Appendix A

Consolidated Financial Statements of

THE CORPORATION OF THE CITY OF MARKHAM

December 31, 2023

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, 2023 with comparative figures for 2022
(All dollar amounts are in $000's)

	Note	2023	2022 (Restated - note 2)
FINANCIAL ASSETS			
Cash and cash equivalents	**5**	**$214,766**	$152,635
Investments	**5**	**265,500**	262,892
Property taxes receivable	**6**	**43,530**	34,792
Accounts receivable		**82,885**	88,032
Investment in Markham Enterprises Corporation	**7**	**407,946**	398,438
		$1,014,627	**$936,789**
FINANCIAL LIABILITIES			
Accounts payable and accrued liabilities	**8**	**$160,936**	$157,165
Liability for asset retirement obligation	**9**	**19,571**	18,255
Notes payable	**10**	**94,000**	-
Deferred revenues	**11**	**181,222**	171,116
Employee future benefits liabilities	**12**	**43,264**	40,294
Long-term liabilities	**13**	**7,608**	8,448
		$506,601	**$395,278**
NET FINANCIAL ASSETS		**$508,026**	**$541,511**
NON-FINANCIAL ASSETS			
Tangible capital assets	**14**	**$5,221,595**	4,892,710
Inventories		**3,588**	3,757
Prepaid expenses		**3,793**	4,569
		$5,228,976	**4,901,036**
Commitments	**18**		
Contingencies	**19**		
Contractual rights	**23**		
ACCUMULATED SURPLUS	**17**	**5,726,679**	**5,442,547**
ACCUMULATED REMEASUREMENT OF GAINS (LOSSES)		**10,323**	**-**
		$5,737,002	**$5,442,547**

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, 2023 with comparative figures for 2022
(All dollar amounts are in $000's)

	Note	2023		2022
		Budget (note 21)	Actual	Actual
				(Restated - note 2)
Revenues				
Property taxes		**$180,298**	**$184,417**	$174,977
User charges	**15**	**217,286**	**219,083**	216,661
Government transfers	**16**	**26,096**	**21,567**	29,443
Contributions from developers and others		**21,663**	**230,273**	86,041
Investment income		**18,372**	**27,615**	18,911
Tax penalties		**4,776**	**6,300**	6,044
Gain (loss) on sale of tangible capital assets		**-**	**267**	282
Deferred revenue earned		**98,511**	**32,433**	133,302
Equity income from Markham Enterprises Corporation	**7**	**14,821**	**25,441**	12,086
Other		**7,042**	**21,324**	19,748
TOTAL REVENUES		**$588,865**	**$768,720**	$697,495
Expenses				
General government		**71,873**	**$66,710**	$63,533
Protection to persons and property		**61,556**	**59,569**	57,958
Transportation services		**77,186**	**71,952**	67,708
Environmental services		**175,152**	**170,987**	166,816
Recreation and cultural services		**104,161**	**98,028**	82,872
Planning and development services		**26,816**	**17,312**	18,095
Other		**33**	**30**	20
TOTAL EXPENSES		**516,777**	**$484,588**	$457,002
ANNUAL SURPLUS		**$72,088**	**$284,132**	$240,493
ACCUMULATED SURPLUS, BEGINNING OF YEAR		**5,442,547**	**5,442,547**	5,202,054
ACCUMULATED SURPLUS, END OF YEAR	**17**	**$5,514,635**	**$5,726,679**	$5,442,547

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, 2023 with comparative figures for 2022
(All dollar amounts are in $000's)

	Note	2023		2022
		Budget	**Actual**	Actual (Restated - note 2)
Annual surplus		**$72,088**	**$284,132**	$240,493
Acquisition of tangible capital assets		**(312,875)**	**(181,417)**	(224,871)
Contributed tangible capital assets	**14**		**(230,273)**	(86,041)
Amortization of tangible capital assets		**83,836**	**84,121**	81,203
Asset retirement obligation incurred in year	**9**	**-**	**(1,316)**	-
Gains on disposal of tangible capital assets		**-**	**(267)**	(282)
Proceeds from disposal of tangible capital assets		**-**	**267**	288
		($156,951)	**($44,753)**	$10,790
Acquisition of inventories		**-**	**(3,588)**	(3,757)
Acquisition prepaid expenses		**-**	**(3,793)**	(4,569)
Consumption of inventories		**-**	**3,757**	3,287
Use of prepaid expenses		**-**	**4,569**	2,493
Change in net financial assets excluding net remeasurement gains		**($156,951)**	**($43,808)**	$8,244
Net remeasurement of gains for the year		**-**	**10,323**	-
Net change in net financial assets		**(156,951)**	**(33,485)**	**8,244**
Net financial assets, beginning of year		**541,511**	**541,511**	533,267
Net financial assets, end of year		**$384,560**	**$508,026**	$541,511

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

THE CORPORATION OF THE CITY OF MARKHAM
Consolidated Statement of Remeasurement of Gains and Losses
For the year ended December 31, 2023 with comparative figures for 2022
(All dollar amounts are in $000's)

	2023	2022
Accumulated remeasurement gains (losses), beginning of year	**$ -**	$ -
Unrealized gains on portfolio investments	**10,473**	-
Share of other comprehensive loss from Markham Enterprises Corporation	**(150)**	-
Accumulated remeasurement gains (losses), end of year	**$ 10,323**	$ -

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, 2023 with comparative figures for 2022
(All dollar amounts are in $000's)

	2023	2022 (Restated - note 2)
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Annual surplus	**$ 284,132**	$ 240,493
Add (deduct) items not involving cash		
Unrealized gains on portfolio investments	**10,323**	-
Amortization of tangible capital assets	**84,121**	81,203
Gain on disposal of tangible capital assets	**(267)**	(282)
Change in employee future benefits and other liabilities	**2,970**	5,861
Equity in income of Markham Enterprises Corporation	**(25,291)**	(12,086)
Contributed tangible capital assets	**(230,273)**	(86,126)
Change in non-cash assets and liabilities		
Property taxes receivable	**(8,738)**	(645)
Accounts receivable	**5,147**	(25,241)
Accounts payable and accrued liabilities	**3,771**	(34,490)
Notes payable	**94,000**	-
Long term liabilities	**(840)**	(812)
Deferred revenue	**10,106**	(50,414)
Inventories	**169**	(384)
Prepaid expenses	**776**	(2,076)
Net change in cash from operating activities	**$ 230,106**	$ 115,001
INVESTING ACTIVITIES		
Acquisition of tangible capital assets	**(181,417)**	(224,871)
Proceeds from disposal of tangible capital assets	**267**	288
Net change in cash from capital activities	**$ (181,150)**	$ (224,583)
FINANCING ACTIVITIES		
Dividend from Markham Enterprises Corporation	**14,821**	7,416
Decrease in share capital of Markham Enterprises Corporation	**962**	1,048
Net change in cash from investing activities	**$ 15,783**	$ 8,464
NET CHANGE IN CASH & CASH EQUIVALENTS AND INVESTMENTS	**$ 64,739**	$ (101,118)
OPENING CASH & CASH EQUIVALENTS AND INVESTMENTS	**415,527**	516,645
CLOSING CASH & CASH EQUIVALENTS AND INVESTMENTS	**$ 480,266**	$ 415,527
Supplementary information:		
Interest paid	**275**	305
Interest received	**16,654**	11,770

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.

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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 benefit 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, 2023, 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 2023 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 report on a project-oriented basis, the costs of which may be carried over one or multiple 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. As a result of changes to the Municipal Act, 2001 (Part VI Special Powers and Duties of the Head of Council) that affected the City of Markham, effective July 1, 2023, and the associated impact to the City's Budget process, City Council approved in-year additions to the 2023 capital budget plan resulting in a change to the 2023 capital budget from $223,943 as originally approved to $262,645.

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 20.

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) Adoption of new accounting standards

City adopted prospectively PS 1201 Financial Statement Presentation, PS 2601 Foreign Currency Translation, PS 3041 Portfolio Investments, PS 3450 Financial Instruments and retroactively PS 3280 Asset Retirement Obligations standards for the fiscal year beginning January 1, 2023.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

The adoption of these new accounting standards had the following impact on the financial statements:

- PS 3280 Asset Retirement Obligations has resulted in the recognition of legal obligations associated with the retirement of certain controlled tangible capital assets.
- PS 3450 Financial Instruments has resulted in the selection of the fair value basis of measurement for certain financial instruments and recognition of unrealized remeasurement gains or losses on the Statement of Remeasurement Gains and Losses.
- PS 1201 Financial Statement Presentation has resulted in the addition of a new financial statement called the Statement of Remeasurement of Gains and Losses that is separate from the statement of operations and accumulated surplus. This new statement includes unrealized gains and losses arising from the remeasurement of financial instruments and items denominated in foreign currencies and any other comprehensive income that arises when the City includes the results of government business enterprises.

PS 3280, Asset Retirement Obligations – PS 3280 Asset Retirement Obligations (ARO) is recognized when, as at the financial reporting date, all of the following criteria are met:

- There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- The past transaction or event giving rise to the liability has occurred;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

The substantial portion of ARO liability for the City stems from the removal of asbestos in several of the buildings owned by the City. The ARO liability for removal of asbestos has been based on actual demolition cost of a building containing asbestos and has been recognized under modified retroactive method. The City has also identified associated costs related to the asbestos disposal and calculated a cost per square foot, which was applied to the remaining buildings built before 1990. Where renovations had taken place, the gross area of the structure was pro-rated to account for partial abatement. Assumptions used in the calculations are revised on an annual basis.

The City has a landfill site that was closed in 1975. Due to the period of time that has elapsed since the closure of this landfill site and insignificance of the remaining obligation related to post closure activities, the City has not recognized any remaining obligation under this standard adoption.

The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets, such as asbestos removal in retired buildings by public sector entities. The new accounting standard has resulted in a withdrawal of the existing accounting standard PS 3270 Solid Waste Landfill Closure and Post-Closure Liability. The buildings had an expected useful life of 40 years, and the estimate has not changed since purchase.

PS 3450, Financial Instruments – PS 3450 Financial Instrument establishes standards on how to account for and report all types of financial instruments including derivatives. Financial instruments include primary instruments (such as receivables, payables, and equity instruments)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

and derivative financial instruments (such as financial options, futures and forwards, interest rate swaps and currency swaps). The City's investments in Principal Protected Notes (PPN) meet the requirements of a financial instrument that has an embedded derivative included in the financial instrument. The standards allow for the financial instruments that contain one or more embedded derivatives; the City may designate the entire hybrid (combined) instrument carried at fair value. This designation is irrevocable. The City has made an election for the PPN to report the combined instrument at fair value. Any unrealized gains and losses are reported through a new statement called statement of remeasurement gains and losses. Unrealize gains and losses are realized upon settlement of the financial instrument when the financial instrument is sold or reaches maturity.

u) Future Accounting Pronouncements

These following standards and amendments were not yet effective for the year ended December 31, 2023, and have therefore not been applied in preparing these financial statements. Management is currently assessing the impact of these accounting standards updates on future financial statements.

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

(i) 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.

(ii) PS 3400, Revenue, establishes a single framework to categorize revenues to enhance the consistency of revenue recognition and its measurement.

(iii) Public Sector Guideline 8 Purchased Intangibles, allows public sector entities to recognize intangibles purchased through an exchange transaction.

v) 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, 2023, are disclosed in note 23.

Contractual obligations represent obligations, that 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 18.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

w) 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, 2023, 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 19.

x) 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.

y) 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. CHANGE IN ACCOUNTING POLICIES

PS 3280 Asset Retirement Obligations:

On January 1, 2023, the City adopted Canadian public sector accounting standard PS 3280 Asset Retirement Obligations using the modified retroactive method with a restatement of comparative balances for year ended December 31, 2022. The December 31, 2022 statement of financial position amounts are adjusted as indicated in the table below to provide comparative figures for balances reported as at December 31, 2023.

As a result of adopting the new standard, on January 1, 2022, the City recognized tangible capital assets with a net book value of 736 (comprised of carrying value of $18,255 and accumulated amortization of $17,519) and asset retirement obligation of $18,255 on its statement of financial position. The opening balance of accumulated surplus/deficit as at January 1, 2022, is decreased by $17,519.

The City has not applied present value to asset retirement obligation and as a result there is no accretion expense to report.

	As previously reported	ARO adjustments	2022 restated
	$	$	$
Consolidated statement of financial position			
Liability for asset retirement obligation as at December 31, 2022	-	(18,255)	18,255
Tangible capital assets as at December 31, 2022	4,892,136	574	4,892,710
Accumulated surplus as at December 31, 2022	5,460,228	(17,681)	5,442,547
Consolidated statement of operations & accumulated surplus			
General government for the year ended December 31, 2022	63,356	162	63,518
Accumulated surplus at January 1, 2022	5,219,573	(17,519)	5,202,054
Annual surplus for the year ended December 31, 2022	240,655	(162)	240,493
Accumulated surplus at December 31, 2022	5,460,228	(17,681)	5,442,547
Consolidated statement of change in net financial assets			
Annual surplus for the year ended December 31, 2022	240,655	(162)	240,493
Amortization of tangible capital assets for the year ended December 31, 2022	81,041	162	81,203
Consolidated statement of cash flows			
Annual surplus for the year ended December 31, 2022	240,655	(162)	240,493
Amortization of tangible capital assets for the year ended December 31, 2022	81,041	162	81,203

PS 3450 Financial Instruments and PS 2601 Foreign Currency Translation:

On January 1, 2023, the City adopted Canadian public sector accounting standard PS 3450 Financial Instruments and PS 2601 Foreign Currency Translation. The standards were adopted prospectively from the date of adoption. The new accounting standards provide comprehensive requirements for the recognition, measurement, presentation and disclosure of financial instruments and financial currency transactions.

Under PS 3450, all financial instruments including derivatives, are included on the statement of financial position and are measured either at fair value or amortized cost based on the characteristics of the instruments and the City's remeasurement accounting policy choices (see note 1(t)).

In accordance with the provisions of this new standard, the City reflected an increase of $10,473 to investments and a corresponding increase of $10,473 to accumulated remeasurement gains due to unrealized gains of the City's revaluation of PPN previously classified as amortized cost and are being reclassified to accumulated remeasurement gains in 2023. In addition to the above,

the statement of remeasurement gains and losses also include share of comprehensive loss of ($150) in Markham Enterprises Corporation. As a result of the above, accumulated remeasurement of gains (losses) at the end of December 31, 2023 was $10,323 (2022 - $nil).

3. 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**	**2023**	2022
Taxation	**$250,811**	**$382,223**	**$633,034**	$607,332
Payment in lieu of taxes	**323**	**1,132**	**1,455**	1,423
Supplementary taxes	**3,419**	**6,015**	**9,434**	3,767
Amount requisitioned and transferred	**$254,553**	**$389,370**	**$643,923**	$612,522

4. 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 $27,592 (2022 - $25,453) of which $13,796 (2022 - $12,727) represented the City's portion and $13,796 (2022 - $12,727) represented employees' portion. Since OMERS is a multi-employer pension plan, the City does not recognize any share of the pension plan deficit of $4.2 billion as of 2023 (2022 - $6.7 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.

5. CASH & CASH EQUIVALENT AND INVESTMENTS

		2023		2022
Cash & cash equivalents	**$**	**214,766**	$	152,635
Investments		**265,500**		262,892
	$	**480,266**	$	415,527

Cash balance includes investments in the amount of $9,499 (2022 - $6,300) 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-terms instruments of various financial institutions, government bonds, and Treasury Bills. Investments, which are reported at cost for money market and amortized cost, had a market value of $115,096 (2022 - $264,684) at the end of the year. As a result of adoption of PS 3450, Financial Instruments, investments include PPN that reflects an increased fair market value of $10,473 (2022 - $nil).

6. PROPERTY TAXES RECEIVABLE

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

	2023	2022
Current year	**$33,743**	$25,870
Arrears prior years	**12,738**	11,873
	46,481	37,743
Less: Allowance for uncollectible taxes	**(2,951)**	(2,951)
	$43,530	$34,792

The Municipal Property Assessment Corporation (MPAC) is responsible for 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.

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 continued 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 (2022 - $2,951).

7. INVESTMENT IN MARKHAM ENTERPRISES CORPORATION

Markham Enterprises Corporation (MEC) is wholly owned by the City of Markham. MEC owns 100% (2022 – 100.00%) of Markham District Energy Inc. (MDE) and 15.00% of Alectra Inc. (2022 – 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, 2023 to December 31, 2023.

	2023	2022
Assets		
Current	**22,098**	**26,657**
Capital assets	**151,186**	**130,570**
Investment in Alectra Inc.	**316,252**	**306,706**
Other	**1,979**	**2,757**
Total assets	**$491,515**	**$466,690**
Liabilities		
Current	**43,423**	**35,731**
Other	**40,146**	**32,521**
Total liabilities	**$83,569**	**$68,252**
Shareholder's equity		
Common shares	**90,860**	**91,822**
Promissory notes payable	**79,184**	**79,184**
Retained earnings and contributed surplus	**237,902**	**227,432**
Total shareholder's equity	**$407,946**	**$398,438**
Total liabilities and shareholder's equity	**$491,515**	**$466,690**
Results of operations		
Revenue	**$55,337**	**$39,497**
Operating expenses	**29,896**	**27,411**
Net Income	**25,441**	**12,086**
Share of other comprehensive loss	**(150)**	**-**
Total comprehensive income	**25,291**	**12,086**
Return of capital	**(962)**	**(1,048)**
Dividend	**(14,821)**	**(7,416)**
Net change in equity in Markham Enterprises Corporation	**$9,508**	**$3,622**
Opening shareholder's equity	**$398,438**	**$394,816**
Closing shareholder's equity	**$407,946**	**$398,438**

8. 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:

	2023	2022
Payable to other governments	**$62,651**	$59,970
Trade accounts payable	**82,812**	74,739
Accrued liabilities	**11,977**	18,113
Payroll liabilities	**3,496**	4,343
	$160,936	$157,165

9. LIABILITIES FOR ASSET RETIREMENT OBLIGATION

The City's asset retirement obligations consists of several obligations as follows:

	Buildings	**Other assets (wells & septic)**	**Total**
Opening balance, December 31, 2022, as previously reported	-	-	-
Adjustment on adoption of asset retirement obligation standard (note 2)	$18,151	$104	$18,255
Opening balance, December 31, 2022, as restated	$18,151	$104	$18,255
Obligation incurred in year	1,316	-	1,316
Closing balance, December 31, 2023	**$19,467**	**$104**	**$19,571**

Obligation incurred in the current year are related to a new building that was acquired by the City during the current year.

10. NOTES PAYABLE

The City has entered into an agreement with a vendor for acquisition of real property and provided a promissory note in the amount of $94,000 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. Subsequent to the year end, the payment to vendor was made by the City.

11. 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	**$120,234**	**$25,092**	**$21,516**	**$123,810**
Parkland cash-in-lieu	**-**	**4,075**	**4,075**	**-**
Canada Community Building Fund	**21,849**	**11,950**	**14,446**	**19,353**
Section 37 funds	**6,819**	**1,447**	**25**	**8,241**
Other	**3**	**-**	**-**	**3**
	148,905	**42,564**	**40,062**	**151,407**
General:				
Deferred revenue and deposits	**22,211**	**47,683**	**40,079**	**29,815**
	$171,116	**$90,247**	**$80,141**	**$181,222**

12. EMPLOYEE FUTURE BENEFITS LIABILITIES

	2023	2022
Long-term disability benefits	**$6,155**	$5,921
Post-employment benefits	**18,808**	18,513
Vested sick leave benefits	**7,161**	6,763
Workplace Safety & Insurance Board	**6,950**	5,314
	$39,074	$36,511
Vacation pay - City	**4,009**	3,624
Vacation pay - Library	**181**	159
	$43,264	$40,294

a) Long-Term Disability Benefits (LTD)

The City provides long-term disability benefits to eligible employees. At year end, the accrued liability of $6,155 (2022 – $5,921) 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 the 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 2023.

12. EMPLOYEE FUTURE BENEFITS LIABILITIES (continued)

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, 2023 is $18,808 (2022 – $18,513). 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 2023.

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 $7,161 (2022 - $6,763). 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 2023.

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 $6,950 (2022 - $5,314) 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 2022 and projected to December 2023.

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

	LTD	Post employment benefits	Vested sick-leave	WSIB	2023	2022
Accrued benefit liability, beginning of year	**$ 5,921**	**$ 18,513**	**$ 6,763**	**$ 5,314**	**$ 36,511**	$ 30,824
Service cost	**977**	**939**	**596**	**889**	**3,401**	2,701
Interest cost	**116**	**737**	**288**	**346**	**1,487**	1,328
Increase due to plan amendment/survivor awards	**-**	**-**	**-**	**1,454**	**1,454**	5,315
Benefit payments	**(856)**	**(1,317)**	**(571)**	**(1,310)**	**(4,054)**	(3,526)
Amortization of actuarial loss (gain)	**(3)**	**(64)**	**85**	**257**	**275**	(131)
Accrued benefit liability, end of year	**$ 6,155**	**$ 18,808**	**$ 7,161**	**$ 6,950**	**$ 39,074**	$ 36,511
Unamortized actuarial (gain) loss	**207**	**(189)**	**(345)**	**(2,336)**	**(2,663)**	852
Accrued benefit obligation, end of year	**$ 6,362**	**$ 18,619**	**$ 6,816**	**$ 4,614**	**$ 36,411**	$ 37,363

12. EMPLOYEE FUTURE BENEFITS LIABILITIES (continued)

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%	2.50%
Expected level of salary increase	N/A	2.75%	2.75%	3.00%
Interest discount rate	2.00%	4.00%	4.00%	4.50%
Expected Average Remaining Service Life (EARSL) in years	N/A	13	13	11

13. 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.

Principal payments are repayable annually as follows:

2024	**$870**
2025	**901**
2026	**934**
2027	**967**
2028	**1,002**
2029 and thereafter	**2,934**
	$7,608

14. TANGIBLE CAPITAL ASSETS

a) Assets under construction

Assets under construction having a value of $39,904 (2022 - $132,403) 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 $230,273 (2022 - $86,126) comprised of land in the amount of $210,723 (2022 - $63,056), infrastructure in the amount of $14,135 (2022 - $13,713) and waterworks equipment and infrastructure in the amount of $5,415 (2022 - $9,357).

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.

e) Asset retirement obligations

As a result of adoption of PS 3280 Asset Retirement Obligation, the tangible capital assets include followings under addition to tangible capital assets $18,255 and amortization expenses $17,681 as at December 31, 2022.

14. TANGIBLE CAPITAL ASSETS (continued)

	Cost						Accumulated Depreciation						Net Book Value	
	Dec 31, 2022, previously reported	ARO adjustment	Re-stated Jan 1, 2023	Additions/ transfers	Disposals & Adjustments	Dec 31, 2023	Dec 31, 2022, previously reported	ARO adjustment	Re-stated Jan 1, 2023	For the year	Disposals & Adjustments	Dec 31, 2023	**2023**	2022 (re-stated)
Land	2,668,893	-	2,668,893	396,491	-	3,065,384	-	-	-	-	-	-	**3,065,384**	2,668,893
Buildings	447,661	18,151	465,812	18,649	-	484,461	167,153	17,604	184,757	12,132	-	196,889	**287,572**	281,055
Equipment	39,240	-	39,240	8,653	(3,228)	44,665	19,208	-	19,208	4,523	(3,228)	20,503	**24,162**	20,032
Furniture & Fixtures	3,926	-	3,926	96	(650)	3,372	2,985	-	2,985	220	(650)	2,555	**817**	941
Infrastructure	1,576,062	104	1,576,166	52,426	(12,367)	1,616,225	601,537	77	601,614	39,788	(12,367)	629,035	**987,190**	974,552
Library materials, furniture & fixtures	17,494	-	17,494	1,596	(2,564)	16,526	11,030	-	11,030	2,022	(2,564)	10,488	**6,038**	6,464
Parks & Pathways	118,186	-	118,186	5,358	(3,335)	120,209	44,605	-	44,605	6,242	(3,335)	47,512	**72,697**	73,581
Vehicles	14,836	-	14,836	3,115	(1,087)	16,864	9,392	-	9,392	1,687	(1,087)	9,992	**6,872**	5,444
Waterworks equipment & infrastructure	1,133,530	-	1,133,530	19,121	(2,245)	1,150,406	404,185	-	404,185	17,507	(2,245)	419,447	**730,959**	729,345
Total	**6,019,828**	**18,255**	**6,038,083**	**505,505**	**(25,476)**	**6,518,112**	**1,260,095**	**17,681**	**1,277,776**	**84,121**	**(25,476)**	**1,336,421**	**5,181,691**	**4,760,307**
Capital Work in progress	132,403	-	132,403	(92,499)	-	39,904	-	-	-	-	-	-	39,904	132,403
Grand Total	**6,152,231**	**18,255**	**6,170,486**	**413,006**	**(25,476)**	**6,558,016**	**1,260,095**	**17,681**	**1,277,776**	**84,121**	**(25,476)**	**1,336,421**	**5,221,595**	**4,892,710**

15. USER CHARGES

	2023	2022
Water and sewer billing to ratepayers	**$143,876**	$138,965
Engineering	**13,387**	24,229
Recreation programs	**12,751**	7,397
Facility rentals	**10,874**	8,132
Building permits	**10,590**	9,317
Planning	**9,322**	11,494
Other	**5,576**	5,986
Landscaping	**4,424**	4,748
Culture venues	**3,381**	2,133
Parking violations	**3,073**	2,320
Licenses	**1,829**	1,940
Total	**$219,083**	$216,661

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

16. 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:

	2023	2022
Provincial Grants:		
General government	**$ -**	$ 10
Environmental services	**2,173**	2,066
Recreation and cultural services	**397**	389
Planning and development services	**587**	470
	$ 3,157	$ 2,935
Federal Grants:		
General government	**14,559**	12,086
Environmental services	**3,491**	13,866
Recreation and cultural services	**348**	556
Planning and development services	**12**	-
	$ 18,410	$ 26,508
	$ 21,567	$ 29,443

17. ACCUMULATED SURPLUS

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

	2023	2022
City operating fund surplus including library, community boards, Destination Markham Corporation and business improvement areas	**$13,889**	$15,711
Less: transferred to reserve and reserve funds	**(9,650)**	(12,445)
	$4,239	$3,266
Equity in Markham Enterprises Corporation	**407,946**	398,438
Invested in tangible capital assets	**5,221,595**	4,892,710
Adjustment for real property acquisition due to timing	**(94,000)**	-
Other	**(58,368)**	(48,233)
	$5,481,412	$5,246,181
RESERVES SET ASIDE FOR SPECIFIC PURPOSES BY COUNCIL		
Berczy landscape feature	**$203**	$203
Building fee	**15,164**	14,513
Capital gains	**12,492**	7,203
Corporate rate stabilization	**30,056**	29,045
COVID	**2,996**	6,702
Development fee	**59,604**	51,668
Election expenses	**240**	63
Election rebates	**605**	700
Facility ramp up	**38,982**	31,559
Firefighters sick leave benefits	**7,260**	6,763
Insurance	**4,586**	4,451
Long-term disability benefits	**25,685**	24,711
Waterworks	**102,253**	90,821
Total reserves	**$300,126**	$268,402
RESERVE FUNDS SET ASIDE FOR SPECIFIC PURPOSES BY COUNCIL		
Cemetery expenses	**$133**	$126
Emerald Ash Borer	**192**	192
Environmental land acquisition	**13,058**	12,184
Environmental sustainability fund	**70**	67
Heritage	**490**	499
Heritage land acquisition	**888**	6,700
Land acquisition	**(359,556)**	(335,421)
Library infrastructure	**7,024**	6,688
Life cycle replacement and capital	**227,069**	193,436
Museum	**-**	20
Non-DC growth	**17,843**	18,461
Post retirement benefits	**20,087**	18,513
Public art acquisition	**6,934**	5,165
Stormwater fee	**(1,324)**	(8,236)
Theatre	**1,046**	959
Trees for Tomorrow program	**517**	599
Workplace Safety & Insurance Board (WSIB)	**7,656**	5,511
WSIB excess compensation	**3,014**	2,501
Total reserves fund	**($54,859)**	($72,036)
Total	**$5,726,679**	$5,442,547

18. COMMITMENTS

As at December 31, 2023, the City is committed to minimum annual operating lease payments for premises and equipment as follows:

2024	**$106**
2025	**106**
2026	**106**
2027	**92**
2028 and thereafter	**45**
	$455

19. 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.

20. 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 of revenues and expenses 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, (People Services (Human Resources), Legal, Sustainability & Asset Management 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.

20. 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.

20. SEGMENTED INFORMATION (continued)

	General government	Protection to persons and property	Transportation services	Environmental services	Recreation and cultural services	Planning and development services	Other	2023	2022 (re-stated)
	$	$	$	$	$	$	$	$	$
Revenues									
Property taxes	**184,417**	**-**	**-**	**-**	**-**	**-**	**-**	**184,417**	174,977
User charges	**4,584**	**12,604**	**17,048**	**145,193**	**25,906**	**13,747**	**1**	**219,083**	216,661
Government transfers	**14,559**	**-**	**-**	**5,664**	**745**	**599**	**-**	**21,567**	29,443
Contribution from developers and others	**230,273**	**-**	**-**	**-**	**-**	**-**	**-**	**230,273**	86,041
Investment income	**27,615**	**-**	**-**	**-**	**-**	**-**	**-**	**27,615**	18,911
Tax penalties	**6,300**	**-**	**-**	**-**	**-**	**-**	**-**	**6,300**	6,044
Gain (loss) on sale of tangible assets	**267**	**-**	**-**	**-**	**-**	**-**	**-**	**267**	282
Deferred revenue earned	**32,433**	**-**	**-**	**-**	**-**	**-**	**-**	**32,433**	133,302
Equity in income of Markham Enterprises Corporation	**25,441**	**-**	**-**	**-**	**-**	**-**	**-**	**25,441**	12,086
Other	**17,262**	**534**	**1,408**	**1,006**	**819**	**292**	**3**	**21,324**	19,748
Total revenues	**543,151**	**13,138**	**18,456**	**151,863**	**27,470**	**14,638**	**4**	**768,720**	697,495
Expenses									
Salaries, wages and employee benefits	**32,941**	**53,757**	**17,317**	**8,445**	**51,656**	**10,257**	**-**	**174,373**	161,452
Operating materials and supplies	**12,850**	**1,820**	**7,461**	**1,596**	**14,033**	**1,205**	**30**	**38,995**	34,303
Contracted services	**17,286**	**2,136**	**14,274**	**132,726**	**12,213**	**5,747**	**-**	**184,382**	177,701
Rents and financial expenses	**(2,281)**	**195**	**200**	**3,145**	**809**	**103**	**-**	**2,171**	1,875
External transfers to others	**212**	**-**	**-**	**-**	**59**	**-**	**-**	**271**	163
Long term debt charges	**275**	**-**	**-**	**-**	**-**	**-**	**-**	**275**	305
Amortization of tangible capital assets	**5,427**	**1,661**	**32,700**	**25,075**	**19,258**	**-**	**-**	**84,121**	81,203
Total expenses	**66,710**	**59,569**	**71,952**	**170,987**	**98,028**	**17,312**	**30**	**484,588**	457,002
Annual surplus/(deficit)	**476,441**	**(46,431)**	**(53,496)**	**(19,124)**	**(70,558)**	**(2,674)**	**(26)**	**284,132**	240,493

21. BUDGET FIGURES

The budget figures presented in these consolidated financial statements are based on the Council approved 2023 budget (inclusive of in-year additions to the capital budget due to change in Municipal Act, 2001 – note 1(q)). The following table reconciles the approved budget figures as presented in these consolidated financial statements using the accrual basis of accounting.

	2023	2022
	$	$
Revenues		
Approved operating budget	**444,715**	423,455
Approved capital budget	**262,645**	110,263
Transfer from reserve funds	**(118,495)**	(53,023)
Total revenues	**588,865**	480,695
Expenses		
Approved operating budget	**444,715**	423,455
Transfer to reserve funds	**(62,879)**	(56,910)
Expenses not capitalized	**50,230**	29,972
Post-employment benefit expenses	**875**	822
Amortization	**83,836**	79,345
Total expenses	**516,777**	476,684
Annual surplus/(deficit)	**72,088**	4,011

22. TRUST FUNDS

Trust funds administered by the City for the benefit of others amounting to $2,455 (2022 - $2,449) 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 which can be used to offset certain maintenance costs of Morgan Park. As at December 31, 2023 the trust fund balance was $91 (2022 - $89).

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, 2023 the trust fund balance was $1,299 (2022 - $1,299).

22. 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, 2023 the trust fund balance was nil (2022 - $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, 2023 the trust fund balance was $945 (2022 - $944).

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, 2023 the trust fund balance was $12 (2022 - $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, 2023 the trust fund balance was $109 (2022 - $106).

23. CONTRACTUAL RIGHTS

City revenues to be generated in the future, in relation to existing lease agreements are approximately $28,898. The City has also entered into Provincial funding agreements, whereby the estimated future funding is $55,873.

Year	Lease agreements	Provincial funding agreements
2024	4,810	10,643
2025	4,769	11,086
2026	3,622	11,086
2027	3,489	11,529
2028	3,425	11,529
2029 and thereafter	8,783	-
Total	**28,898**	**55,873**

24. FINANCIAL INSTRUMENTS

(a) Fair value measurement hierarchy:

All financial instruments must be classified in accordance with the significance of the inputs used in making fair value measurements. The fair value hierarchy prioritizes the valuation techniques used to determine the fair value of a financial instrument based on whether the inputs to those techniques are observable or unobservable:

- Level 1: when valuation can be based on quoted prices in active markets for identical assets and liabilties;
- Level 2: when they are valued using quoted prices for similar assets and liabilities, quoted prices in markets that are not active, or models using inputs that are observable; and
- Level 3: when their values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable.

Fair value inputs are taken from observable markets where possible, but if they are unavailable, judgement is required in establishing fair value. The City's fair value hierarchy is classified as Level 2 for PPN. The classification for disclosure purposes has been determined in accordance with generally accepted pricing models, based on discounted cash flow analysis, with the most significant inputs being the contractual terms of the instrument and the market discount rates that reflect the credit risk of counterparties.

	Level 1	Level 2	Level 3	2023
	$	$	$	**$**
Financial Assets:				
Cash and cash equivalents	214,766	-	-	**214,766**
Investments	148,027	117,473	-	**265,500**
Property tax receivable	43,530	-	-	**43,530**
Accounts receivable	82,885	-	-	**82,885**
Financial Liabilities:				
Accounts payable and accrued liabilities	160,936	-	-	**160,936**
Notes payable	94,000	-	-	**94,000**
Long-term liabilities	7,608	-	-	**7,608**

The carrying amount of cash & cash equivalents, investments excluding those as disclosed in note 5, property tax receivables, accounts receivable, investment in Markham Enterprises Corporation, liability for sub-division development, customer deposits, accounts payable and accrued liabilities, employee future benefits liabilities, long-term liabilities, and contract holdbacks approximate their fair value due to the short-term maturity of these financial instruments.

The carrying value and fair value of the Corporation's other financial instruments are as follows:

	2023		2022	
Description	**Carrying value**	**Fair value**	Carrying value	Fair value
	$	**$**	$	$
Assets:				
Investments				
Principal protected notes	107,000	117,473	93,000	105,822
Bonds	103,027	104,623	98,399	87,369
GICs	45,000	45,000	71,493	71,493
	255,027	**267,096**	262,892	264,684

(b) Credit Risk:

Credit risk is the risk of a financial loss to the City if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Such risks arise principally from certain financial assets held by the City consisting of accounts receivables.

As at December 31, 2023 there were no significant balances of accounts receivable due from any single customer. There was nil (2022 - $nil) of write-offs during the year except for the write offs of $785 (2022 - $129) related to section 354 of the Municiapl Act, 2001 which was approved by the City Council . The City actively monitors accounts receivable and has the right to enforce payment as per the contract.

(c) Liquidity Risk:

Liquidity risk is the risk that the City will not be able to meet its obligations as they become due. The City's objective is to have sufficient liquidity to meet these liabilities when due. The City monitors its cash balance and cash flows generated from operations to meet its liquidity requirements.

2023	**Contractual cash flows**				
Description	**Carrying value**	**Within 1 year**	**1-5 years**	**>5 years**	**Total**
	$	**$**	**$**	**$**	**$**
Accounts payable and accrued liabilities	160,936	160,936	-	-	160,936
Liability for asset retirement obligation	19,571	-	-	19,571	19,571
Notes payable	94,000	94,000	-	-	94,000
Long term liabilities	7,608	870	5,698	1,040	7,608
	282,115	**255,806**	**5,698**	**20,611**	**282,115**

2022	**Contractual cash flows**				
Description	**Carrying value**	**Within 1 year**	**1-5 years**	**>5 years**	**Total**
	$	**$**	**$**	**$**	**$**
Accounts payable and accrued liabilities	157,165	157,165	-	-	157,165
Liability for asset retirement obligation	18,255	-	-	18,255	18,255
Long term liabilities	8,448	840	4,710	2,898	8,448
	183,868	**158,005**	**4,710**	**21,153**	**183,868**

(d) Market Risk:

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and other price risks, will affect the City's net results of operations or the fair value of its holdings of financial instruments.

- Foreign currency risk – the City is not exposed to any significant currency risk due to limited foreign currency transactions.

- Interest rate risk – the City limits its exposure to interest rate risk by issuing long-term fixed rate debt in the form of debentures, and promissory notes. At December 31, 2023, the City did not hold financial assets or financial liabilities that expose it to significant variation in cash flow due to fluctuations in interest rates.

- Other price risk – other price risk arises when the fair value of equity funds changes due to a decrease in a stock market index or other risk variables. The City's exposure to this type of risk is limited to investments in PPN.

25. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the consolidated financial statements presentation adopted in the current year.