



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. /</u> <u>(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		
	<u>2022</u>	<u>2021</u>	<u>Incr. /</u> <u>(Decr.)</u>
Reserve Funds			
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	<u>(72.03)</u>	<u>(58.44)</u>	<u>(13.59)</u>



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