



2022 Consolidated Financial Statements

Presentation to Development Services Committee

April 18, 2023



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 2022 performing interim and preliminary year-end work.
 - The KMPG team continued the audit of the financial records of the City and associate corporations from February 20 to March 31, 2023.
- During the course of audit, KPMG did not identify any adjustments.
- Clean audit opinion.



4. Financial Results

Consolidated Statement of Financial Position (Balance Sheet)

| | \$ in millions | | |
|-----------------------------|------------------------|------------------------|----------------------------|
| | <u>2022</u> | <u>2021</u> | <u>Incr. / (Decr.)</u> |
| Financial Assets | 911.31 | 1,008.40 | (97.09) |
| Financial Liabilities | <u>351.53</u> | <u>456.88</u> | <u>(105.35)</u> |
| Net Financial Assets | 559.78 | 551.52 | 8.26 |
| Non-Financial Assets | 4,900.45 | 4,668.05 | 232.40 |
| Accumulated Surplus | <u>5,460.23</u> | <u>5,219.57</u> | <u>240.66</u> |



4. Financial Results

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

Financial Assets decreased by \$97.09M

| Financial Assets | Incr. / (Decr.) | Significant change drivers |
|---------------------------|-----------------|---|
| Cash & investments | (\$101.11M) | • Decrease in Parkland Cash-in-lieu (\$91.2M) & increase in payments to Region for water (\$38.0M) |
| | | • Increase in development charges collected \$14.60M, an increase in Canada Community Building Fund \$8.10M |
| | | • Increase in MAT revenue \$3.3M and refundable deposits \$2.2M |
| Property taxes receivable | \$0.64M | • Increased receivable for 2022 tax levy offset by decrease in property tax levies prior to 2022 |
| Investment in MEC | \$3.62M | • Equity pick up \$12.08M, offset by reduction in share capital (\$1.0M) and dividends paid (\$7.5M) |



4. Financial Results

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

Financial Liabilities decreased by \$105.35M

| Financial Liabilities | Incr. / (Decr.) | Significant change drivers |
|--|-----------------|--|
| Accounts payable & accrued liabilities | (\$34.50M) | • Decrease in amounts owed to Region of York & School Boards for development charges (\$27.3M), Region of York for water and shared projects (\$15.2M) |
| | | • Offset by increase in property tax credits due to appeals, developers credit liabilities and refundable deposits \$7.9M |
| Deferred revenues | (\$75.90M) | • Inflows \$88.39M |
| | | • Outflows (\$164.29M) - higher capital project spending |
| Long term liabilities | \$(0.81M) | • Scheduled payments for FCM & CMHC loans |
| Employee future benefits liabilities | \$5.86M | • Increase as per actuarial valuations for the current year end for post employment and sick leave benefits \$5.7M |



4. Financial Results

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

Non-Financial Assets increased by \$232.4M

| Non-Financial Assets | Incr. / (Decr.) | Significant change drivers |
|----------------------------------|-----------------|---|
| Tangible Capital Assets (TCA) | \$229.95M | •Land, Infrastructure, parks/pathways |
| Prepaid expenses and inventories | \$2.45M | •Computer software licenses, insurance, maintenance agreements and winter control inventory |



4. Financial Results

Consolidated Statement of Operations and Accumulated Surplus (Income Statement)

| | \$ in millions | | |
|--|-----------------|-----------------|----------------------------|
| | <u>2022</u> | <u>2021</u> | <u>Incr. / (Decr.)</u> |
| Revenues | 697.50 | 856.42 | (158.92) |
| Less Expenses | <u>456.84</u> | <u>401.89</u> | <u>54.95</u> |
| Annual Surplus | 240.66 | 454.53 | (213.87) |
| Accumulated Surplus, Beginning of Year | 5,219.57 | 4,765.04 | 454.53 |
| Accumulated Surplus, End of Year | <u>5,460.23</u> | <u>5,219.57</u> | <u>240.66</u> |



4. Financial Results

Details of Accumulated Surplus

| | \$ in millions | | |
|--|------------------------|------------------------|----------------------------|
| | <u>2022</u> | <u>2021</u> | <u>Incr. / (Decr.)</u> |
| Operating surplus (excl. waterworks) | 9.57 | 22.90 | (13.33) |
| Waterworks | 2.88 | 1.89 | 0.99 |
| Destination Markham Corporation | 2.70 | 1.69 | 1.01 |
| Community Boards and BIAs | <u>0.57</u> | <u>0.52</u> | <u>0.05</u> |
| Operating Surplus Total | 15.71 | 27.00 | (11.29) |
| Less: Transferred to Corporate Rate Stabilization reserve | - | (6.99) | 6.99 |
| Transferred to Life Cycle Replacement and Other reserve func | (9.57) | (15.92) | 6.35 |
| Transferred to Waterworks reserve | <u>(2.88)</u> | <u>(1.89)</u> | <u>(0.99)</u> |
| | 3.27 | 2.20 | 1.07 |
| Equity income from Markham Enterprises Corporation | 398.44 | 394.82 | 3.62 |
| Invested in Tangible Capital Assets and Other | 4,892.14 | 4,662.19 | 229.95 |
| Reserves and Reserve Funds | 196.37 | 184.10 | 12.27 |
| Other | <u>(29.98)</u> | <u>(23.74)</u> | <u>(6.24)</u> |
| Total Accumulated Surplus | <u>5,460.23</u> | <u>5,219.57</u> | <u>240.66</u> |



4. Financial Results

Details of Reserves

| | \$ in millions | | |
|----------------------------------|----------------------|----------------------|----------------------------|
| | <u>2022</u> | <u>2021</u> | <u>Incr. / (Decr.)</u> |
| Reserves | | | |
| Building fee | 14.51 | 14.81 | (0.30) |
| Capital gains | 7.20 | 4.16 | 3.04 |
| Corporate rate stabilization | 29.04 | 31.12 | (2.08) |
| COVID | 6.70 | 11.45 | (4.75) |
| Development fee | 51.67 | 28.94 | 22.73 |
| Facility ramp up | 31.56 | 29.01 | 2.55 |
| Firefighters sick leave benefits | 6.76 | 6.78 | (0.02) |
| Insurance | 4.45 | 4.06 | 0.39 |
| Long-term disability benefit | 24.71 | 23.77 | 0.94 |
| Waterworks | 90.82 | 86.66 | 4.16 |
| Other | 0.98 | 1.78 | (0.80) |
| Total Reserves | <u>268.40</u> | <u>242.54</u> | <u>25.86</u> |



4. Financial Results

Details of Reserve Funds

| | \$ in millions | | |
|------------------------------------|----------------|----------------|----------------------------|
| Reserve Funds | <u>2022</u> | <u>2021</u> | <u>Incr. / (Decr.)</u> |
| Environmental land acquisition | 12.19 | 11.24 | 0.95 |
| Heritage land acquisition | 6.70 | - | 6.70 |
| Land acquisition | (335.42) | (271.92) | (63.50) |
| Library infrastructure | 6.69 | 6.52 | 0.17 |
| Life cycle replacement and capital | 193.44 | 169.56 | 23.88 |
| Non-DC growth | 18.46 | 16.40 | 2.06 |
| Post retirement benefits | 18.51 | 14.91 | 3.60 |
| Public art acquisition | 5.17 | 5.04 | 0.13 |
| Stormwater fee | (8.24) | (20.16) | 11.92 |
| Workplace Safety & Insurance Board | 5.51 | 5.37 | 0.14 |
| Other | 4.96 | 4.60 | 0.36 |
| Total Reserve Funds | (72.03) | (58.44) | (13.59) |



4. Financial Results

Deferred revenue

| | \$ in millions | | |
|----------------------------------|----------------|---------------|----------------------------|
| | <u>2022</u> | <u>2021</u> | <u>Incr. / (Decr.)</u> |
| Obligatory reserve funds: | | | |
| Development charges | 120.23 | 105.67 | 14.56 |
| Parkland cash-in-lieu | (25.48) | 65.73 | (91.21) |
| Federal Gas tax | 21.85 | 22.70 | (0.85) |
| Section 37 funds | 6.82 | 6.99 | (0.17) |
| | 123.42 | 201.09 | (77.67) |
| General: | | | |
| Deferred revenue and deposits | 22.21 | 20.44 | 1.77 |
| | 145.63 | 221.53 | (75.90) |



5. Presentation of the Audit Findings Report

Maria Khoushnood, Partner KPMG LLP