



2021 Consolidated Financial Statements

Presentation to General Committee

April 19, 2022



Agenda

1. Introduction
2. Requirements
3. Audit Summary
4. Financial Results Discussion
5. Presentation by Ms Maria Khoushnood, 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:
 - The KPMG audit team was on-site one week in November 2021 performing interim and preliminary year-end work.
 - The KMPG team continued the audit of the financial records of the City and associate corporations remotely from February 21 to April 1, 2022.
- During the course of audit, KPMG identified two adjustments which staff corrected in the City's financial statements.
- Clean audit opinion.



4. Financial Results

Consolidated Statement of Financial Position (Balance Sheet)

	<u>\$ in millions</u>		
	<u>2021</u>	<u>2020</u>	<u>Incr. / (Decr.)</u>
Financial Assets	1,008.40	853.32	155.08
Financial Liabilities	<u>456.88</u>	<u>358.89</u>	<u>97.99</u>
Net Financial Assets	551.52	494.43	57.09
Non-Financial Assets	4,668.05	4,270.61	397.44
Accumulated Surplus	<u>5,219.57</u>	<u>4,765.04</u>	<u>454.53</u>



4. Financial Results

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

Financial Assets increased by \$155.08M

Financial Assets	Incr./(Decr.)	Significant Changes
Cash and investments	\$145.30M	<ul style="list-style-type: none">• Decrease in spending on operating and capital projects \$85.30M• Increase due to receipt development charges collected \$36.90M, COVID relief funding \$9.80M, Canada Community Building Fund \$8.10M and Parkland Cash-in-Lieu \$7.10M
Property taxes receivable	(\$3.36M)	<ul style="list-style-type: none">• Increase in provision for potential future tax appeals related to COVID \$1.95M• Decrease in current year property taxes receivables
Accounts receivable	\$3.31M	<ul style="list-style-type: none">• Increase in Region of York shared projects and other accrued revenues \$3.31M
Investment in MEC	\$9.84M	<ul style="list-style-type: none">• Equity in income \$20.49M, offset by reduction in share capital \$1.49M and dividends paid \$8.79M



4. Financial Results

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

Financial Liabilities increased by \$97.99M

Financial Liabilities	Incr./(Decr.)	Significant Changes
Accounts payable and accrued liabilities	\$50.70M	<ul style="list-style-type: none">• Increase in amounts owed to: Region of York and School Boards for development charges \$20.40M, developers for development charges credit liabilities \$10.30M, Region of York for water and shared capital projects \$11.40M, vendors for construction projects and refundable deposits \$11.30M• Offset by decrease in payroll liabilities \$0.90M
Deferred revenues	\$47.95M	<ul style="list-style-type: none">• Increase in amounts collected \$115.95M• Offset by amounts earned on capital projects \$68.00M
Long term liabilities	\$(0.78)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 \$397.44M

Non-Financial Assets	Incr./(Decr.)	Significant Changes
Tangible capital assets	\$396.43M	<ul style="list-style-type: none">Land, Infrastructure, parks and pathways
Prepaid expenses and inventories	\$1.01M	<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)

	<u>\$ in millions</u>		
	<u>2021</u>	<u>2020</u>	<u>Incr. / (Decr.)</u>
Revenues	856.42	474.76	381.66
Less Expenses	401.89	408.59	(6.69)
Annual Surplus	454.53	66.17	388.36
Accumulated Surplus, Beginning of Year	4,765.04	4,698.87	66.17
Accumulated Surplus, End of Year	5,219.57	4,765.04	454.53



4. Financial Results

Details of Accumulated Surplus

	\$ in millions		
	<u>2021</u>	<u>2020</u>	<u>Incr. / (Decr.)</u>
Operating surplus (excl. waterworks)	22.90	9.41	13.49
Waterworks	1.89	4.57	(2.68)
Destination Markham Corporation	1.69	2.16	(0.47)
Community Boards and BIAs	<u>0.52</u>	<u>0.50</u>	<u>0.02</u>
Operating Surplus Total	27.00	16.64	10.36
Less: Transferred to Corporate Rate Stabilization reserve	(6.99)	-	(6.99)
Transferred to Life Cycle Replacement and Capital reserve fund	(15.92)	-	(15.92)
Transferred to Waterworks reserve	<u>(1.89)</u>	<u>-</u>	<u>(1.89)</u>
	2.20	16.64	(14.44)
Equity income from Markham Enterprises Corporation	394.82	384.98	9.84
Invested in Tangible Capital Assets and Other	4,662.19	4,265.76	396.43
Reserves and Reserve Funds	184.10	124.85	59.25
Other	<u>(23.74)</u>	<u>(27.19)</u>	3.45
Total Accumulated Surplus	<u>5,219.57</u>	<u>4,765.04</u>	<u>454.53</u>



5. Presentation of the Audit Findings Report

Maria Khoushnood, Partner KPMG LLP