



2023 Consolidated Financial Statements

Presentation to General Committee

April 16, 2024



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 2023 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 26 to April 5, 2024.
- During the course of audit, KPMG did not identify any adjustments.
- KPMG provided a clean audit opinion on the City's 2023 Financial Statements.



3. Audit Summary

- For the year ended 2023, the City adopted the following new Public Sector Accounting Board (PSAB) regulations:
 - Regulations which did **not** have any significant impact:
 - ❖ PS 1201 Financial Statement Presentation
 - ❖ PS 2601 Foreign Currency Translation
 - ❖ PS 3041 Portfolio Investments
 - Regulations which **had** significant impact on the City's financials (the impact has been reflected in the City's financial statements where applicable):
 - ❖ PS 3280 Asset Retirement Obligation (resulting in inclusion of a new liability)
 - ❖ PS 3450 Financial Instruments (resulting in a new statement of remeasurement of gains/losses)



4. Financial Results

Consolidated Statement of Financial Position (Balance Sheet)

	\$ in millions		
	<u>2023</u>	<u>2022</u>	<u>Incr. /</u> <u>(Decr.)</u>
Financial Assets	1,014.62	936.79	77.83
Financial Liabilities	<u>506.60</u>	<u>395.27</u>	<u>111.33</u>
Net Financial Assets	508.02	541.52	(33.50)
Non-Financial Assets	<u>5,228.98</u>	<u>4,901.03</u>	<u>327.95</u>
	<u>5,737.00</u>	<u>5,442.55</u>	<u>294.45</u>
Accumulated Surplus	5,726.68	5,442.55	284.13
Accumulated Remeasurement of Gains (Losses)	10.32	-	10.32
	<u>5,737.00</u>	<u>5,442.55</u>	<u>294.45</u>



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4. Financial Results

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

Financial Assets increased by \$77.83M

Financial Assets	Incr. / (Decr.)	Significant change drivers
Cash & investments	\$64.74	• Lower payments to vendors for operating & construction projects \$36.0M • Increase in other revenue and deposits \$10.2M • Increase due to unrealized gain on investments (Principal Protected Notes) as a result of adoption of PS 3450 Financial Instruments and Other Comprehensive income \$10.32M and an increase in development charges collected \$10.1M
Property taxes receivable	\$8.74	• Of the total increase in property tax receivable of \$8.74M for 2023, \$7.9M was due to increase in property tax for new properties levied towards end of year with due date in subsequent year
Accounts receivable	\$(5.15M)	• Decrease in receivables from the Region of York and School Boards for tax adjustments and a decrease in receivables for cash-in-lieu
Investment in MEC	\$9.51	• Equity pick up \$25.3M, offset by reduction in share capital (\$1.0M) and dividends paid (\$14.8M)



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4. Financial Results

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

Financial Liabilities increased by \$111.33M

Financial Liabilities	Incr. / (Decr.)	Significant change drivers
Accounts payable & accrued liabilities	\$3.78	• Increase in amount payable to vendors for construction projects \$5.5M (paid Jan 2024), increase in payable to Region for tax levies \$5.8M • Offset by decrease developers credit liabilities (\$5.8M) and decrease in payable to Region & School Boards for development charges (\$2.7M)
Liability for asset retirement obligation	\$1.32M	• Increase of \$1.32M (due to asset acquired with asbestos) from \$18.25M as opening asset retirement liability (due to retroactive implementation of PS 3450 Asset Retirement Obligation) to \$19.57M in 2023
Notes payable	\$94.00M	• Payable for real property acquisition due to timing (paid Jan 2024)
Deferred revenues	\$10.10	• Inflows \$90.2M • Outflows (\$80.1M) - lower capital project spending
Long term liabilities	\$(0.84M)	• Scheduled payments for FCM & CMHC loans
Employee future benefits liabilities	\$2.97M	• Increase as per actuarial valuations for the current year end for WSIB \$1.6M, post employment & sick leave benefits \$0.6M, vacation accrual \$0.5M



4. Financial Results

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4. Financial Results

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

Non-Financial Assets increased by \$327.95M

Non-Financial Assets	Incr. / (Decr.)	Significant change drivers
Tangible Capital Assets (TCA)	\$328.89M	•Significant change drivers - Additions to Land (\$303.99M), Infrastructure (\$12.6M), building/equipment (\$10.6M)
Prepaid expenses and inventories	(\$0.94M)	• Use/consumption of winter control inventory (salt, sand) and other pre-paid expenses such as Computer software licenses, insurance, maintenance agreements



4. Financial Results

Consolidated Statement of Operations and Accumulated Surplus (Income Statement)

	\$ in millions		
	<u>2023</u>	<u>2022</u>	<u>Incr. / (Decr.)</u>
Revenues	768.72	697.50	71.23
Less Expenses	<u>484.59</u>	<u>457.00</u>	<u>27.59</u>
Annual Surplus	284.13	240.50	43.64
Accumulated Surplus, Beginning of Year	<u>5,442.55</u>	<u>5,202.05</u>	<u>240.49</u>
Accumulated Surplus, End of Year	<u>5,726.68</u>	<u>5,442.55</u>	<u>284.13</u>



4. Financial Results

Details of Accumulated Surplus

	\$ in millions		
	<u>2023</u>	<u>2022</u>	<u>Incr. /</u> <u>(Decr.)</u>
Operating surplus (excl. waterworks)	4.83	9.57	(4.74)
Waterworks	4.82	2.88	1.94
Destination Markham Corporation	3.67	2.70	0.98
Community Boards and BIAs	<u>0.57</u>	<u>0.57</u>	<u>0.00</u>
Operating Surplus Total	13.89	15.71	(1.82)
Less Transferred to Life Cycle Replacement and Other reserve funds	(4.83)	(9.57)	4.74
Transferred to Waterworks reserve	<u>(4.82)</u>	<u>(2.88)</u>	<u>(1.94)</u>
	4.24	3.27	0.98
Equity income from Markham Enterprises Corporation	407.95	398.44	9.51
Invested in Tangible Capital Assets	5,221.60	4,892.71	328.89
Reserves and Reserve Funds	245.27	196.37	48.90
Adjustment for real property acquisition due to timing	(94.00)	-	(94.00)
Other	<u>(58.37)</u>	<u>(48.23)</u>	<u>(10.14)</u>
Total Accumulated Surplus	<u>5,726.68</u>	<u>5,442.55</u>	<u>284.13</u>



4. Financial Results

Details of Reserves

	\$ in millions		
	<u>2023</u>	<u>2022</u>	<u>Incr. / (Decr.)</u>
Reserves			
Building fee	15.16	14.51	0.65
Capital gains	12.49	7.20	5.29
Corporate rate stabilization	30.06	29.04	1.02
COVID	3.00	6.70	(3.70)
Development fee	59.60	51.67	7.93
Facility ramp up	38.98	31.56	7.42
Firefighters sick leave benefits	7.26	6.76	0.50
Insurance	4.59	4.45	0.14
Long-term disability benefit	25.69	24.71	0.97
Waterworks	102.25	90.82	11.43
Other	1.05	0.98	0.07
Total Reserves	300.13	268.40	31.73



4. Financial Results

Details of Reserve Funds

	\$ in millions		
	<u>2023</u>	<u>2022</u>	<u>Incr. /</u> <u>(Decr.)</u>
Reserve Funds			
Environmental land acquisition	13.06	12.19	0.87
Heritage land acquisition	0.89	6.70	(5.81)
Land acquisition	(359.56)	(335.42)	(24.14)
Library infrastructure	7.02	6.69	0.33
Life cycle replacement and capital	227.07	193.44	33.63
Non-DC growth	17.84	18.46	(0.62)
Post retirement benefits	20.09	18.51	1.58
Public art acquisition	6.93	5.17	1.76
Stormwater fee	(1.32)	(8.24)	6.92
Workplace Safety & Insurance Board	7.66	5.51	2.15
Other	5.46	4.96	0.50
Total Reserve Funds	(54.86)	(72.03)	17.17



4. Financial Results

Deferred revenue

	\$ in millions		
	<u>2023</u>	<u>2022</u>	<u>Incr. /</u> <u>(Decr.)</u>
Obligatory reserve funds:			
Development charges	123.81	120.23	3.58
Canada Community Building Fund (Gas Tax)	19.35	21.85	(2.50)
Section 37 funds	<u>8.24</u>	<u>6.82</u>	<u>1.42</u>
	<u>151.41</u>	<u>148.90</u>	<u>2.50</u>
General:			
Deferred revenue and deposits	<u>29.82</u>	<u>22.22</u>	<u>7.60</u>
	181.22	171.12	10.10



5. Presentation of the Audit Findings Report

Maria Khoushnood, Partner KPMG LLP