

# **2017 Consolidated Financial Statements**

## **Presentation to General Committee**

**April 23, 2018**

# Agenda

1. Introduction
2. Requirements
3. Audit Summary
4. Financial Results Discussion
5. Presentation by Mr. Kevin Travers, 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 in accordance with the budget approved by Council

Statements consolidate the financial activities of:

- City of Markham
- Community Boards and BIAs
- City's investment in Markham Enterprises Corporation

## 2. Requirements

- We are required by The *Municipal Act* to :
  - ✓ prepare annual financial statements in accordance with Canadian Generally Accepted Accounting Principles (GAAP) for governments as recommended by the Public Sector Accounting Board (PSAB),
  - ✓ have the financial statements audited by a licensed auditor,
  - ✓ report the financials to Council, and
  - ✓ publish the statements

## 3. Audit Summary

- Schedule:
  - KPMG audit team was onsite one week in December 2017 & one week in early February 2018, performing interim & preliminary year end work.
  - The team returned & was onsite for five weeks from February 26<sup>th</sup> until March 30<sup>th</sup>, 2018 carrying out the audit of the financial records of the City and associate corporations.
- No adjustments or differences were communicated to Management
- Clean audit opinion

## 4. Financial Results

### Consolidated Statement of Financial Position (Balance Sheet)

	<u>\$ in millions</u>		
	<u>2017</u>	<u>2016</u>	<u>Incr. / (Decr.)</u>
Financial Assets	759.0	715.7	43.3
Financial Liabilities	<u>312.2</u>	<u>313.2</u>	<u>(1.0)</u>
<b>Net Financial Assets</b>	<b>446.8</b>	<b>402.5</b>	<b>44.3</b>
Non-Financial Assets	4,008.4	3,836.7	171.7
<b>Accumulated Surplus</b>	<u><b>4,455.2</b></u>	<u><b>4,239.2</b></u>	<u><b>216.0</b></u>

## 4. Financial Results

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

#### ❖ Financial Assets increased by \$43.3M

Financial Assets	Incr. / (Decr.)	Significant change drivers
Cash & investments	\$(59.0 M)	<ul style="list-style-type: none"> <li>Invested in TCA</li> </ul>
Property taxes receivable	\$(1.6 M)	<ul style="list-style-type: none"> <li>Collection of prior year taxes</li> </ul>
Accounts receivable	\$(5.8 M)	<ul style="list-style-type: none"> <li>Timing of amounts received from other government bodies</li> <li>loan repayments from associates</li> </ul>
Investment in MEC	\$108.6 M	<ul style="list-style-type: none"> <li>One-time non-cash increase from formation of Alectra</li> </ul>

## 4. Financial Results

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

#### ❖ Financial Liabilities decreased by \$1.0M

Financial Liabilities	Incr. / (Decr.)	Significant change drivers
Accounts payable & accrued liabilities	\$0.5 M	<ul style="list-style-type: none"> <li>• <u>\$7.5M increase</u> due to timing of payables to vendors &amp; other governments for shared project funding</li> <li>• <u>\$7M decrease</u> in payroll liabilities resulting from collective bargaining settlements</li> </ul>
Deferred revenues	\$(1.0) M	<ul style="list-style-type: none"> <li>• Invested in TCA greater than inflows</li> </ul>
Long term liabilities	\$(0.7) M	<ul style="list-style-type: none"> <li>• Scheduled payments for FCM &amp; CMHC loans</li> </ul>



## 4. Financial Results

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

❖ **Non-Financial Assets increased by \$171.7M**

Financial Assets	Incr. / (Decr.)	Significant change drivers
Tangible Capital Assets (TCA)	\$171.1 M	<ul style="list-style-type: none"> <li>Land, buildings &amp; infrastructure</li> </ul>
Prepaid expenses	\$0.5 M	<ul style="list-style-type: none"> <li>Computer software licenses &amp; maintenance agreements</li> </ul>

## 4. Financial Results

### Consolidated Statement of Operations and Accumulated Surplus (Income Statement)

	<u>\$ in millions</u>		
	<u>2017</u>	<u>2016</u>	<u>Incr. / (Decr.)</u>
Revenues	601.8	438.9	162.9
Less Expenses	<u>385.8</u>	<u>387.2</u>	<u>(1.4)</u>
<b>Annual Surplus</b>	<b>216.0</b>	<b>51.7</b>	<b>164.3</b>
Accumulated Surplus, Beginning of Year	4,239.2	4,187.5	51.7
Accumulated Surplus, End of Year	<u><b>4,455.2</b></u>	<u><b>4,239.2</b></u>	<u><b>216.0</b></u>

## 4. Financial Results

### Details of Accumulated Surplus

	<u>\$ in millions</u>		
	<u>2017</u>	<u>2016</u>	<u>Incr. / (Decr.)</u>
Operating fund surplus (excl. waterworks)	5.6	4.7	0.9
Community Boards and BIAs	0.3	0.3	0.0
Waterworks	<u>0.4</u>	<u>(0.8)</u>	<u>1.2</u>
<b>Operating Surplus Total</b>	<b>6.3</b>	<b>4.2</b>	<b>2.1</b>
Equity in Markham Enterprises Corporation	362.1	253.5	108.6
Invested in Tangible Capital Assets and Other	3,971.8	3,805.8	166.0
Reserves and Reserve Funds	115.0	175.7	(60.7)
<b>Total Accumulated Surplus</b>	<b><u>4,455.2</u></b>	<b><u>4,239.2</u></b>	<b><u>216.0</u></b>

## **5. Presentation of the Audit Findings Report**

**Kevin Travers, Partner, KPMG LLP**