ACTIVITIES		
Dividends from Markham Enterprises Corporation	8,794	10,280
Decrease in share capital of Markham Enterprises Corporation	1,494	1,700
Net change in cash from investing activities	\$10,288	\$11,980
NET CHANGE IN CASH AND CASH EQUIVALENTS	\$145,292	\$26,877
OPENING CASH AND CASH EQUIVALENTS	371,353	344,476
CLOSING CASH AND CASH EQUIVALENTS	\$516,645	\$371,353
Supplementary information:		
Interest paid	334	360
Interest received	6,855	7,274

The accompanying notes are an integral part of these consolidated financial statements.

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). In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in the Canadian and Provincial 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 resulted in a decline in revenues due to the cancellation of events and lockdown measures.

The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on operations is not known at this time. These emergency measures and economic impacts could include potential future decreases in revenue and expenses. Significant accounting policies adopted by the City are as follows:

a) Basis of consolidation

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
- Destination Markham Corporation

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 consolidated financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

f) Investments

Investments consist of bonds and debentures and are recorded at amortized cost. Discounts and premiums arising on the purchase of these investments are amortized over the term of the investments. If there is a loss of value that is other than a temporary decline in value, the respective investment will be written down to market value to recognize the loss in the consolidated statement of operations.

g) 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.

The City adopted PS 3410, *Government Transfers* that establishes the recognition, measurement and disclosure requirements for government transfers. It provides specific revenue recognition criteria for transferring government and recipient government.

h) 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.

i) 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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

j) Employee Future Benefits Liabilities

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.

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

k) 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.

l) 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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

m) 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	40
Equipment	5 – 20
Furniture and fixtures	10 – 15
Infrastructure	10 – 100
Library materials, furniture and fixtures	7 – 10
Park and pathways	10 – 60
Vehicles	7 – 9
Waterworks equipment	9
Waterworks infrastructure	15 – 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.

(i) 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 the time of registration.

(ii) Works of Art and Cultural and Historic Assets

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

(iii) Interest Capitalization

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

n) Inventories

Inventories of supplies held for consumption are recorded at the lower of cost and replacement cost. Inventories of heritage land held for sale are recorded at lower of the cost or net realizable value.

o) 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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Budget Figures

The approved operating and capital budgets for 2021 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 in note 18.

q) 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.

r) Contaminated Sites

Contaminated sites are defined as sites that are contaminated as a 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.

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.

s) Future Accounting Pronouncements

These standards and amendments were not yet effective for the year ended December 31, 2021, and have therefore not been applied in preparing these financial statements. Management is currently assessing the impact of the following accounting standards updates on the future financial statements.

Standards applicable for fiscal years beginning on or after April 1, 2022 (the City's December 31, 2023 year-end):

- (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 statement of operations and accumulated surplus. This new standard 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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

partnerships. This standard 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.
- (iii) PS 2601, Foreign Currency Translation, establishes the standards on accounting for and reporting transactions that are denominated in a foreign currency. Earlier adoption is permitted. A public sector entity adopting this standard must also adopt the new financial instruments standard.
- (iv) PS 3041 - Portfolio Investments, replaces PS 3040 - Portfolio Investments. The standard provides revised guidance on accounting for, and presentation and disclosure of portfolio investments to conform to PS 3450 - Financial Instruments. The distinction between temporary and portfolio investments has been removed in the new standard, and upon adoption, PS 3030 - Temporary Investments, will no longer apply.
- (v) PS 3280, Asset Retirement Obligations, addresses the recognition, measurement, presentation and disclosure of legal obligations associated with retirement of tangible capital assets either in productive use or no longer in productive use.

Standards applicable for fiscal years beginning on or after April 1, 2023 (the City's December 31, 2024 year-end):

- (vi) PS 3160 - Public Private Partnerships ("P3s"), identifies requirements on how to account for and disclose transactions in which public sector entities procure major infrastructure assets and/or services from private sector entities. Recognition of assets arising from P3 arrangements is ultimately dependent on whether public sector entities control the purpose and use of the assets, access to the future economic benefits and exposure to the risks associated with the assets, and significant residual interest in the asset, if any, at the end of the term of P3s. Measurement of the asset and related liability will also be dependent on the overall model used to compensate the private sector entity.
- (vii) PS 3400, Revenue, establishes a single framework to categorize revenues to enhance the consistency of revenue recognition and its measurement.
- (viii) Public Sector Guideline 8 Purchased Intangibles, allows public sector entities to recognize intangibles purchased through an exchange transaction.

t) Contractual Rights and Obligations

Contractual rights reflect future rights to economic resources arising from contracts and/or agreements that will result in both an asset and revenue in future fiscal periods. Contractual rights for the year ended on December 31, 2021, are disclosed in note 20.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Contractual obligations represent obligations, which will result in liabilities upon the completion of agreed upon terms specified in contracts and/or agreements in future fiscal periods. For further details regarding the City's contractual obligations, including the nature, extent and timing of these types of transactions, please refer to note 15.

u) Contingent Assets and Liabilities

Contingent assets and contingent liabilities arise from circumstances when the City is uncertain whether it has an asset and/or liability on the date of the consolidated financial statements. The existence of the asset and/or liability is ultimately dependent upon the occurrence or nonoccurrence of a future event that is outside of the entity's control.

For the year ended December 31, 2021, the City is not aware of any contingent asset. However, disclosure regarding the City's contingent liabilities, including the nature, extent, and basis of estimates (if available), can be found in note 16.

v) Related Party Transaction

A related party exists when one party has the ability to exercise control or shared control over the other. Related parties also include key management personnel, such as City Councillors, as well as their close family members.

PS 2200 - Related Party Disclosure, requires the City to disclose circumstances in which the entity enters into transactions with its related parties at a value different from that which would have been arrived at if the parties were unrelated (i.e. not at arm's length) and these transactions are considered to have a significant financial impact on the City's consolidated financial statements. In the event qualifying transactions are identified, the City would disclose the nature of relationships with all involved parties, type of related party transaction, and amounts recognized in the consolidated financial statements.

w) Reserves and Reserve Funds

Reserve funds are comprised of funds set aside for specific purposes. City Council has authorized the allocation of interest to reserve funds but not to reserves. There are two types of reserve funds:

- (i) Obligatory reserve funds are funds received and set aside for specific purposes by legislation or contractual agreements. These funds can only be used for prescribed purposes and are reported as deferred revenue on the consolidated statement of financial position.
- (ii) Council directed reserve funds are created by council for specific purposes through bylaw and are reported in the accumulated surplus balance on the consolidated statement of financial position.

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	2021	2020
Taxation	\$ 244,753	\$ 348,784	\$ 593,537	\$ 588,734
Payment in lieu of taxes	204	940	1,144	1,375
Supplementary taxes	1,427	2,100	3,527	4,117
Amount requisitioned and transferred	\$ 246,384	\$ 351,824	\$ 598,208	\$ 594,226

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 \$23,576 (2020 - \$22,930) of which \$11,788 (2020 - \$11,465) represented the City's portion and \$11,788 (2020 - \$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 \$3.1 billion as of 2021 (2020 - \$3.2 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

	2021	2020
Cash	\$293,320	177,336
Investments	223,325	194,017
	\$516,645	\$371,353

Cash balance includes investments in the amount of \$5,000 (2020 - \$16,000) 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 \$258,738 (2020 - \$211,575) at the end of the year.

5. PROPERTY TAXES RECEIVABLE

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

	2021	2020
Current year	\$24,198	\$27,365
Arrears prior years	12,900	11,142
	37,098	38,507
Less: Allowance for uncollectible taxes	(2,951)	(1,001)
	\$34,147	\$37,506

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.

As a result of the global pandemic, the ARB (Assessment Review Board) tribunal has experienced delays in the amount of appeals being conducted and completed. In addition, the Government of Ontario announced the decision to postpone a province-wide property assessment update due to the pandemic. Property assessments for the 2022 and 2023 property tax years will continue to be based on January 1, 2016.

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. Long delays in updating assessments are known to create inequities in taxation and it is anticipated that there will be significant amount of assessment appeals launch by property owners, particularly in the business classes who have been impacted by the pandemic. This financial uncertainty continues to illustrate the requirement of a provision allowance of \$2,951 (2020 - \$1,001).

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. (2020 – 15.00%).

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, 2021 to December 31, 2021.

	2021	2020
Assets		
Current	\$15,517	\$20,304
Capital assets	124,852	123,999
Investment in Alectra Inc.	311,807	307,066
Other	1,778	1,778
Total assets	\$453,954	\$453,147
Liabilities		
Current	\$17,976	\$10,575
Other	41,162	53,939
Long term	-	3,650
Total liabilities	\$59,138	\$68,164
Shareholder's equity		
Common shares	\$92,870	\$94,365
Promissory notes payable	79,184	79,184
Retained earnings and contributed surplus	222,762	211,434
Total shareholder's equity	\$394,816	\$384,983
Total liabilities and shareholder's equity	\$453,954	\$453,147
Results of operations		
Revenue	\$44,263	\$39,310
Operating expenses	24,142	23,824
Net Income	20,121	15,486
Return of capital	(1,494)	(1,700)
Dividend	(8,794)	(10,280)
Net change in equity in Markham Enterprises Corporation	\$9,833	\$3,506
Opening shareholder's equity	\$384,983	\$381,477
Closing shareholder's equity	\$394,816	\$384,983

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 year that require the City to pay for goods and services acquired or provided prior to year end. A breakdown of accounts payable and accrued liabilities is as follows:

	2021	2020
Payable to other governments	\$104,914	\$63,481
Trade accounts payable	68,445	59,545
Accrued liabilities	15,061	13,779
Payroll liabilities	3,235	4,157
	\$191,655	\$140,962

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 represents the activity and year end balances for deferred revenue.

	Opening balance	Amounts received	Revenue earned	Closing balance
Obligatory reserve funds:				
Development charges	\$68,780	\$69,407	\$32,521	\$105,666
Parkland cash-in-lieu	58,479	8,773	1,524	65,728
Canada community building fund	14,562	20,692	12,548	22,706
Section 37 funds	7,466	52	527	6,991
Other	3	-	-	3
	\$149,290	\$98,924	\$47,120	\$201,094
General:				
Deferred revenue and deposits	24,294	17,028	20,886	20,436
	\$173,584	\$115,952	\$68,006	\$221,530

9. EMPLOYEE FUTURE BENEFITS LIABILITIES

	2021	2020
Long-term disability benefits	\$5,932	\$5,944
Post-employment benefits	12,951	12,997
Vested sick leave benefits	6,776	6,609
Workplace Safety & Insurance Board obligations	5,165	4,824
	<u>\$30,824</u>	<u>\$30,374</u>
Vacation pay - City	3,444	3,748
Vacation pay - Library	165	183
	<u>\$34,433</u>	<u>\$34,305</u>

a) Long-Term Disability Benefits (LTD)

The City provides long-term disability benefits to eligible employees. At year end, the accrued liability of \$5,932 (2020 – \$5,944) represents the actuarial valuation of benefits to be paid, based 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 2020 and projected to December 2021.

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 post-employment benefit liability at December 31, 2021 is \$12,951 (2020 – \$12,997). The accrued benefit liability and the net benefit cost for the fiscal year were determined by an actuarial valuation for December 2018 and projected to December 2021.

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 \$6,776 (2020 - \$6,609). The accrued benefit liability and the net benefit cost for the fiscal year were determined by an actuarial valuation for December 2018 and projected to December 2021.

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 \$5,165 (2020 - \$4,824) 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 2019 and projected to December 2021.

9. EMPLOYEE FUTURE BENEFITS LIABILITIES (continued)

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

	LTD benefits	Post employment benefits	Vested sick- leave	WSIB obligations	2021	2020
Accrued benefit liability, beginning of year	\$5,944	\$12,997	\$6,609	\$4,824	\$30,374	\$29,004
Service cost	939	519	606	290	2,354	2,934
Interest cost	106	451	277	206	1,040	1,120
Benefit payments	(811)	(1,009)	(770)	(445)	(3,035)	(2,817)
Amortization of actuarial loss(gain)	(246)	(7)	54	290	91	133
Accrued benefit liability, end of year	\$5,932	\$12,951	\$6,776	\$5,165	\$30,824	\$30,374
Unamortized actuarial (gain) loss	(456)	(1,451)	348	847	(712)	(86)
Accrued benefit obligation, end of year	\$5,476	\$11,500	\$7,124	\$6,012	\$30,112	\$30,288

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 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	2.00%	4.00%	4.00%	3.50%
Expected Average Remaining Service Life (EARSL) in years	N/A	13	13	12

10. LONG-TERM LIABILITIES

On July 1, 2010 and April 14, 2014, the City received a loan from Canada Mortgage Housing Corporation (CMHC) and 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 of \$12,000 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% owned subsidiary of MEC. The loan 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 loan of \$4,000 received on April 14, 2014 was used to fund the cost of Cornell Community Centre. The loan is to be amortized over a period of 20 years, at an interest rate of 2%. An annual payment to the Region of \$244 consists of principal and interest.

10. LONG-TERM LIABILITIES (continued)

Principal payments are repayable annually as follows:

2022	\$811
2023	840
2024	870
2025	902
2026	934
2027 and thereafter	4,903
	<u><u>\$9,260</u></u>

11. TANGIBLE CAPITAL ASSETS

a) Assets under construction

Assets under construction having a value of \$36,873 (2020 - \$42,284) 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 contributed assets received during the year is \$364,253 (2020 - \$50,842) comprised of land in the amount of \$342,952 (2020 - \$37,239), infrastructure in the amount of \$15,273 (2020 - \$9,959) and waterworks infrastructure in the amount of \$6,028 (2020 - \$3,644).

c) Tangible Capital Assets Disclosed at Nominal Values

Where an estimate of fair value cannot be made, the tangible capital asset is recognized at a nominal value. Land is the only asset where nominal values are assigned.

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.

THE CORPORATION OF THE CITY OF MARKHAM
Notes to the Consolidated Financial Statements
Year ended December 31, 2021
(All dollar amounts are in \$000's)

11. TANGIBLE CAPITAL ASSETS (continued)

	Cost				Accumulated Amortization				Net Book Value	
	Disposals & Amortization Jan 1, 2021 Additions Adjustments Dec 31, 2021				Disposals & Amortization Jan 1, 2021 expense Adjustments Dec 31, 2021				Balance at Dec 31, 2021	Balance at Dec 31, 2020
Land	2,172,652	385,948	(2,718)	2,555,882	-	-	-	-	2,555,882	2,172,652
Buildings	423,123	13,459	-	436,582	146,304	10,398	-	156,702	279,880	276,819
Equipment	35,498	7,127	(2,725)	39,900	18,370	3,956	(2,725)	19,601	20,299	17,128
Furniture & fixtures	7,646	21	(43)	7,624	6,261	445	(43)	6,663	961	1,385
Infrastructure	1,509,907	44,693	(15,290)	1,539,310	547,107	38,739	(15,291)	570,555	968,755	962,800
Library materials, furniture & fixtures	19,510	1,632	(2,320)	18,822	11,569	2,272	(2,319)	11,522	7,300	7,941
Parks & Pathways	100,217	8,569	(2,601)	106,185	38,730	5,602	(2,601)	41,731	64,454	61,487
Vehicles	17,140	664	(934)	16,870	10,291	1,808	(934)	11,165	5,705	6,849
Waterworks equipment & infrastructure	1,090,574	22,556	(2,454)	1,110,676	374,159	16,894	(2,454)	388,599	722,077	716,415
Total	5,376,267	484,669	(29,085)	5,831,851	1,152,791	80,114	(26,367)	1,206,538	4,625,313	4,223,476
Assets under construction	42,284	(5,411)	-	36,873	-	-	-	-	36,873	42,284
Grand Total	5,418,551	479,258	(29,085)	5,868,724	1,152,791	80,114	(26,367)	1,206,538	4,662,186	4,265,760

12. USER CHARGES

	2021	2020
Water and sewer billing to ratepayers	\$134,063	\$137,100
Engineering	19,545	10,182
Building permits	16,800	5,244
Planning	11,620	11,555
Landscaping	5,366	4,477
Other	4,720	3,619
Facility rentals	4,426	4,510
Parking violations	1,917	2,333
Licenses	1,575	1,360
Recreation programs	1,057	2,244
Culture venues	67	537
Total	\$201,156	\$183,161

Other user charges includes property tax administration fees, waterworks services, and legal administration fees.

13. GOVERNMENT TRANSFERS

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

	2021	2020
Provincial Grants:		
General government	\$11,970	\$6,958
Environmental services	1,863	1,603
Recreation and cultural services	452	359
Planning and development services	310	257
	\$14,595	\$9,177
Federal Grants:		
General government	12,554	10,787
Recreation and cultural services	199	148
	\$12,753	\$10,935
	\$27,348	\$20,112

THE CORPORATION OF THE CITY OF MARKHAM
Notes to the Consolidated Financial Statements
Year ended December 31, 2021
(All dollar amounts are in \$000's)

14. ACCUMULATED SURPLUS

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

	2021	2020
City operating fund surplus including library, community boards, Destination Markham Corporation and business improvement areas	\$27,002	\$16,641
Less: transferred to reserve and reserve funds	(24,793)	-
	\$2,209	\$16,641
Equity in Markham Enterprises Corporation	394,816	384,983
Invested in tangible capital assets	4,662,186	4,265,760
Other	(23,742)	(27,192)
	\$5,035,469	\$4,640,192
RESERVES SET ASIDE FOR SPECIFIC PURPOSES BY COUNCIL		
Berczy landscape feature	\$203	\$203
Building fee	14,810	7,483
Capital gains	4,160	4,160
Corporate rate stabilization	31,122	23,280
COVID	11,449	-
Development fee	28,944	10,011
Election expenses	831	531
Election rebates	747	566
Facility ramp up	29,008	23,891
Firefighters sick leave benefits	6,776	6,776
Insurance	4,059	4,059
Long-term disability benefits	23,773	22,872
Waterworks	86,657	80,130
Total reserves	\$242,539	\$183,962
RESERVE FUNDS SET ASIDE FOR SPECIFIC PURPOSES BY COUNCIL		
Cemetery expenses	\$123	\$122
Emerald Ash Borer	192	192
Environmental land acquisition	11,236	10,713
Environmental sustainability fund	84	95
Heritage	513	339
Land acquisition	(271,920)	(243,055)
Library infrastructure	6,517	6,449
Life cycle replacement and capital	169,562	133,008
Museum	19	19
Non-DC growth	16,403	12,728
Post retirement benefits	14,912	14,757
Public art acquisition	5,036	4,018
Stormwater fee	(20,162)	(6,470)
Theatre	905	895
Trees for Tomorrow program	682	7
Workplace Safety & Insurance Board (WSIB)	5,370	5,314
WSIB excess compensation	2,093	1,752
Total reserves fund	(\$58,435)	(\$59,117)
Total	\$5,219,573	\$4,765,037

15. COMMITMENTS

As at December 31, 2021, the City is committed to minimum annual operating lease payments for premises and equipment as follows:

2022	\$82
2023	43
2024	43
2025	43
2026	43
2027 and thereafter	87
	<u>\$341</u>

16. CONTINGENCIES

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.

THE CORPORATION OF THE CITY OF MARKHAM
Notes to the Consolidated Financial Statements
Year ended December 31, 2021
(All dollar amounts are in \$000's)

17. SEGMENTED INFORMATION (continued)

	General government	Protection to persons and property	Transportation services	Environmental services	Recreation and cultural services	Planning and development services	Other	2021	2020
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues									
Property taxes	168,375	-	-	-	-	-	-	168,375	167,013
User charges	4,253	18,227	22,300	135,285	4,106	16,985	-	201,156	183,161
Government transfers	24,524	-	-	1,863	651	310	-	27,348	20,112
Contribution from developers and others	366,328	-	-	-	-	-	-	366,328	53,025
Investment income	12,101	-	-	-	-	-	-	12,101	14,201
Tax penalties	6,414	-	-	-	-	-	-	6,414	1,438
Loss on sale of tangible assets	(1,622)	-	-	-	-	-	-	(1,622)	(134)
Deferred revenue earned	40,101	-	-	-	-	-	-	40,101	14,365
Equity in income of Markham Enterprises Corporation	20,121	-	-	-	-	-	-	20,121	15,486
Other	13,554	371	581	1,020	493	78	3	16,100	6,092
Total revenues	654,149	18,598	22,881	138,168	5,250	17,373	3	856,422	474,759
Expenses									
Salaries, wages and employee benefits	24,888	47,606	15,215	9,030	26,376	7,756	-	130,871	134,247
Operating materials and supplies	11,730	4,256	3,713	1,282	7,810	618	22	29,431	28,778
Contracted services	10,375	1,291	9,738	125,141	7,804	4,820	-	159,169	164,040
Rents and financial expenses	(2,069)	204	197	2,863	191	134	-	1,520	1,445
External transfers to others	399	-	-	-	48	-	-	447	457
Long term debt charges	334	-	-	-	-	-	-	334	360
Amortization of tangible capital assets	3,019	1,825	31,380	24,309	19,581	-	-	80,114	79,258
Total expenses	48,676	55,182	60,243	162,625	61,810	13,328	22	401,886	408,585
Annual surplus/(deficit)	605,473	(36,584)	(37,362)	(24,457)	(56,560)	4,045	(19)	454,536	66,174

18. BUDGET FIGURES

The budget figures presented in these consolidated financial statements are based on the Council approved 2021 budget. The following table reconciles the approved budget figures as presented in these consolidated financial statements using the accrual basis of accounting.

	2021	2020
	\$	\$
Revenues		
Approved operating budget	415,765	408,129
Approved capital budget	103,259	111,488
Transfer from reserve funds	(60,076)	(65,082)
Total revenues	458,948	454,535
Expenses		
Approved operating budget	415,765	408,129
Transfer to reserve funds	(62,008)	(53,191)
Expenses not capitalized	18,399	30,249
Post-employment benefit expenses	341	(53)
Amortization	80,117	79,630
Total expenses	452,614	464,764
Annual surplus/(deficit)	6,334	(10,229)

19. TRUST FUNDS

Trust funds administered by the City for the benefit of others amounting to \$2,445 (2020 - \$2,441) have not been included in the Consolidated Statement of Financial Position of the City nor have their operations been included in the Consolidated Statement of Operations and Accumulated Surplus of the City. The details of the trust funds 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 can be used to offset certain maintenance costs of Morgan Park. As at December 31, 2021 the trust fund balance was \$88 (2020 - \$86).

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, 2021 the trust fund balance was \$1,299 (2020 - \$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, 2021 the trust fund balance was nil (2020 - \$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, 2021 the trust fund balance was \$943 (2020 - \$943).

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, 2021 the trust fund balance was \$11 (2020 - \$11).

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, 2021 the trust fund balance was \$104 (2020 - \$102).

20. CONTRACTUAL RIGHTS

City revenues to be generated in the future, in relation to existing lease agreements are approximately \$30,535. The City has also entered into Provincial funding agreements, whereby the estimated future funding is \$21,320.

Year	Lease agreements	Provincial funding agreements
2022	3,676	10,433
2023	3,301	10,887
2024	3,278	-
2025	3,156	-
2026	3,130	-
2027 and thereafter	13,994	-
Total	30,535	21,320