

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

December 31, 2022

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, 2022 with comparative figures for 2021
(All dollar amounts are in \$000's)

	Note	2022	2021
FINANCIAL ASSETS			
Cash and investments	4	415,527	516,645
Property taxes receivable	5	34,792	34,147
Accounts receivable		62,548	62,791
Investment in Markham Enterprises Corporation	6	398,438	394,816
		\$911,305	\$1,008,399
FINANCIAL LIABILITIES			
Accounts payable and accrued liabilities	7	\$157,165	\$191,655
Deferred revenues	8	145,632	221,530
Employee future benefits liabilities	9	40,294	34,433
Long-term liabilities	10	8,448	9,260
		\$351,539	\$456,878
NET FINANCIAL ASSETS		\$559,766	\$551,521
NON-FINANCIAL ASSETS			
Tangible capital assets	11	\$4,892,136	\$4,662,186
Inventories		3,757	3,373
Prepaid expenses		4,569	2,493
		\$4,900,462	\$4,668,052
Commitments	15		
Contingencies	16		
Contractual rights	20		
Subsequent event	21		
ACCUMULATED SURPLUS	14	\$5,460,228	\$5,219,573

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, 2022 with comparative figures for 2021
(All dollar amounts are in \$000's)

	Note	2022		2021
		Budget (note 18)	Actual	Actual
Revenues				
Property taxes		\$173,248	\$174,977	\$168,375
User charges	12	208,805	216,661	201,156
Government transfers	13	16,416	29,443	27,348
Contributions from developers and others		7,550	86,041	362,369
Investment income		14,893	18,911	12,101
Tax penalties		4,576	6,044	6,414
Gain (Loss) on sale of tangible capital assets		-	282	(1,622)
Deferred revenue earned		35,209	133,302	40,101
Equity income from Markham Enterprises Corporation	6	10,300	12,086	20,121
Other		9,698	19,748	20,059
TOTAL REVENUES		\$480,695	\$697,495	\$856,422
Expenses				
General government		69,356	\$63,371	\$48,676
Protection to persons and property		57,328	57,958	55,182
Transportation services		73,584	67,708	60,243
Environmental services		165,473	166,816	162,625
Recreation and cultural services		89,800	82,872	61,810
Planning and development services		21,109	18,095	13,328
Other		34	20	22
TOTAL EXPENSES		\$476,684	\$456,840	\$401,886
ANNUAL SURPLUS		\$4,011	\$240,655	\$454,536
ACCUMULATED SURPLUS, BEGINNING OF YEAR		5,219,573	5,219,573	4,765,037
ACCUMULATED SURPLUS, END OF YEAR	14	\$5,223,584	\$5,460,228	\$5,219,573

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, 2022 with comparative figures for 2021
(All dollar amounts are in \$000's)

	Note	2022		2021
		Budget	Actual	Actual
Annual surplus		\$4,011	\$240,655	\$454,536
Acquisition of tangible capital assets		(140,235)	(224,871)	(115,005)
Contributed tangible capital assets	11		(86,126)	(364,253)
Amortization of tangible capital assets		79,345	81,041	80,114
Loss (gain) on disposal of tangible capital assets		-	(282)	1,622
Proceeds from disposal of tangible capital assets		-	288	1,096
		(\$56,879)	\$10,705	\$58,110
Acquisition of inventories		-	(3,671)	(3,287)
Acquisition prepaid expenses		-	(4,569)	(2,493)
Consumption of inventories		-	3,287	1,546
Use of prepaid expenses		-	2,493	3,220
Change in net financial assets		(\$56,879)	\$8,245	\$57,096
Net financial assets, beginning of year		551,521	551,521	494,425
Net financial assets, end of year		\$494,642	\$559,766	\$551,521

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, 2022 with comparative figures for 2021
(All dollar amounts are in \$000's)

	<u>2022</u>	<u>2021</u>
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Annual surplus	\$ 240,655	\$ 454,536
Add (deduct) items not involving cash		
Amortization of tangible capital assets	81,041	80,114
Loss (gain) on disposal of tangible capital assets	(282)	1,622
Change in employee future benefits and other liabilities	5,861	128
Equity in income of Markham Enterprises Corporation	(12,086)	(20,121)
Contributed tangible capital assets	(86,126)	(364,253)
Change in non-cash assets and liabilities		
Property taxes receivable	(645)	3,359
Accounts receivable	243	(3,314)
Accounts payable and accrued liabilities	(34,490)	50,693
Long term liabilities	(812)	(783)
Deferred revenue	(75,898)	47,946
Inventories	(384)	(1,741)
Prepaid expenses	(2,076)	727
Net change in cash from operating activities	\$ 115,001	\$ 248,913
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(224,871)	(115,005)
Proceeds from disposal of tangible capital assets	288	1,096
Net change in cash from capital activities	\$ (224,583)	\$ (113,909)
INVESTING ACTIVITIES		
Dividend from Markham Enterprises Corporation	7,416	8,794
Decrease in share capital of Markham Enterprises Corporation	1,048	1,494
Net change in cash from investing activities	\$ 8,464	\$ 10,288
NET CHANGE IN CASH & CASH EQUIVALENTS AND INVESTMENTS	\$ (101,118)	\$ 145,292
OPENING CASH & CASH EQUIVALENTS AND INVESTMENTS	516,645	371,353
CLOSING CASH & CASH EQUIVALENTS AND INVESTMENTS	\$ 415,527	\$ 516,645
Supplementary information:		
Interest paid	305	334
Interest received	11,770	6,855

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).

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.

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".

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Revenues

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 will be recognized in the fiscal year they are determined and the impact shared with the Region and School Boards as appropriate.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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) Assets

The assets standard provides additional guidance on the definition of assets and what is meant by economic resources, control, past transactions and events and from which future economic benefits are to be obtained. For the year ended December 31, 2022, all the material assets have been reported.

o) 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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

p) 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.

q) Budget Figures

The approved operating and capital budgets for 2022 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.

r) 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.

s) 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.

t) Future Accounting Pronouncements

These standards and amendments were not yet effective for the year ended December 31, 2022, 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):

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

- (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 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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

u) 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, 2022, are disclosed in note 20.

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.

v) 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, 2022, 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.

w) Related Party Transactions

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.

x) 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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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	2022	2021
Taxation	\$ 245,502	\$ 361,830	\$ 607,332	\$ 593,537
Payment in lieu of taxes	322	1,101	1,423	1,144
Supplementary taxes	1,403	2,364	3,767	3,527
Amount requisitioned and transferred	\$ 247,227	\$ 365,295	\$ 612,522	\$ 598,208

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 \$25,453 (2021 - \$23,576) of which \$12,727 (2021 - \$11,788) represented the City's portion and \$12,727 (2021 - \$11,788) represented employees portion. Since OMERS is a multi-employer pension plan, the City does not recognize any share of the pension plan deficit of \$6.7 billion as of 2022 (2021 - \$3.1 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

	2022	2021
Cash and cash equivalents	\$ 152,635	\$ 293,320
Investments	262,892	223,325
	\$ 415,527	\$ 516,645

Cash balance includes investments in the amount of \$6,300 (2021 - \$5,000) 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 \$264,684 (2021 - \$258,738) 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:

	2022	2021
Current year	\$ 25,870	\$ 24,198
Arrears prior years	11,873	12,900
	37,743	37,098
Less: Allowance for uncollectible taxes	(2,951)	(2,951)
	\$ 34,792	\$ 34,147

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 2023 property tax year 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 (2021 - \$2,951).

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. (2021 – 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, 2022 to December 31, 2022.

	2022	2021
Assets		
Current	26,657	15,517
Capital assets	130,570	124,852
Investment in Alectra Inc.	306,706	311,807
Other	2,757	1,778
Total assets	\$466,690	\$453,954
Liabilities		
Current	35,731	17,976
Other	32,521	41,162
Total liabilities	\$68,252	\$59,138
Shareholder's equity		
Common shares	91,822	92,870
Promissory notes payable	79,184	79,184
Retained earnings and contributed surplus	227,432	222,762
Total shareholder's equity	\$398,438	\$394,816
Total liabilities and shareholder's equity	\$466,690	\$453,954
Results of operations		
Revenue	\$39,497	44,263
Operating expenses	27,411	24,142
Net Income	12,086	20,121
Return of capital	(1,048)	(1,494)
Dividend	(7,416)	(8,794)
Net change in equity in Markham Enterprises Corporation	\$3,622	\$9,833
Opening shareholder's equity	\$394,816	\$384,983
Closing shareholder's equity	\$398,438	\$394,816

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:

	2022	2021
Payable to other governments	\$ 59,970	\$ 104,914
Trade accounts payable	74,739	68,445
Accrued liabilities	18,113	15,061
Payroll liabilities	4,343	3,235
	\$ 157,165	\$ 191,655

8. DEFERRED REVENUES

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	Receipts	Revenue earned	Closing Balance
Obligatory reserve funds:				
Development charges	\$ 105,666	\$39,647	\$25,079	\$ 120,234
Parkland cash-in-lieu	65,728	8,128	99,340	(25,484)
Federal Gas tax	22,706	11,053	11,910	21,849
Section 37 funds	6,991	559	731	6,819
Other	3	-	-	3
	201,094	59,387	137,060	123,421
General:				
Deferred revenue and deposits	20,436	29,647	27,872	22,211
	\$ 221,530	\$ 89,034	\$ 164,932	\$ 145,632

9. EMPLOYEE FUTURE BENEFITS LIABILITIES

	2022	2021
Long-term disability benefits	\$ 5,921	\$ 5,932
Post-employment benefits	18,513	12,951
Vested sick leave benefits	6,763	6,776
Workplace Safety & Insurance Board	5,314	5,165
	<u>\$ 36,511</u>	<u>\$ 30,824</u>
Vacation pay - City	3,624	3,444
Vacation pay - Library	159	165
	<u>\$ 40,294</u>	<u>\$ 34,433</u>

a) Long-Term Disability Benefits (LTD)

The City provides long-term disability benefits to eligible employees. At year end, the accrued liability of \$5,921 (2021 – \$5,932) 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 2022.

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, 2022 is \$18,513 (2021 – \$12,951). The accrued benefit liability and the net benefit cost for the fiscal year were determined by an actuarial valuation for December 2021 and projected to December 2022.

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 \$6,763 (2021 - \$6,776). The accrued benefit liability and the net benefit cost for the fiscal year were determined by an actuarial valuation for December 2021 and projected to December 2022.

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 \$5,314 (2021 - \$5,165) 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 2022.

9. EMPLOYEE FUTURE BENEFITS LIABILITIES (continued)

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

	LTD	Post employment benefits	Vested sick- leave	WSIB	2022	2021
Accrued benefit liability, beginning of year	\$ 5,932	\$ 12,951	\$ 6,776	\$ 5,165	\$ 30,824	\$ 30,374
Service cost	957	885	561	298	2,701	2,354
Interest cost	111	725	284	208	1,328	1,040
Increase due to plan amendment	-	5,315	-	-	5,315	-
Benefit payments	(833)	(1,323)	(923)	(447)	(3,526)	(3,035)
Amortization of actuarial loss(gain)	(246)	(40)	65	90	(131)	91
Accrued benefit liability, end of year	\$ 5,921	\$ 18,513	\$ 6,763	\$ 5,314	\$ 36,511	\$ 30,824
Unamortized actuarial (gain) loss	(210)	(125)	430	757	852	(712)
Accrued benefit obligation, end of year	\$ 5,711	\$ 18,388	\$ 7,193	\$ 6,071	\$ 37,363	\$ 30,112

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	1.75%	1.75%	1.75%
Expected level of salary increase	N/A	2.75%	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:

2023	\$ 840
2024	870
2025	901
2026	934
2027	967
2028 and thereafter	3,936
	<hr/>
	\$ 8,448

11. TANGIBLE CAPITAL ASSETS

a) Assets under construction

Assets under construction having a value of \$132,403 (2021 - \$36,873) 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 \$86,126 (2021 - \$364,253) comprised of land in the amount of \$63,056 (2021 - \$342,952), infrastructure in the amount of \$13,713 (2021 - \$15,273) and waterworks equipment and infrastructure in the amount of \$9,357 (2021 - \$6,028).

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, 2022
(All dollar amounts are in \$000's)

11. TANGIBLE CAPITAL ASSETS (continued)

	Cost				Accumulated Depreciation				Net Book Value	
	Jan 1, 2022	Additions	Disposals & Adjustments	Dec 31, 2022	Jan 1, 2022	Amortization expenses	Disposals & Adjustments	Dec 31, 2022	2022	2021
Land	2,555,882	113,015	(4)	2,668,893	-	-	-	-	2,668,893	2,555,882
Buildings	436,582	11,147	(68)	447,661	156,702	10,513	(62)	167,153	280,508	279,880
Equipment	39,900	3,821	(4,481)	39,240	19,601	4,088	(4,481)	19,208	20,032	20,299
Furniture & fixtures	7,624	267	(3,965)	3,926	6,663	287	(3,965)	2,985	941	961
Infrastructure	1,539,310	44,950	(8,198)	1,576,062	570,555	39,182	(8,200)	601,537	974,525	968,755
Library materials, furniture & fixtures	18,822	1,290	(2,618)	17,494	11,522	2,126	(2,618)	11,030	6,464	7,300
Parks & Pathways	106,185	15,082	(3,081)	118,186	41,731	5,955	(3,081)	44,605	73,581	64,454
Vehicles	16,870	1,407	(3,441)	14,836	11,165	1,668	(3,441)	9,392	5,444	5,705
Waterworks equipment & infrastructure	1,110,676	24,488	(1,634)	1,133,530	388,599	17,222	(1,636)	404,185	729,345	722,077
Total	5,831,851	215,467	(27,490)	6,019,828	1,206,538	81,041	(27,484)	1,260,095	4,759,733	4,625,313
Assets under construction	36,873	95,530		132,403					132,403	36,873
Grand Total	5,868,724	310,997	(27,490)	6,152,231	1,206,538	81,041	(27,484)	1,260,095	4,892,136	4,662,186

12. USER CHARGES

	2022	2021
Water and sewer billing to ratepayers	\$ 138,965	\$ 134,063
Engineering	24,229	19,545
Building permits	9,317	16,800
Planning	11,494	11,620
Landscaping	4,748	5,366
Other	5,986	4,720
Facility rentals	8,132	4,426
Parking violations	2,320	1,917
Licenses	1,940	1,575
Recreation programs	7,397	1,057
Culture venues	2,133	67
Total	\$ 216,661	\$ 201,156

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:

	2022	2021
Provincial Grants:		
General government	\$ 10	\$ 11,970
Environmental services	2,066	1,863
Recreation and cultural services	389	452
Planning and development services	470	310
	\$ 2,935	\$ 14,595
Federal Grants:		
General government	12,086	12,554
Environmental services	13,866	-
Recreation and cultural services	556	199
	\$ 26,508	\$ 12,753
	\$ 29,443	\$ 27,348

THE CORPORATION OF THE CITY OF MARKHAM
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14. ACCUMULATED SURPLUS

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

	2022	2021
City operating fund surplus including library, community boards, Destination Markham Corporation and business improvement areas	\$ 15,711	\$ 27,002
Less: transferred to reserve and reserve funds	(12,445)	(24,793)
	\$3,266	\$2,209
Equity in Markham Enterprises Corporation	398,438	394,816
Invested in tangible capital assets	4,892,136	4,662,186
Other	(29,978)	(23,742)
	\$ 5,263,862	\$ 5,035,469
RESERVES SET ASIDE FOR SPECIFIC PURPOSES BY COUNCIL		
Berczy landscape feature	\$203	\$203
Building fee	14,513	14,810
Capital gains	7,203	4,160
Corporate rate stabilization	29,045	31,122
COVID	6,702	11,449
Development fee	51,668	28,944
Election expenses	63	831
Election rebates	700	747
Facility ramp up	31,559	29,008
Firefighters sick leave benefits	6,763	6,776
Insurance	4,451	4,059
Long-term disability benefits	24,711	23,773
Waterworks	90,821	86,657
Total reserves	\$ 268,402	\$ 242,539
RESERVE FUNDS SET ASIDE FOR SPECIFIC PURPOSES BY COUNCIL		
Cemetery expenses	\$126	\$123
Emerald Ash Borer	192	192
Environmental land acquisition	12,184	11,236
Environmental sustainability fund	67	84
Heritage	499	513
Heritage land acquisition	6,700	-
Land acquisition	(335,421)	(271,920)
Library infrastructure	6,688	6,517
Life cycle replacement and capital	193,436	169,562
Museum	20	19
Non-DC growth	18,461	16,403
Post retirement benefits	18,513	14,912
Public art acquisition	5,165	5,036
Stormwater fee	(8,236)	(20,162)
Theatre	959	905
Trees for Tomorrow program	599	682
Workplace Safety & Insurance Board (WSIB)	5,511	5,370
WSIB excess compensation	2,501	2,093
Total reserves fund	\$ (72,036)	\$ (58,435)
Total	\$ 5,460,228	\$ 5,219,573

15. COMMITMENTS

As at December 31, 2022, the City is committed to minimum annual operating lease payments for premises and equipment as follows:

2023	\$	99
2024		99
2025		99
2026		99
2027		85
2028 and thereafter		43
Total	\$	523

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.

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Notes to the Consolidated Financial Statements
Year ended December 31, 2022
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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 services	Other	2022	2021
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues									
Property taxes	174,977	-	-	-	-	-	-	174,977	168,375
User charges	4,332	11,171	27,869	140,047	17,001	16,241	-	216,661	201,156
Government transfers	25,962	-	-	2,066	945	470	-	29,443	27,348
Contribution from developers and others	86,041	-	-	-	-	-	-	86,041	362,369
Investment income	18,911	-	-	-	-	-	-	18,911	12,101
Tax penalties	6,044	-	-	-	-	-	-	6,044	6,414
Profit/(loss) on sale of tangible assets	282	-	-	-	-	-	-	282	(1,622)
Deferred revenue earned	133,302	-	-	-	-	-	-	133,302	40,101
Equity in income of Markham Enterprises Corporation	12,086	-	-	-	-	-	-	12,086	20,121
Other	16,523	474	841	844	751	312	3	19,748	20,059
Total revenues	478,460	11,645	28,710	142,957	18,697	17,023	3	697,495	856,422
Expenses									
Salaries, wages and employee benefits	35,397	51,727	15,577	8,002	41,824	8,925	-	161,452	130,871
Operating materials and supplies	12,809	1,750	5,393	1,444	11,942	945	20	34,303	29,431
Contracted services	13,460	2,608	14,568	129,741	9,270	8,054	-	177,701	159,169
Rents and financial expenses	(2,079)	157	161	2,910	555	171	-	1,875	1,520
External transfers to others	121	-	-	-	42	-	-	163	447
Long term debt charges	305	-	-	-	-	-	-	305	334
Amortization of tangible capital assets	3,358	1,716	32,009	24,719	19,239	-	-	81,041	80,114
Total expenses	63,371	57,958	67,708	166,816	82,872	18,095	20	456,840	401,886
Annual surplus/(deficit)	415,089	(46,313)	(38,998)	(23,859)	(64,175)	(1,072)	(17)	240,655	454,536

18. BUDGET FIGURES

The budget figures presented in these consolidated financial statements are based on the Council approved 2022 budget. The following table reconciles the approved budget figures as presented in these consolidated financial statements using the accrual basis of accounting.

	2022	2021
	\$	\$
Revenues		
Approved operating budget	423,455	415,765
Approved capital budget	110,263	103,259
Transfer from reserve funds	(53,023)	(60,076)
Total revenues	480,695	458,948
Expenses		
Approved operating budget	423,455	415,765
Transfer to reserve funds	(56,910)	(62,008)
Expenses not capitalized	29,972	18,399
Post-employment benefit expenses	822	341
Amortization	79,345	80,117
Total expenses	476,684	452,614
Annual surplus	4,011	6,334

19. TRUST FUNDS

Trust funds administered by the City for the benefit of others amounting to \$2,449 (2021 - \$2,445) 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, 2022 the trust fund balance was \$89 (2021 - \$88).

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, 2022 the trust fund balance was \$1,299 (2021 - \$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, 2022 the trust fund balance was nil (2021 - \$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, 2022 the trust fund balance was \$944 (2021 - \$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, 2022 the trust fund balance was \$11 (2021 - \$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, 2022 the trust fund balance was \$106 (2021 - \$104).

20. CONTRACTUAL RIGHTS

City revenues to be generated in the future, in relation to existing lease agreements are approximately \$33,088. The City has also entered into Provincial funding agreements, whereby the estimated future funding is \$10,887.

Year	Lease agreements	Provincial funding agreements
2023	4,931	10,887
2024	4,666	-
2025	4,619	-
2026	3,466	-
2027	3,411	-
2028 and thereafter	11,995	-
Total	\$ 33,088	\$ 10,887

21. SUBSEQUENT EVENT

The City has entered into an agreement with a vendor for acquisition of real property and provided a promissory note in the amount of \$94 millions on January 3, 2023. The City has also concurrently delivered a letter of credit to the vendor to draw on such letter of credit on, and not before, the maturity date in full and final satisfaction of City's obligation under the above promissory note.