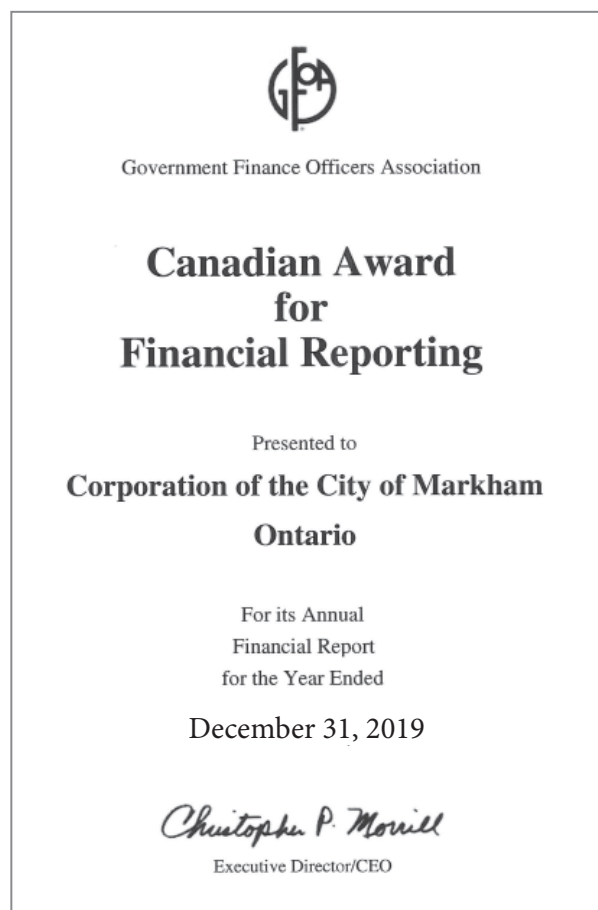


CITY OF MARKHAM ANNUAL REPORT 2020



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In Markham, we use Excellence Canada's Excellence Framework for Municipalities to guide how we manage the organization, focusing on:

- Customer Satisfaction
- Operational Excellence
- Staff Engagement
- Financial Performance

The Excellence journey is a long-term process that requires the commitment of all Markham staff to reach our destination and sustain our efforts.



The 2020 Annual Report was compiled by:

- Office of the Chief Administrative Officer
- Corporate Services Commission
- Community & Fire Services
- Development Services Commission

INTRODUCTION

We are pleased to present, on behalf of Markham Council and staff, the 2020 Annual Report for The Corporation of the City of Markham. This year's report is Markham's second digital-only Report and includes the City's Consolidated Financial Statements.

Markham's decision-making is guided by the recently approved Building Markham's Future Together: 2020-2023 Strategic Plan. This and other key strategic documents, including The Greenprint – Markham's Community Sustainability Plan, our Official Plan and other master plans help ensure our work is aligned with our four goals: Exceptional Services by Exceptional People; Engaged, Diverse, Thriving and Vibrant City; Safe, Sustainable and Complete Community; and Stewardship of Money and Resources.

Through the annual budget process, Council and staff review Markham's programs, projects and services, providing value for municipal tax dollars through continuous improvement, leadership and fiscal stewardship. General Committee, together with the Budget Committee, work to minimize property tax rate increases while ensuring the delivery of excellent services to our diverse City.

We continue to be proud that Markham is recognized as a municipal leader and has received the Government Finance Officers Association Award for its annual reports for 19 consecutive years. We thank everyone who contributed to our outstanding successes in 2020.



Frank Scarpitti
Mayor

Amanda Yeung Collucci
Budget Chair
Ward 6 Councillor



Andrew Keyes
Budget Vice Chair
Ward 5 Councillor

Markham 2018 – 2022 City Council

Mayor Frank Scarpitti

905.475.4872 | mayorscarpitti@markham.ca

Deputy Mayor Don Hamilton

905.415.7549 | dhamilton@markham.ca

Regional Councillor Jack Heath

905.415.7506 | jheath@markham.ca

Regional Councillor Joe Li

905.479.7749 | joeli@markham.ca

Regional Councillor Jim Jones

905.479.7757 | jjones@markham.ca

Ward 1 Councillor Keith Irish

905.948.5101 | kirish@markham.ca

Ward 2 Councillor Alan Ho

905.948.5102 | alan.ho@markham.ca

Ward 3 Councillor Reid McAlpine

905.948.5103 | rmc Alpine@markham.ca

Ward 4 Councillor Karen Rea

905.479.7751 | krea@markham.ca

Ward 5 Councillor Andrew Keyes

905.948.5105 | akeyes@markham.ca

Ward 6 Councillor Amanda Collucci

905.479.7746 | acolucci@markham.ca

Ward 7 Councillor Khalid Usman

905.479.7748 | kusman@markham.ca

Ward 8 Councillor Isa Lee

905.948.5108 | ilee@markham.ca



General Committee

Mayor Frank Scarpitti
Deputy Mayor Don Hamilton
Regional Councillor Jack Heath
Regional Councillor Joe Li
Regional Councillor Jim Jones
Ward 1 Councillor Keith Irish
Ward 2 Councillor Alan Ho
Ward 3 Councillor Reid McAlpine
Ward 4 Councillor Karen Rea
Ward 5 Councillor Andrew Keyes
Ward 6 Councillor Amanda Collucci
Ward 7 Councillor Khalid Usman
Ward 8 Councillor Isa Lee

Budget Committee

Budget Chair

Ward 6 Councillor Amanda Collucci

Budget Vice Chair

Ward 5 Councillor Andrew Keyes

Members

Deputy Mayor Don Hamilton
Ward 1 Councillor Keith Irish
Ward 3 Councillor Reid McAlpine
Ward 4 Councillor Karen Rea
Ward 7 Councillor Khalid Usman

Council

Markham City Council, consisting of a Mayor, four Regional Councillors and eight Ward Councillors, governs Markham. Members of Council are elected for a four-year term; the Mayor, and Regional Councillors are elected at large, while one Ward Councillor is elected for each of the eight wards in Markham. The Regional Councillor with the most votes becomes the Deputy Mayor.

Governed by the Municipal Act, Council exercises its authority through the adoption of resolutions and bylaws. Council members represent the public and consider the well-being and interests of the City, define the strategic priorities of Markham, determine the services the City of Markham provides and see that they are delivered in a cost-effective manner. They also ensure administrative and controllership policies, practices and procedures are in place.

Council members are subject to the Municipal Act, 2001, the Municipal Conflict of Interest Act and other provincial legislation and City policies.

The Mayor is Chair of Council and Markham's Chief Executive Officer, providing leadership to Council, promoting the City, supporting public engagement in municipal activities, representing the City to its stakeholders, and driving activities that enhance economic, social and environmental well-being.

Chief Administrative Officer

The Chief Administrative Officer (CAO) oversees the City's operating departments and ensures that appropriate administrative practices and procedures are in place to carry out Council's decisions. The CAO also advises the Mayor and Members of Council on matters of policy related to the civic administration of the City of Markham. Commissioners report to the CAO and, through their departmental directors, are responsible for the City's day-to-day operations.

Committees

Council is supported by two Standing Committees: General Committee and Development Services Committee. All members of Council serve on both Standing Committees.

- General Committee considers matters related to finance and administration, fire and other protective services, community services, environment and sustainability, land, buildings and parks.
- Development Services Committee deals with planning, economic development and transportation matters.

Both Committees forward their recommendations to Council for consideration. Advisory committees and sub-committees, composed of residents and one or more Council Members, report to Council through the Standing Committees.

Council and Standing Committee meetings are open to the public and are live streamed. For audio links, meeting times and agendas, visit markham.ca. To encourage dialogue between elected officials and the community, Council members are available to residents and other stakeholders. Public meetings and consultations, deputations and the City Contact Centre provide additional avenues for stakeholders to provide input and feedback.

Governance Framework

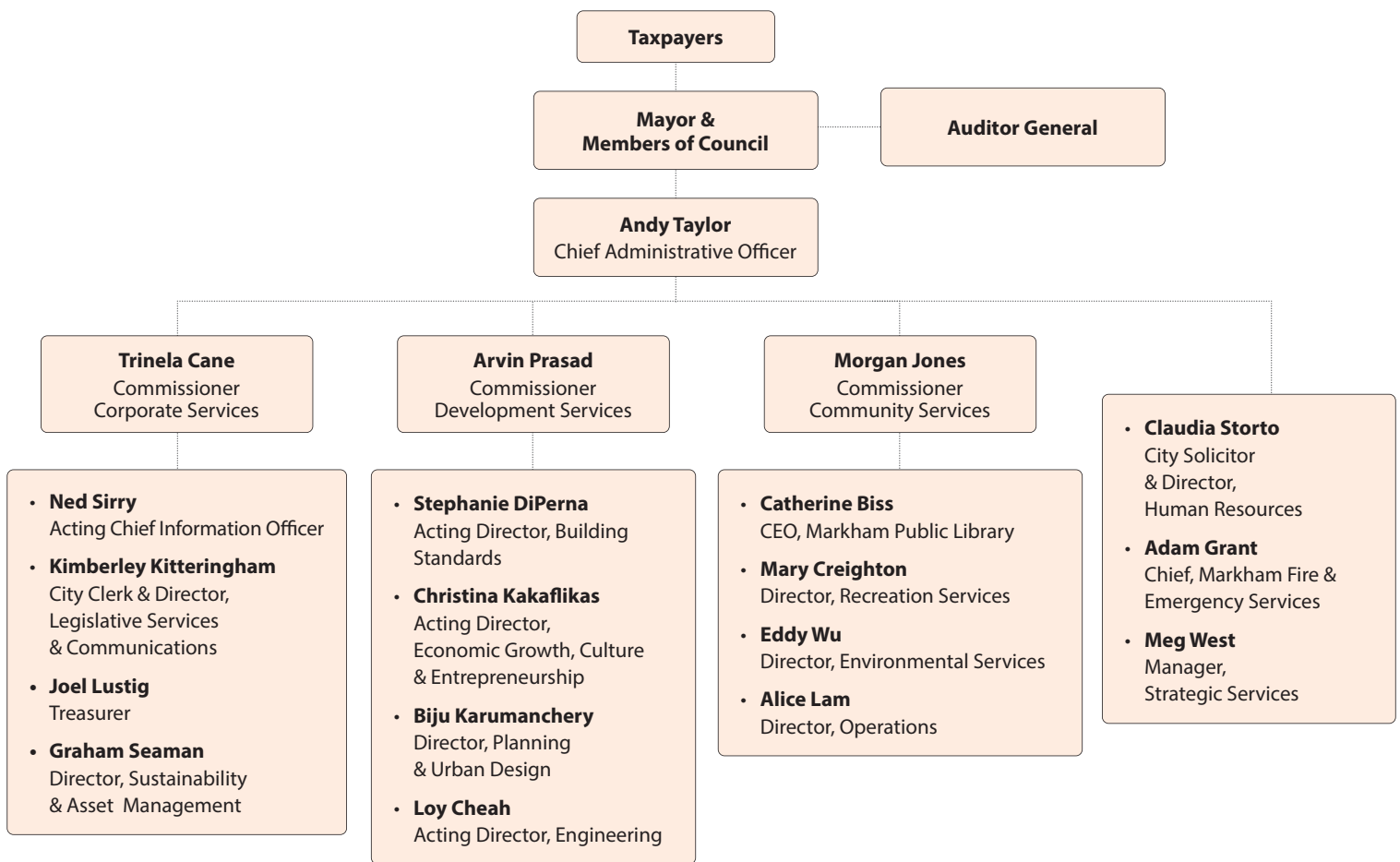
Markham Council and its members are subject to Ontario government legislation and the City's own policies. These include the Municipal Act, 2001, and other Provincial legislation that include: "Accountability and Transparency" requirements; the Public Sector and MPP Accountability and Transparency Act; the Municipal Statute Law Act; and Markham's Accountability and Transparency Policy.

Accountability and Transparency

To assure Markham stakeholders that Council is acting with integrity and transparency, the City has appointed three independent, external bodies to monitor its activities and investigate complaints.

- Auditor General: MNP LLP was retained in 2015 to provide Auditor General services for the City. The Auditor General reviews and ensures the quality of stewardship of public funds and considers the achievement of value for money in programs and services. The Auditor General reports directly to Council through General Committee.
- Integrity Commissioner: ADR Chambers Inc. serves as the City's Integrity Commissioner to investigate complaints about the conduct of Members of Council and to determine if there has been a contravention of the Council Code of Conduct.
- Closed Meeting Investigator: Amberley Gavel Ltd. acts as the City's Closed Meeting Investigator and conducts investigations concerning compliance with the closed meeting provisions of The Municipal Act, 2001.
- The Ombudsman: The City of Markham uses the services of the Provincial Ombudsman. This ombudsman can look into a municipality's:
 - o Decisions;
 - o Recommendations;
 - o Omitted acts

ORGANIZATIONAL STRUCTURE (As of May 2021)



Markham's Executive Leadership Team (L to R):
Meg West, Andy Taylor, Trinela Cane, Claudia Storto, Arvin Prasad, Morgan Jones and Adam Grant



A MESSAGE FROM MAYOR FRANK SCARPITTI



We are pleased to present, on behalf of Markham Council and staff, the 2020 Annual Report for The Corporation of the City of Markham.

The City of Markham made great progress on our strategic objectives while responding to a global pandemic. Very early on in the COVID-19 pandemic, the City of Markham offered a comprehensive relief package for residents and businesses that included an option to defer property

tax payments interest free until the end of the year. In addition, in late 2020, the City of Markham approved a property tax freeze for 2021 to provide residents with further financial relief given the uncertainties of the pandemic.

Throughout the pandemic, the City of Markham took a fiscally responsible approach to managing our finances. We cautiously reintroduced services based on demand while adhering to strict COVID-19 protocols, looked for efficiencies, streamlined processes and leveraged new technology. In 2020, we continued doing what we do best: innovating.

Our community has come together like never before, from adhering to public health protocols to donating personal protective equipment and food, to assisting seniors with COVID-19 vaccination appointments. It has truly been a Team Markham effort and I am thankful for everyone's contributions.

Construction of York University's Markham Centre Campus began in September 2020 and will be home to York Region's first public university.

The City of Markham was also honoured to receive several recognitions in 2020 including the top municipal employer in

Canada by Forbes, the highest ranking of an Ontario municipality for our budget process by the C.D. Howe Institute, Platinum status on the World Council on City Data and a Top 7 Intelligent Community of the Year recognition by the Intelligent Communities Forum.

We continue to be committed to providing exceptional services by exceptional people and providing for safe, sustainable and complete communities. In 2021, we are marking our 50th anniversary since incorporation as a municipal government. We have transformed to become a premier municipality in Canada focused on sustainability, reconciliation, diversity and inclusion, fiscal stewardship and leveraging new technology and innovation. 50 years later, we have become one of the best managed municipalities in Canada that prides itself on service excellence.

Frank Scarpitti
Frank Scarpitti, Mayor



Dr. Rhonda Lenton, President and Vice-Chancellor, York University; The Hon. Doug Ford, Premier of Ontario; Hon. Ross Romano, Ontario Minister of Colleges and Universities; Markham Mayor Frank Scarpitti



Dr. Rhonda Lenton, President and Vice-Chancellor, York University & Mayor Frank Scarpitti

Financial Information

2020 FINANCIAL STATEMENTS REVIEW

The Corporation of the City of Markham is pleased to present the 2020 Consolidated Financial Statements. The annual financial statements are the responsibility of Management and are prepared in accordance with generally accepted accounting principles (GAAP) for local governments as recommended, from time to time, by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPAC). The statements include the financial results of the City of Markham, the Markham Public Library Board, Community Boards and Business Improvement Areas (BIAs), Destination Markham Corporation, as well as the City's wholly-owned investment in Markham Enterprises Corporation (MEC), including MEC's shares in Alectra Inc. of 15.00 (2019 – 15.00) per cent and in Markham District Energy Inc. (MDE) of 100 per cent.

The audited Statements are a report card on the financial position, health and strength of the City. The 2020 financial results continue to demonstrate Markham's strong leadership and excellence in financial planning and fiscal prudence.

Each year the City's business units produce business plans that present their accomplishments from the previous year and detail their growth requirements and new initiatives for the coming year. From this process, the budget is prepared to ensure it aligns with and supports the goals and strategic priorities of the City of Markham.

The Budget Committee consists of Members of Council supported by senior staff. The Committee encourages input and feedback from stakeholders and uses a management-by-facts approach to ensure taxpayers are receiving value for their property tax dollars. Budget guidelines and priorities are set early in the process and budget requests are submitted to the Commissioners and CAO for rigorous review. This process results in a budget recommendation for the Budget Sub-Committee and Council.

The City continues to strive for its financial performance and strategies to address growth and increased demand for services through *Excellence through Efficiency & Effectiveness* (E3) initiatives. Without E3 there would have been a need for a property tax increase of approximately 25.3 per cent. The increase would have been paid out year after year by Markham taxpayers on a cumulative basis.

The E3 program has generated \$31.0 million of cumulative savings since 2009, through revenue enhancements and expenditure reductions

1. HIGHLIGHTS (All dollar amounts are in \$000)

Annual (Current Year) Surplus:

The Annual Surplus is shown on the Statement of Operations and Accumulated Surplus, and is the mathematical result of total revenues for the year less total expenses. The current year surplus is \$66,174, a decrease of \$26,104 from the surplus reported for 2019. As the 2020 budget projected a deficit of \$10,229, the actual surplus result represents a favourable difference of \$76,403 in comparison.

A key reason for the variances between budget and actual is that the City does not include, or cannot reasonably estimate, certain unknown and highly unpredictable items when preparing the annual operating budget. The most prominent examples are observed in Contributions from Developers and Deferred Revenues Earned:

- Contributions from Developers consist mostly of assets that have been constructed by developers, and are transferred to & recorded in City financials at the time the City accepts responsibility for the maintenance of the municipal services. These include assets such as roads, sidewalks water delivery systems, etc. The transfer of ownership usually occurs within four years from the date of registration of a subdivision agreement, although it may be longer depending on the development. Contributed land is recorded earlier in the process at the time of plan registration. The value of contributed assets differs from

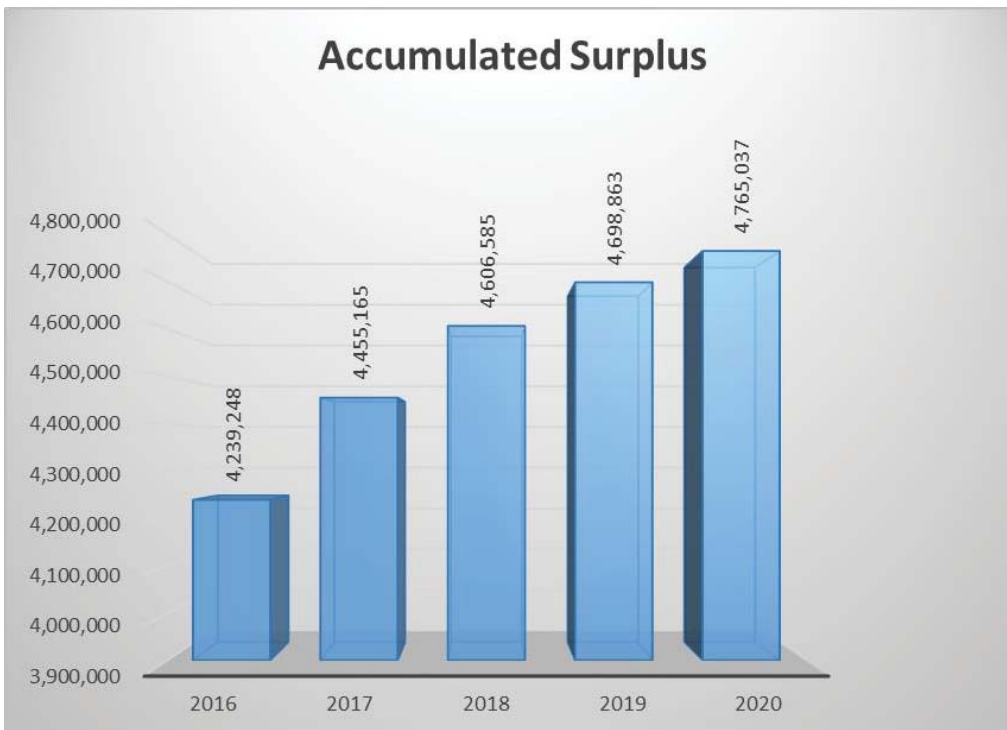
year to year, based on the number of plans registered, timing of subdivision assumptions and the infrastructure assets constructed within each subdivision. These factors make it extremely difficult to predict (or budget) for these revenues. This is evidenced by the actual Contributions from Developers in 2020 of \$53,025 vs. the budget of only \$2,811.

- Deferred Revenues Earned refers to monies that were received & set aside in prior years but used for their intended purpose (earned), within the current year. During the year \$14,365 was earned, having been used to construct assets such as the works yard, parks improvements, and various other infrastructure assets. Again, the annual progress of the projects (spending of deferred revenues) is very difficult to predict.

Another reason for the variances between budget and actual is that the budget includes items that were originally represented in the City's Capital Project budget. Because some of the projects are "operating" in nature, the associated revenues & expenses must be included in the calculation of the Annual Surplus. Although the budget for these projects is shown in the year in which approved, the actual spending often occurs in subsequent years. Therefore, the revenues or expense budgets often do not match the timing of the actual spending.

Accumulated Surplus:

The Accumulated Surplus is derived by adding the current year Annual Surplus to the Accumulated Surplus of the prior year. The 2020 Accumulated Surplus of \$4,765,037 includes the total operating surplus, the City's equity in MEC, investment in tangible capital assets as well as reserve and reserve fund balances. As illustrated in the following table, the Accumulated Surplus continues to grow, and has increased by an average of \$105,158 per year over the past five years.



Markham's Accumulated Surplus has grown by 12.4% over the past five years, at an average of \$105,158 per year

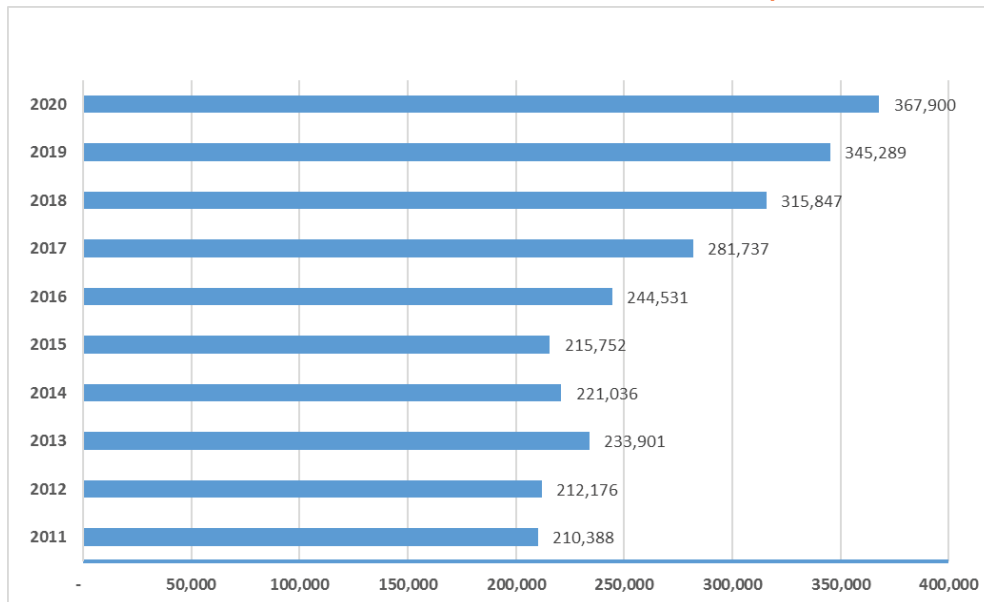
Reserves & Reserve Funds:

Reserves and Reserve Funds represent the means by which the City keeps track of monetary resources set aside by Council for specific future purposes. The inflows into these funds are generally from the operating budget and the outflows are to fund capital projects and other initiatives approved by Council.

The Reserves and Reserve Funds totaled \$124,845 at the end of 2020 (\$367,900 excluding the Land Acquisition Reserve Fund). Markham’s Reserves and Reserve Funds (excluding the Land Acquisition Reserve Fund) have seen an overall increase of 74.9 per cent from 2011 to 2020.

From time to time, the City purchases land for which the intended purpose has not been confirmed. In these instances, the initial funding source is the Land Acquisition Reserve Fund. When the ultimate use of the land is confirmed, the Land Acquisition Reserve Fund will be replenished with funds transferred in from the appropriate funding source (e.g. Development Charges, Parks Cash-in-lieu). The Land Acquisition Reserve Fund has been excluded from the following ten-year history chart as the anomalies skew the historical reserve and reserve fund growth. The prior nine years have also been restated to reflect the exclusion.

Ten-Year Reserve and Reserve Fund History



Reserves and Reserve Funds have increased by 92.5 per cent since 2011

Although all municipalities report on reserves and reserve funds, not all choose to fully fund the balances. The City’s total Cash & Investments exceeds the amount that Council has directed be held in reserve for future needs.

A. Total Cash & Cash Equivalents		371,353
Reserves	183,962	
Reserve Funds	(59,117)	
Deferred Reserve Funds	149,290	
<i>(DCs, Parkland cash-in-lieu, Gas Tax & Section 37 funds)</i>		
B. Total Reserves, Reserve Funds & Deferred Reserve Funds		274,135
A. Less B.		97,218

Reserves and Reserve Funds are fully funded

Investment in MEC:

Markham Enterprises Corporation is a holding company that is wholly owned by the City. MEC in turn owns 100 per cent of Markham District Energy Inc. (MDE) and 15 per cent of Alectra Inc. The City's investment in MEC continues to grow each year as shown in the below table. The total investment each year is determined by starting with the January 1 opening equity, adding the equity pick up for the year (MEC net income) plus the change in share capital in the current year, and finally, by reducing the total by the amount of dividend paid to the City in the current year.

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Equity in MEC, January 1	381,477	380,312	362,159
Equity in income of MEC	15,486	11,476	21,327
Increase / (Decrease) in share capital	(1,700)	(1,851)	(1,540)
Dividend paid by MEC to City	(10,280)	(8,460)	(1,634)
Equity in MEC, December 31	<u>384,983</u>	<u>381,477</u>	<u>380,312</u>

Investment in Markham Enterprises Corporation grew by 6.3 per cent over the last 3 years (52.3% in five years)

2. FINANCIAL STATEMENT DISCUSSION (All dollar amounts are in \$000)

STATEMENT OF FINANCIAL POSITION (Balance Sheet)

The Statement of Financial Position outlines the City's financial assets, financial liabilities and non-financial assets.

Financial Assets

By definition, financial assets are the resources available to the organization as a result of past events, from which future economic benefits are expected to flow to the organization. Financial assets include cash and other assets expected to be converted to cash, sold or consumed within a year or within the operating cycle. These assets are continually turned over in the course of normal business activities.

The City ended the year with financial assets totaling \$853,319, an increase of \$39,697 (4.9 per cent) over 2019.

- Cash and investments increased by \$26,877 (7.8 per cent) over 2019. The increase in cash outflows was driven by an increase from the Safe Restart Agreement funding (\$9.67M), an increase in development charges collected (\$6.9M) and an increase in the Markham Enterprises Corporation (MEC) dividends (\$1.8M). This was partially offset by a decrease in the property taxes collected (\$16.9M), municipal accommodation tax revenue (\$3.0M) and a decrease in revenues for Recreation, Library and Culture.
- Property Tax receivables are amounts owing from property owners as of December 31st, 2020 and include the City's portion, the Regional portion and the Provincial portion for education. Due to waiving of penalty and interest charges on property taxes in arrears, the property receivable balance increased by \$10,853 in 2020. Council approved property tax and fee relief measures to help residents and businesses experiencing financial hardship due to the COVID-19 pandemic.
- Accounts receivable decreased by \$1,539 (2.5 per cent) in 2020, due to a decrease in receivables from the Region of York for shared projects.
- Investment in MEC increased by \$3,506 (0.9 per cent) in 2020. This increase is detailed in the "Investment in MEC" section above.

Financial Liabilities

Financial liabilities are financial obligations to outside organizations or individuals that are the result of transactions or events that occurred on or before the end of the accounting period (or year).

Financial liabilities were \$358,894, an increase of \$22,147 compared to 2019.

- The accounts payable and accrued liabilities were \$140,962, a decrease of \$10,279 over 2019. The decrease was mainly due to decreases in net amount owed to Region of York for water purchases and shared capital projects (\$7.9M), vendors for construction projects (\$5.9M) and payroll liabilities (\$2.4M). These were offset by a \$3.70M increase in outstanding amounts owed to vendors for refundable deposits.
- Deferred revenues are considered liabilities until the funds are spent or used for their intended purpose. The major deferred revenues include development charges, parkland cash-in-lieu, Federal Gas Tax Grants and Section 37 Funds. The deferred revenues totaled \$173,584, an increase of \$30,981 over 2019. Increases included \$30.37M in development charges collected, and \$7.78M in parkland cash-in-lieu funds from developers for capital projects. These were offset by a decrease in the Federal Gas Tax and Section 37 funds of \$1.07M.
- Employee future benefits include liabilities that are based on actuarial valuations for vested sick leave benefits for fire fighters, long-term disability (LTD) benefits, Workplace Safety and Insurance Board (WSIB) obligations, and post-employment benefits. The City has set aside funds in specific purpose reserves and reserve funds, for the financing of these anticipated future costs. These liabilities totaled \$34,305, an increase of \$2,202 over 2019.
- Long-term liabilities totaled \$10,043, a decrease of \$757 from 2019 as the City met loan repayment obligations to the Canada Mortgage and Housing Corporation (CMHC) and the Federation of Canadian Municipalities (FCM).

Non-Financial Assets

Non-financial assets are assets with a physical, rather than cash value such as property and supplies. It includes tangible capital assets (TCA), inventories (e.g. salt and sand) and prepaid expenses. The net book value of TCA is determined by the gross cost of all assets, including in-year additions and adjustments, minus disposals and accumulated amortization.

Non-financial assets totaled \$4,265,760, an increase of \$47,911 over 2019. The change was almost entirely due to the addition of TCA, such as land, parks, pathways and various infrastructure assets.

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS (Income Statement)

Revenues by Source

Total revenues in 2020 were \$474,759, a decrease of \$45,998 from 2019.

In 2020, 35 per cent of total revenues came from property taxes. 2020 property tax revenues were \$4,477 higher than 2019:

- 31 per cent as a result of new growth/development in Markham, and
- 69 per cent as a result of property tax rate increase and adjustments.

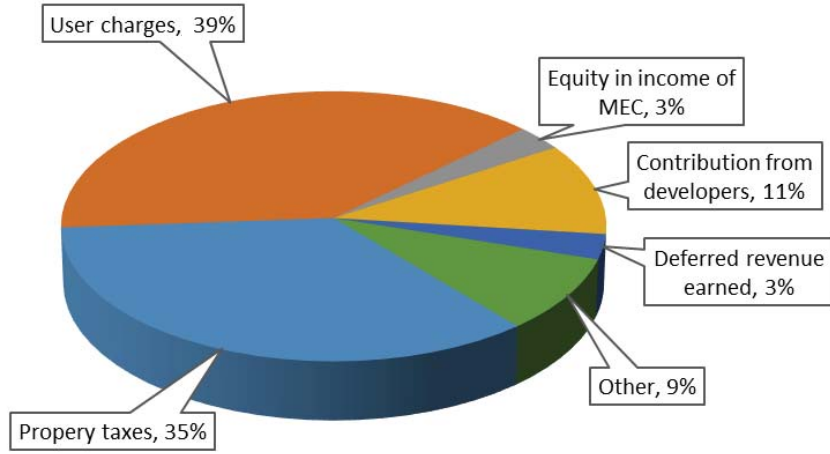
User Charges were \$183,161, 39 per cent of the total revenues in 2020. These include such things as planning and engineering fees, water and sewer billing, building permits and recreation and culture program registration and facility rental fees.

Contributions from developers totaled \$53,025, 11 per cent of 2020 revenues, as the City assumed ownership of land and other assets constructed in new development areas.

Deferred revenue earned (spent) totaled \$14,365 or 3 per cent of the 2020 revenues.

Equity pick-up from MEC also represented 3 per cent of the total revenues in 2020. In 2020, the equity pick-up increased by \$4,010 due to Alectra's higher income.

2020 Revenues by Source – Total: \$474,759

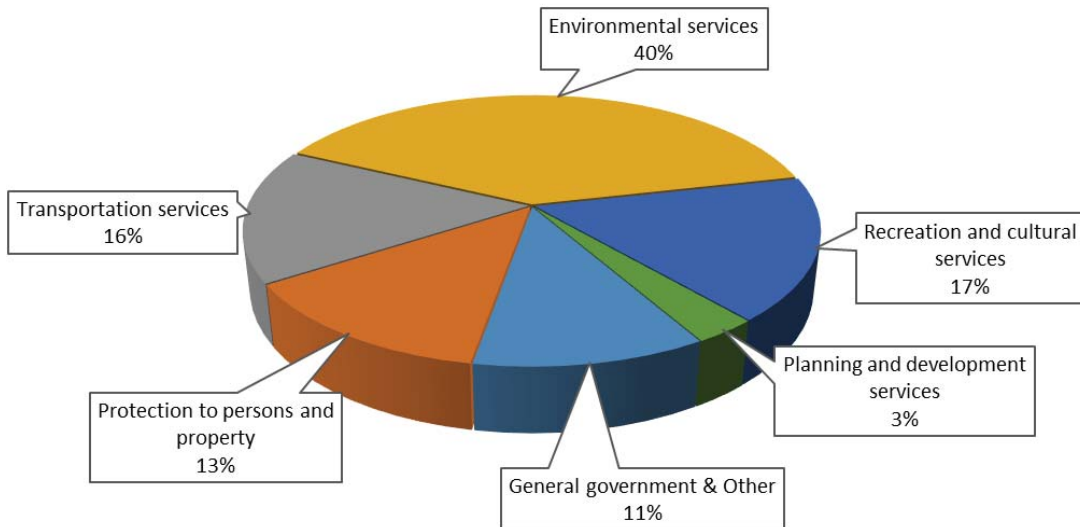


Expenses by Function

Total expenses in 2020 were \$408,585, a decrease of \$19,894 over 2019 due to contracted services and amortization. Expenses are presented by the various functional groups of the City. For example, General Government includes the administrative and shared services expenses of the City, and protection to persons and property includes Fire and Emergency Services and Building Standards.

- The Annual Surplus for the year (total revenues less total expenses) was \$66,174, a decrease of 26,104 from 2019.

2020 Expenses by Function – Total: \$408,585



3. REPORTING AND ACCOUNTABILITY

The role of the external auditor, KPMG LLP, is to present an independent opinion on the fair presentation of the City's financial position and operating results as contained in the Financial Statements, confirming that the statements are free from material misstatements. It is the responsibility of the auditor to advise management and Council of any control or operational issues that may be identified during their audit procedures.

For the past nineteen years, the City has received the Government Finance Officers Association (GFOA) 'Canadian Award for Financial Reporting.' The award provides recognition for excellence in governmental accounting and financial reporting. The receipt of this award signifies that Markham delivered a comprehensive annual financial report that demonstrates full transparency and disclosure over and above the minimum requirements of Generally Accepted Accounting Principles.

On a yearly basis, all Ontario municipalities are required to provide the Ministry of Municipal Affairs and Housing with performance measurement information, and to report the results of their performance to taxpayers. The goals of the program are to improve performance, strengthen accountability to taxpayers, stimulate productivity and creativity, and improve budget processes.



Joel Lustig, CPA, CGA
Treasurer
April 20, 2021

THE CITY'S BUDGET PROCESS

Fiscal prudence

Markham has remained financially prudent through diligent adherence to the following policies:

- Prohibit the use of one-time funding to balance the Operating Budget
- Prohibit the use of prior year surpluses to balance the Operating Budget
- Allocate additional funding to the Capital Budget Program

Budget framework

Council meets every four years to set the City's goals and priorities. For 2020, Council's strategic priorities address the initiatives defined in the 2020 - 2023 Council term that are detailed under section 2 - Corporate Strategic Plan:

- 1) Exception Services by Exceptional People
- 2) Engaged, Diverse, Thriving & Vibrant City
- 3) Safe, Sustainable and Complete Community
- 4) Stewardship of Money and Resources

The corporate goals combined with Council's strategic priorities lay the foundation to determine Markham's Business Plans (BP). The BP template is reviewed every Council term to ensure alignment to Council and the City's corporate goals. Combined, the BP forms the basis for the budget process, while the City's Budget provides a framework to put the BP into action.

Multi-year budgeting

Building Markham's Future Together four-year Strategic Plan is the foundation for the City's annual budget process. The strategic objectives and associated action plans listed under Markham's Strategic Plan are incorporated and considered during the development of every Budget the City produces.

In order to align appropriate funding plans with Council's long-term goals and objectives, the City transitioned to a multi-year budgeting process in 2014. Markham's multi-year budgeting Guideline & Instructions document outlines an extensive and comprehensive process to roll out a four-year budget that aligns with each new council term, with year one tabled for Council approval, accompanied by a three-year forecast for years two, three and four.

A rolling multi-year Budget supports the Strategic goal "Stewardship of Money and Resources" and allows the City to prioritize funds and resources for the current term. A multi-year budget process will assist in identifying future opportunities and challenges; therefore, the City can be more proactive in capitalizing on opportunities, and mitigating challenges. A better understanding of the financial implications of decisions is also highlighted by the multi-year forecasts.

A Budget Staff Committee, comprising of members from across the organization, with at least one representative from each Commission, develops the criteria and framework for the budgeting process. Committee members act as liaisons for their respective Commissions by facilitating the upstream and downstream flow of information including:

- Identifying Commission issues and opportunities
- Aligning Departmental Business Plans to Corporate Strategic Objectives
- Validating assumptions and ensuring cost drivers are consistently applied across the organization

Budget process

In June 2019, staff began working on the 2020 BP for each Business Unit. Each Business Unit filled out a BP that served as a single reference for identifying its Unit's 2020 proposed objectives in alignment to the corporate goals and Council priorities. Within each BP, Business Units included a proposed 2020 Operating Budget and Capital Project Budget that form the Business Unit's Budget.

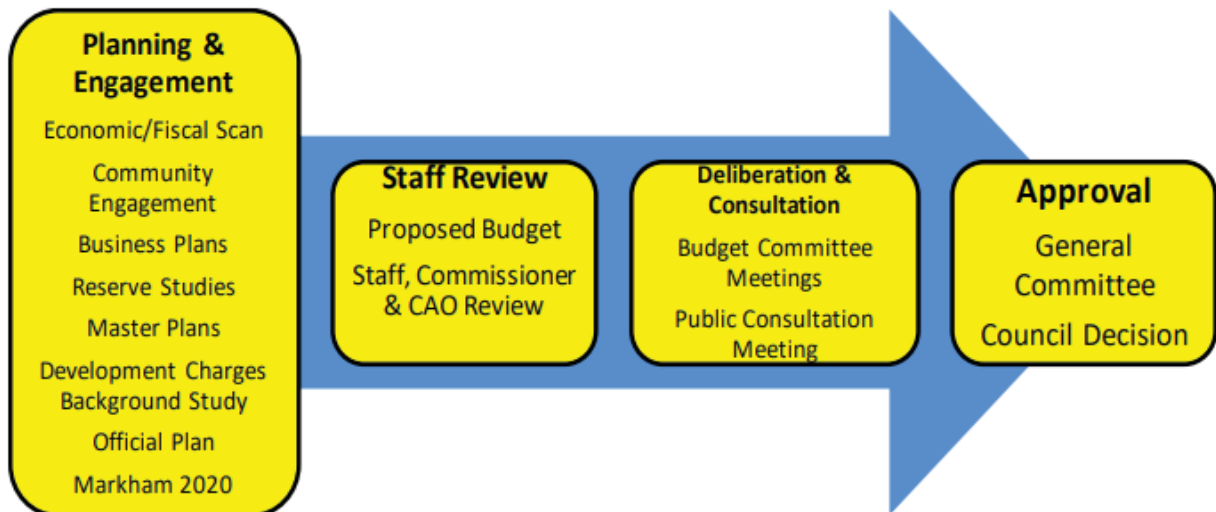
The Corporate Business Planning process establishes and reinforces the relationship between corporate goals and objectives with operational plans and resources. The City of Markham Business Plan identifies the “Stewardship of Money and Resources” as a key corporate goal with the accompanying goal statement:

“We demonstrate exceptional leadership using sound, transparent and responsible fiscal and resource management, and policy development to mitigate risks while enabling efficient and effective service delivery.”

Fiscally prudent policies combined with a rigorous budgetary process allow the City to deliver services efficiently and effectively to the community, while mitigating the need for significant tax rate increases.

A total of ten Budget Committee meetings were held between September and November 2019 to discuss, review and finalize the 2020 Operating and Capital Budget. One public consultation meeting was held on November 27, 2019 as an opportunity for residents, business and community leaders to obtain an overview of the City’s budget process and the 2020 proposed budget. Attendees were invited to inquire about the Budget and to provide feedback at these meetings.

On December 10, 2019, Council approved the Capital and Primary Operating Budgets as well as the Planning & Design, Engineering, Building Standards, and Waterworks Operating Budgets for 2020.



Reconciliation of City's budget to audited financial statements

The City's annual budget is prepared on a cash basis for the purpose of calculating the property tax levy whereas the audited financial statements are prepared on an accrual basis of accounting. The audited financial statements are prepared in accordance with generally accepted accounting principles (GAAP) for local governments as recommended, from time to time, by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPAC). There are certain budgeted revenues and expenses within the financial statements that need to be eliminated (such as transfers between funds, debt principal repayments, and dividend receipts) for financial reporting purposes. There are a few other non-budgeted adjustments included to help align with actual numbers. Some of these non-budgeted adjustments include BIA consolidations, amortization of capital assets and Reserve Fund interest. The chart below helps break down the reconciliation between the City's budget and the audited financial statements. Please refer to Notes 18 in the audited financial statements for budgets and actuals.

	Approved budget		Adjustments	Adjusted budget as per financial statements	Actual 2020 as per financial statements
	Operating	Capital			
	\$	\$	\$	\$	\$
Revenues					
Property taxes	166,674	-	-	166,674	167,013
User charges	204,394	-	-	204,394	183,161
Government transfers	1,935	11,026	-	12,961	20,112
Contributions from developers and others	-	2,811	-	2,811	53,025
Investment income	14,893	-	-	14,893	14,201
Tax penalties	4,276	-	-	4,276	1,438
Gain (loss) on sale of tangible capital assets	-	-	-	-	(134)
Deferred revenue earned	-	32,569	-	32,569	14,365
Equity in income of Markham Enterprises Corporation	-	-	-	-	15,486
Other	6,157	65,082	(65,082)	6,157	6,092
Total	398,329	111,488	(65,082)	444,735	474,759
Expenses					
General Government	38,538	6,735	3,473	48,747	46,714
Protection to Property	52,351	-	1,920	54,271	51,704
Transportation services	36,911	7,119	31,483	75,513	64,260
Environmental services	136,802	4,386	24,117	165,305	159,650
Recreation and cultural services	66,976	7,296	18,583	92,855	73,195
Planning and development services	13,527	4,713	-	18,239	13,033
Transfer to own funds	53,191	81,239	(134,430)	-	-
Other	34	-	-	34	29
	398,329	111,488	(54,853)	454,964	408,585
Net Surplus (Deficit)	-	-	(10,229)	(10,229)	66,174

FINANCIAL POLICIES

Council has approved a number of financial policies to govern the preparation of the annual operating and capital budgets and handling of Markham's day-to-day financial operations. The purpose of these policies is to maintain strong fiscal stewardship, ensuring that Markham taxpayers are getting value for their money. Significant Markham financial policies are as follows:

Basis of Accounting

Markham recognizes sources of revenue and expenditures on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and expenditures when they are incurred and measurable as a result of receipt of goods and services and the creation of a legal obligation to pay.

Reserves/Reserve Funds Policy

Reserves and Reserve Funds are grouped into two main categories: Working/Stabilization Reserves and Capital Reserves. Targets have been established for stabilization reserves based on best practices and capital reserves based on a review of life cycle replacement requirements for major Markham facilities and infrastructure. In addition, the policy prioritizes the distribution of annual operating budget surpluses to various reserves and determines the allocation of revenues from various companies owned by Markham.

Use of Assessment Growth

Markham will transfer up to 25 per cent of tax revenue from the net annualized growth in assessment to the Life Cycle Replacement and Capital Reserve Fund to maintain and refurbish our existing infrastructure.

Use of Prior Year's Surplus/Deficit

Markham has in place a number of policies to minimize operating deficits, but should they occur, Markham maintains the flexibility to utilize funds from the Corporate Rate Stabilization Reserve. Markham does not balance its budget by using prior year surpluses. Surpluses are transferred in accordance with Markham's Reserves/Reserve Funds Policy.

Capital Budget Control Policy

The policy sets out guidelines for reporting to Council regarding the closing of capital projects, reallocation of capital funds and requests for new capital projects.

Investment Policy

The policy provides a framework to make investment decisions within acceptable risk levels. Markham strives for the maximum utilization of its cash resources within statutory limitations and the basic need to protect and preserve capital.

Development Charges Credit Policy

The policy sets out guidelines for administration and issuance of development charge credits to developers. This is implemented through formal agreements with Markham.

Purchasing Policy Under Bylaw 2017-8

The purpose of the Bylaw is to establish policies and regulations respecting the City's procurement, disposal and administrative service requirements, including the entering into of contracts and signing authority.

Expenditure Control Policy

The purpose of this policy is to establish internal controls over the authorization of expenses. This procedure is subject to the limitations and guidelines established by Markham's Purchasing Bylaw #2017-8.

Payment Acceptance Policy

The policy provides direction on the forms of payment accepted by the organization, both in person and online payment methods including credit card and debit card payments.



KPMG LLP
Vaughan Metropolitan Centre
100 New Park Place, Suite 1400
Vaughan ON L4K 0J3
Canada
Tel 905-265-5900
Fax 905-265-6390

INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the City of Markham

Opinion

We have audited the consolidated financial statements of Corporation of the City of Markham (the City), which comprise:

- the consolidated statement of financial position as at December 31, 2020
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of changes in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the City as at December 31, 2020, and its consolidated results of operations, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the City in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the City's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the City or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the City's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the City's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the City to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

April 20, 2021

THE CORPORATION OF THE CITY OF MARKHAM
Consolidated Statement of Financial Position
 December 31, 2020 with comparative figures for 2019
 (All dollar amounts are in \$000)

	Note	2020	2019
FINANCIAL ASSETS			
Cash and investments	4	\$371,353	\$344,476
Property taxes receivable	5	37,506	26,653
Accounts receivable		59,477	61,016
Investment in Markham Enterprises Corporation	6	384,983	381,477
		\$853,319	\$813,622
FINANCIAL LIABILITIES			
Accounts payable and accrued liabilities	7	\$140,962	\$151,241
Deferred revenues	8	173,584	142,603
Employee future benefits liabilities	9	34,305	32,103
Long-term liabilities	10	10,043	10,800
		\$358,894	\$336,747
NET FINANCIAL ASSETS		\$494,425	\$476,875
NON-FINANCIAL ASSETS			
Tangible capital assets	11	\$4,265,760	\$4,217,849
Inventories		1,632	2,118
Prepaid expenses		3,220	2,021
		\$4,270,612	\$4,221,988
Contingency	16		
Contractual rights	20		
ACCUMULATED SURPLUS	14	\$4,765,037	\$4,698,863

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, 2020 with comparative figures for 2019

(All dollar amounts are in \$000)

	Note	2020		2019
		Budget (note 18)	Actual	Actual
Revenues				
Property taxes		\$166,674	\$167,013	\$162,536
User charges	12	204,394	183,161	189,080
Government transfers	13	12,961	20,112	15,573
Contributions from developers and others		2,811	53,025	41,637
Investment income		14,893	14,201	14,824
Tax penalties		4,276	1,438	4,811
Gain (loss) on sale of tangible capital assets		-	(134)	128
Deferred revenue earned		32,569	14,365	65,543
Equity in income of Markham Enterprises Corporation	6	-	15,486	11,476
Other		6,157	6,092	15,149
TOTAL REVENUES		\$444,735	\$474,759	520,757
Expenses				
General government		\$48,747	\$46,714	\$44,799
Protection to persons and property		54,271	51,704	52,041
Transportation services		75,513	64,260	75,509
Environmental services		165,305	159,650	159,498
Recreation and cultural services		92,855	73,195	85,622
Planning and development services		18,239	13,033	10,986
Other		34	29	24
TOTAL EXPENSES		\$454,964	\$408,585	\$428,479
ANNUAL SURPLUS (DEFICIT)		(\$10,229)	\$66,174	\$92,278
ACCUMULATED SURPLUS, BEGINNING OF YEAR		4,698,863	4,698,863	4,606,585
ACCUMULATED SURPLUS, END OF YEAR	14	\$4,688,634	\$4,765,037	\$4,698,863

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, 2020 with comparative figures for 2019

(All dollar amounts are in \$000)

	2020		2019
	Budget	Actual	Actual
Annual surplus	(\$10,229)	\$66,174	\$92,278
Acquisition of tangible capital assets including capital work in progress	(141,737)	(127,641)	(182,824)
Amortization of tangible capital assets	79,630	79,258	78,188
Loss (gain) on disposal of tangible capital assets	-	134	(128)
Proceeds from disposal of tangible capital assets	-	338	272
	(\$72,336)	\$18,263	(\$12,214)
Acquisition of inventories of supplies	-	(1,546)	(2,032)
Acquisition prepaid expenses	-	(3,220)	(2,021)
Consumption of inventories	-	2,032	1,503
Use of prepaid expenses	-	2,021	2,119
Change in net financial assets	(\$72,336)	\$17,550	(\$12,645)
Net financial assets, beginning of year	476,875	476,875	489,520
Net financial assets, end of year	\$404,539	\$494,425	\$476,875

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, 2020 with comparative figures for 2019

(All dollar amounts are in \$000)

	2020	2019
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Annual surplus	\$66,174	\$92,278
Add (deduct) items not involving cash		
Amortization of tangible capital assets	79,258	78,188
Loss (gain) on disposal of tangible capital assets	134	(128)
Change in employee future benefits and other liabilities	2,202	454
Equity in income of Markham Enterprises Corporation	(15,486)	(11,476)
Contributed tangible assets	(50,842)	(39,796)
Change in non-cash assets and liabilities		
Property taxes receivable	(10,853)	(1,062)
Accounts receivable	1,539	(1,990)
Accounts payable and accrued liabilities	(10,279)	2,717
Long term liabilities	(757)	(730)
Deferred revenue	30,981	(30,244)
Inventories	486	(529)
Prepaid expenses	(1,199)	98
Net change in cash from operating activities	\$91,358	\$87,780
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(76,799)	(143,028)
Proceeds from disposal of tangible capital assets	338	272
Net change in cash from capital activities	(\$76,461)	(\$142,756)
INVESTING ACTIVITIES		
Dividend from Markham Enterprises Corporation	10,280	8,460
Return of capital of Markham Enterprises Corporation	1,700	1,851
Net change in cash from investing activities	\$11,980	\$10,311
NET CHANGE IN CASH AND CASH EQUIVALENTS	\$26,877	(\$44,665)
OPENING CASH AND CASH EQUIVALENTS	344,476	389,141
CLOSING CASH AND CASH EQUIVALENTS	\$371,353	\$344,476
Supplementary information:		
Interest paid	360	387
Interest received	7,274	9,468

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

Notes to the Consolidated Financial Statements

Year ended December 31, 2019

(All dollar amounts are in \$000)

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) *Reporting Entity*

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 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".

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 Revenue*

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.

j) Employee Future Benefits

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 contribution 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.

Management, 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.

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 and building improvements	40
Equipment	5 - 20
Furniture & fixtures	10 - 15
Infrastructure	10 - 100
Library materials, furniture & fixtures	7 - 10
Parks & pathways	10 - 60
Vehicles	7 - 9
Waterworks equipment & infrastructure	7 - 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 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 financial statements.

(iii) Interest Capitalization

Interest is capitalized whenever external debt is issued to finance the construction of tangible capital assets.

(iv) 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 cost.

n) 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.

o) Budget Figures

The approved operating and capital budgets for 2020 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 on a project-oriented basis, the costs of which may be carried but over one or more 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.

p) 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 17.

q) Liability for 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.

r) *Future Accounting Pronouncements*

These standards and amendments were not effective for the year ended December 31, 2020, and have therefore not been applied in preparing these consolidated financial statements. Management is currently assessing the impact of the following accounting standards updates on the future consolidated financial statements.

Standards applicable for fiscal years beginning on or after April 1, 2022 (the City's December 31, 2023 year-end):

- (i) PS 3450 Financial Instruments establishes the standard on how to account for and report all types of financial instruments including derivatives.
- (ii) PS 2601 Foreign Currency Translation, which replaces PS 2600, establishes the standard on how to account for and report transactions that are denominated in a foreign currency in government financial statements.
- (iii) PS 1201 Financial Statement Presentation, which replaces PS 1200, establishes general reporting principles and standard for the disclosure of information in government financial statements. The standard introduces the Statement of Remeasurement Gains or Losses, which reports changes in the values of financial assets and financial liabilities arising from their remeasurement at current exchange rates and/or fair value.
- (iv) PS 3401 Portfolio Investments, which replaces PS 3040, establishes standards on how to account for and report portfolio investments in government financial statements.
- (v) PS 3280 Asset Retirement Obligations, establishes on how to account for and report a liability for asset retirement obligations.

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

- (vi) PS 3400 Revenue, establishes standards on how to account for and report on revenue, specifically differentiating between revenue arising from transactions that include performance obligations, referred to as exchange transactions and transactions that do not have performance obligations, referred to as non-exchange transactions.

2. 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	2020	2019
Taxation	\$ 248,502	\$ 340,232	\$588,734	\$568,398
Payment in lieu of taxes	352	1,023	1,375	1,295
Supplementary taxes	1,571	2,546	4,117	5,957
Amount requisitioned and transferred	\$250,425	\$343,801	\$594,226	\$575,650

3. 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 \$22,930 (2019 - \$24,512) of which \$11,465 (2019 - \$12,256) represented the City's portion and \$11,465 (2019 - \$12,256) represented employees portion.

Since OMERS is a multi-employer pension plan, the City does not recognize any share of the pension plan deficit of \$3.2 billion as of 2020 (2019 - \$3.4 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.

4. CASH AND INVESTMENTS

	2020	2019
Cash	\$ 177,336	\$142,544
Investments	194,017	201,932
	\$371,353	\$344,476

Cash balance includes investments in the amount of \$16,000 (2019 - \$10,000) 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-term instruments of various financial institutions, government bonds, and Treasury Bills. Investments, which are reported at cost for money market and face value for bonds, had a market value of \$211,575 (2019 - \$213,099) at the end of the year.

5. PROPERTY TAXES RECEIVABLE

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

	2020	2019
Current year	\$ 27,365	\$21,711
Arrears prior years	11,142	5,943
	38,507	27,654
Less: Allowance for uncollectible taxes	(1,001)	(1,001)
	\$37,506	\$26,653

The Municipal Property Assessment Corporation (MPAC) is responsible for the valuation of the 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 Province of Ontario introduced a four-year property assessment cycle in 2009, which included a mandatory phase-in of reassessment increases for all properties. The Province chose to repeat the four-year assessment cycle and therefore, for the 2017 through 2020 tax years, all properties are assessed and taxed based on their CVA as of the valuation date of January 1st, 2016. The 2020 taxation year marks the fourth and last year of the current phase-in cycle.

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. This financial uncertainty continues to illustrate the requirement of the provision allowance, which was established in the amount of \$1,001 (2019 - \$1,001). Further, as a result of an initiative by the Chair of the Assessment Review Board (ARB), a commitment was made by the ARB to address the regular and systemic backlog of all property assessment appeals.

6. INVESTMENT IN MARKHAM ENTERPRISES CORPORATION

Markham Enterprises Corporation (MEC) is wholly owned by the City of Markham. MEC owns 100% of Markham District Energy Inc. (MDE) and 15.00% of Alectra Inc. (2019 – 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, 2020 to December 31, 2020.

	2020	2019
Assets		
Current	\$20,304	\$21,811
Capital	123,999	127,105
Investment in Alectra Inc.	307,066	309,255
Other	1,778	1,778
Total Assets	\$453,147	\$459,949
Liabilities		
Current	10,575	9,617
Other	53,939	57,878
Long Term	3,650	10,977
Total Liabilities	\$68,164	\$78,472
Shareholder's Equity		
Common shares	94,365	96,065
Promissory notes payable	79,184	79,184
Retained earnings and contributed Surplus	211,434	206,228
Total Shareholder's Equity	384,983	381,477
Total Liabilities and Shareholder's Equity	\$453,147	\$459,949
Results of Operations		
Revenues	\$39,310	\$37,030
Operating expenses	23,824	25,020
Gain on acquisition of GHESI	-	657
Net Income	15,486	12,667
Impact of adoption of IFRS 16 on retained earnings	-	(1,191)
Net equity in income of Markham Enterprises Corporation	15,486	11,476
Return of share capital	(1,700)	(1,851)
Dividend	(10,280)	(8,460)
Net change in equity in Markham Enterprises Corporation	\$3,506	\$1,165
Opening shareholder's equity	\$381,477	\$380,312
Closing shareholder's equity	\$384,983	\$381,477

7. 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 accounting period that require Markham to pay for goods and services acquired or provided prior to the accounting date. A breakdown of the accounts payable and accrued liabilities is as follows:

	2020	2019
Trade accounts payable	\$ 59,545	\$53,416
Payable to other governments	63,481	71,279
Payroll liabilities	4,157	6,873
Accrued liabilities	13,779	19,673
	\$140,962	\$151,241

8. DEFERRED REVENUE

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 is the current status of the deferred revenue:

	Opening balance	Amounts received	Revenues earned	Closing balance
Development charges	\$38,412	\$42,808	\$12,440	\$68,780
Parkland cash-in-lieu	50,695	8,268	484	58,479
Federal Gas tax	15,132	10,212	10,782	14,562
Section 37 funds	8,470	370	1,374	7,466
Other	70	-	67	3
	\$112,779	\$61,658	\$25,147	\$149,290
Deferred revenue and deposits	29,824	14,683	20,213	24,294
	\$142,603	\$76,341	\$45,360	\$173,584

9. EMPLOYEE FUTURE BENEFITS LIABILITIES

	2020	2019
Long-term disability	\$ 5,944	\$5,903
Post-employment benefits	12,997	13,050
Vested sick leave benefits	6,609	6,214
Workplace Safety & Insurance Board	4,824	3,837
	\$30,374	\$29,004
Vacation pay - City	3,748	2,938
Vacation pay - Library	183	161
	\$34,305	\$32,103

a) Long-Term Disability Benefits (LTD)

The City provides long-term disability benefits to eligible employees. At the year end, the accrued liability of \$5,944 (2019 – \$5,903) represents the actuarial valuation of benefits to be paid on the history of claims with employees. The City has established a long-term disability reserve to reduce 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 2017.

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 benefit liability at December 31, 2019 is \$12,997 (2019 – \$13,050). The accrued benefit liability and the net benefit cost for the fiscal year were determined by an actuarial valuation for December 2018.

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 approximately \$6,609 (2019 - \$6,214). The accrued benefit liability and the net benefit cost for the fiscal year were determined by an actuarial valuation for December 2018.

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 \$4,824 (2019 - \$3,837) 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 2019.

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

	LTD	Post-employment benefits	Vested sick-leave	WSIB	2020	2019
Accrued benefit liability, beginning of year	\$ 5,903	\$ 13,050	\$ 6,214	\$ 3,837	\$ 29,004	\$28,732
Service cost	920	489	570	955	2,934	2,147
Interest cost	194	454	268	204	1,120	1,090
Benefit payments	(894)	(1,000)	(478)	(445)	(2,817)	(2,935)
Amortization of actuarial loss(gain)	(179)	4	35	273	133	(30)
Accrued benefit liability, end of year	\$5,944	\$12,997	\$6,609	\$4,824	\$ 30,374	\$29,004
Unamortized actuarial (gain) loss	(168)	(1,458)	403	1,137	(86)	(\$366)
Accrued benefit obligation, end of year	\$5,776	\$11,539	\$7,012	\$5,961	\$30,288	\$28,638

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 more significant assumptions made:

	LTD	Post-employment benefits	Vested sick-leave	WSIB
Expected inflation rate	N/A	2.00%	1.75%	1.75%
Expected level of salary increase	N/A	3.00%	2.75%	3.00%
Interest discount rate	3.50%	4.00%	4.00%	4.00%
Expected average remaining service life in years	N/A	13	13	12

10. LONG-TERM LIABILITIES

On July 1, 2010 and April 14, 2014, the City received a loan of \$12,000 from Canada Mortgage Housing Corporation (CMHC) and a \$4,000 low-interest loan from 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 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% subsidiary of MEC. The loan received on April 14, 2014 was used to fund the cost of Cornell Community Centre.

The loan of \$12,000 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 first payment was due July 1, 2011. The loan of \$4,000 is to be amortized over a period of 20 years, at an interest rate of 2%. An annual payment to Region of \$244 consists of principal and interest. The first payment was due October 4, 2014.

Principial payments are repayable annually as follows:

2021	\$784
2022	811
2023	840
2024	870
2025	901
2026 and thereafter	5837
	\$10,043

11. TANGIBLE CAPITAL ASSETS

a) Capital Work in Progress

Assets under construction having a value of \$42,284 (2019 - \$24,379) 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 contribution assets received during the year is \$50,842 (2019 - \$39,796) comprised of land in the amount of \$37,239 (2019 - \$5,957), roads infrastructure in the amount of \$9,959 (2019 - \$38,166) and water and wastewater infrastructure in the amount of \$3,644 (2019 - \$8,156).

c) Tangible Capital Assets Disclosed at Nominal Values

Where an estimate of fair value could not be made, the tangible capital asset was recognized at a nominal value. Land is the only asset where nominal value were 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.

	Cost				Accumulated Depreciation Disposals				Net Book Value	
	Disposals &				Depreciation &				Balance at	Balance at
	Jan 1, 2020	Additions	Adjustments	Dec 31, 2020	Jan 1, 2020	expense	Adjustment	Dec 31, 2020	Dec,31, 2020	Dec,31, 2019
Land	2,125,946	47,139	(433)	2,172,652	-	-	-	-	2,172,652	2,125,946
Buildings	418,314	4,970	(161)	423,123	136,228	10,196	(120)	146,304	276,819	282,086
Equipment	33,325	5,719	(3,546)	35,498	18,254	3,663	(3,547)	18,370	17,128	15,071
Furniture & fixtures	8,062	119	(535)	7,646	6,218	578	(535)	6,261	1,385	1,844
Infrastructure	1,494,529	23,912	(8,534)	1,509,907	517,246	38,395	(8,534)	547,107	962,800	977,283
Library materials, furniture & fixtures	21,778	1,427	(3,695)	19,510	12,862	2,402	(3,695)	11,569	7,941	8,916
Parks & Pathways	96,902	6,224	(2,909)	100,217	36,216	5,423	(2,909)	38,730	61,487	60,686
Vehicles	16,794	1,706	(1,360)	17,140	9,721	1,930	(1,360)	10,291	6,849	7,073
Waterworks equipment & infrastru	1,074,271	18,520	(2,217)	1,090,574	359,706	16,671	(2,218)	374,159	716,415	714,565
Total	5,289,921	109,736	(23,390)	5,376,267	1,096,451	79,258	(22,918)	1,152,791	4,223,476	4,193,470
Capital work in progress	24,379	17,905	-	42,284	-	-	-	-	42,284	24,279
Grand Total	5,314,300	127,641	(23,390)	5,418,551	1,096,451	79,258	(22,918)	1,152,791	4,265,760	4,217,749

12. USER CHARGES

	2020	2019
Water and sewer billing to ratepayers	\$137,100	\$130,470
Building permits	5,244	6,184
Culture venues	537	3,772
Engineering	10,182	7,385
Facility rentals	4,510	9,458
Licenses	1,360	1,617
Landscaping	4,477	1,581
Parking violations	2,333	3,493
Planning	11,555	5,922
Recreation programs	2,244	13,901
Other	3,619	5,297
Total	\$183,161	\$189,080

13. GOVERNMENT TRANSFERS

The City recognizes the transfer of government funding as revenue in the year the events giving rise to the transfer occurred. The details of government transfer for the year are:

	2020	2019
Provincial Grant:		
General government - Safe Restart Agreement and others	6,958	-
Environmental services	1,603	1,297
Recreation and cultural services	359	647
Planning and development services	257	308
	9,177	2,252
Federal Grant:		
General government - Gax tax	10,787	13,321
Recreation and cultural services	148	-
	10,935	13,321
	20,112	15,573

14. ACCUMULATED SURPLUS

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

	2020	2019
City operating fund surplus including library, community boards, and business improvement areas	\$16,641	\$5,462
Equity in Markham Enterprises Corporation	384,983	381,477
Invested in tangible capital assets	4,265,760	4,217,749
Other	(27,192)	(35,978)
	\$4,640,192	\$4,568,710
RESERVES SET ASIDE FOR SPECIFIC PURPOSES BY COUNCIL		
Berczy landscape feature	203	203
Building fee	7,483	11,155
Capital gains	4,160	4,160
Corporate rate stabilization	23,280	22,527
Development fee	10,011	364
Election expenses	531	231
Election rebates	566	385
Facility ramp up	23,891	19,535
Firefighters sick leave benefits	6,776	6,776
Insurance	4,059	4,059
Long-term disability benefits	22,872	21,975
Waterworks	80,130	82,159
Total reserves	183,962	173,529
RESERVE FUNDS SET ASIDE FOR SPECIFIC PURPOSES BY COUNCIL		
Cemetary expenses	122	120
Emerald Ash Borer	192	387
Environmental land acquisition	10,713	10,326
Environmental sustainability fund	95	95
Heritage	339	339
Land acquisition	(243,055)	(215,236)
Library infrastructure	6,449	6,366
Life cycle replacement and capital	133,008	120,800
Museum	19	19
Non-DC growth	12,728	9,063
Post retirement benefits	14,757	14,566
Public art acquisition	4,018	3,158
Stormwater fee	(6,470)	(133)
Theatre	895	879
Trees for Tomorrow program	7	6
Workplace Safety & Insurance Board (WSIB)	5,314	4,334
WSIB excess compensation	1,752	1,435
Total reserves fund	(59,117)	(43,476)
Total	4,765,037	4,698,763

15. LEASE OBLIGATIONS

As at December 31, 2020, the City is committed to minimum annual operating lease payments for premises and equipment as follows:

2021	89
2022	67
2023	43
2024	43
2025	43
2026 and thereafter	130
Total	<u>\$ 415</u>

16. CONTINGENCY

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.

17. 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 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, Human Resources, Legal, Sustainability 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.

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.

	General Government	Protection to persons and property	Transportation services	Environmental Services	Recreation and Cultural services	Planning and Development	Others	2020	2019
Revenues									
Property taxes	\$167,013	-	-	-	-	-	-	167,013	\$162,536
User charges	2,778	6,455	13,132	138,032	6,733	16,031	-	183,161	189,080
Government transfers	17,744	-	-	1,604	507	257	-	20,112	15,573
Contribution from developers and others	53,025	-	-	-	-	-	-	53,025	41,637
Investment income	14,201	-	-	-	-	-	-	14,201	14,824
Tax penalties	1,438	-	-	-	-	-	-	1,438	4,811
Gain (loss) on sale of tangible assets	(134)	-	-	-	-	-	-	(134)	128
Deferred revenue earned	14,365	-	-	-	-	-	-	14,365	65,543
Equity in income of Markham Enterprises Corporation	15,486	-	-	-	-	-	-	15,486	11,476
Others	3,836	339	652	775	481	-	9	6,092	15,149
Total	\$289,752	\$6,794	\$13,784	\$140,411	\$7,721	\$16,288	\$9	\$474,759	\$520,757
Expenses									
Salaries, Wages and employee benefits	\$22,209	\$47,593	\$14,711	\$8,288	\$33,795	\$7,651	-	\$134,247	\$143,121
Operating Materials and Supplies	12,291	958	4,512	1,297	9,205	486	29	28,778	39,863
Contracted Services	10,235	1,168	13,700	123,300	10,866	4,771	-	164,040	164,549
Rents and Financial Expenses	(2,052)	109	145	2,825	293	125	-	1,445	1,964
External Transfers to others	402	-	-	-	55	-	-	457	407
Long Term Debt Charges	360	-	-	-	-	-	-	360	387
Amortization of tangible capital assets	3,269	1,876	31,192	23,940	18,981	-	-	79,258	78,188
Total Expenses	\$46,714	\$51,704	\$64,260	\$159,650	\$73,195	\$13,033	\$29	\$408,585	\$428,479
Annual Surplus/(Deficit)	\$243,038	(\$44,910)	(\$50,476)	(\$19,239)	(\$65,474)	\$3,255	(\$20)	\$66,174	\$92,278

18. BUDGET FIGURES

The budget figures presented in these consolidated financial statements are based on the Council approved 2020 budget. The following table reconciles the approved budget figures as presented in these financial statements using the accrual basis of accounting.

	2020	2019
Revenues		
Approved operating budget	\$408,129	\$393,712
Approved capital budget	111,488	124,686
Transfer from reserve funds	(65,082)	(66,239)
Total revenues	\$454,535	\$452,159
Expenses		
Approved operating budget	408,129	393,712
Transfer to reserve funds	(53,191)	(53,178)
Expenses not capitalized	30,249	21,733
Post-employment benefit expenses	(53)	106
Amortization	79,630	78,565
Total expenses	464,764	440,938
Annual surplus/(deficit)	(\$10,229)	\$11,221

19. TRUST FUNDS

Trust funds administered by the City for the benefit of others amounting to \$2,441 (2019 - \$2,436) have not been included in the "Consolidated Statement of Financial Position" nor have their operations been included in the "Consolidated Statement of Operations and Accumulated Surplus". The details of trust funds administered by the City and their Financial Position and Statement of Financial Activities and Fund Balances 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, 2020 the balance was \$86 (2019 - \$84).

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, 2020 the balance was \$1,299 (2019 - \$1,299).

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, 2020 the balance was nil (2019 - \$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, 2020 the balance was \$943 (2019 - \$943).

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, 2020 the balance was \$11 (2019 - \$10).

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, 2020 the balance was \$102 (2019 - \$100).

20. CONTRACTUAL RIGHTS

City revenues to be generated in the future, in relation to existing lease agreements are approximately \$32,783. The City has also entered into Provincial funding agreements, whereby the estimated future funding is \$31,753.

Year	Lease agreements	Provincial funding agreements
2021	3,469	10,433
2022	3,447	10,433
2023	3,060	10,887
2024	3,026	-
2025	4,060	-
2026 and thereafter	15,721	-
Total	32,783	31,753

21. FINANCIAL RISK MANAGEMENT

It is management's opinion that the City is not exposed to significant liquidity, interest rate, credit, market, or cash flow risk. There has been no change to the risk exposure from 2019, except as noted below.

General economic risk:

During the year, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in the Canadian and Provincial governments enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have resulted in a decline in revenues due to the cancellation of events and lockdown measures.

The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on operations is not known at this time. These emergency measures and economic impacts could include potential future decreases in revenue and expenses.

22. COMPARATIVE FIGURES

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

Statistical Information

FIVE-YEAR REVIEW (UNAUDITED)

	2020	2019	2018	2017	2016
OPERATIONS					
Expenses by Function					
General government	\$46,714	\$44,799	\$52,289	\$56,278	\$56,349
Protection to persons and property	51,704	52,041	49,254	46,337	47,008
Transportation services	64,260	75,509	61,103	57,624	57,601
Environmental services	159,650	159,498	146,179	132,319	135,467
Recreation and cultural services	73,195	85,622	88,324	81,268	78,165
Planning and development services	13,033	10,986	12,803	11,944	12,528
Other	29	24	34	102	49
	<u>\$408,585</u>	<u>\$428,479</u>	<u>\$409,986</u>	<u>\$385,872</u>	<u>\$387,167</u>
Revenues by Source					
Taxation (includes supplementary & payments in li	\$167,013	\$162,536	\$156,737	\$150,884	\$144,092
User Charges	183,161	189,080	192,852	168,205	165,399
Government Transfers	20,112	15,573	11,158	8,305	13,407
Contribution from developers	53,025	41,637	128,130	71,142	41,564
Investment income	14,201	14,824	15,726	20,519	15,356
Deferred revenue earned	14,365	65,543	20,543	48,690	26,950
Equity pick up in Markham Enterprises Corporation	15,486	11,476	21,327	116,806	10,406
Other revenue	7,396	20,088	14,933	17,238	21,739
	<u>\$474,759</u>	<u>\$520,757</u>	<u>\$561,406</u>	<u>\$601,789</u>	<u>\$438,913</u>
Surplus					
Surplus for the year	\$66,174	\$92,278	\$151,420	\$215,917	\$51,746
Surplus, beginning of Year	4,698,863	4,606,585	4,455,165	4,239,248	4,187,502
Surplus, end of Year	<u>\$4,765,037</u>	<u>\$4,698,863</u>	<u>\$4,606,585</u>	<u>\$4,455,165</u>	<u>\$4,239,248</u>
RESERVES AND RESERVE FUNDS					
Reserves	\$183,962	\$173,529	\$167,585	\$144,495	\$132,326
Reserve Funds	(59,117)	(43,476)	(16,967)	(29,479)	43,347
	<u>\$124,845</u>	<u>\$130,053</u>	<u>\$150,618</u>	<u>\$115,016</u>	<u>\$175,673</u>

	2020	2019	2018	2017	2016
NET FINANCIAL ASSETS					
Financial Assets					
Cash and cash equivalents	\$371,353	\$344,476	\$389,141	\$302,196	\$361,195
Property taxes receivable	37,506	26,653	25,591	25,946	27,505
Accounts receivable	59,477	61,016	59,026	68,651	73,455
Investment in Markham Enterprises Corporation	384,983	381,477	380,312	362,159	253,541
Total Financial Assets	<u>\$853,319</u>	<u>\$813,622</u>	<u>\$854,070</u>	<u>\$758,952</u>	<u>\$715,696</u>
Financial Liabilities					
Accounts payable and accrued liabilities	\$140,962	\$151,241	\$148,524	\$142,726	\$142,158
Deferred revenue	173,584	142,603	172,847	126,276	127,296
Employee future benefits liabilities	34,305	32,103	31,649	30,953	30,848
Long term liabilities	10,043	10,800	11,530	12,236	12,918
Total Financial Liabilities	<u>\$358,894</u>	<u>\$336,747</u>	<u>\$364,550</u>	<u>\$312,191</u>	<u>\$313,220</u>
NET FINANCIAL ASSETS	<u>\$494,425</u>	<u>\$476,875</u>	<u>\$489,520</u>	<u>\$446,761</u>	<u>\$402,476</u>
NET LONG TERM DEBT					
Net long-term liabilities - City of Markham Purposes	10,043	10,800	11,530	12,236	12,918
Annual debt repayment limit prescribed by province	\$91,331	\$88,023	\$85,353	\$82,345	\$78,689
Per capita	\$0.26	\$0.25	\$0.24	\$0.23	\$0.22
Percentage of taxable assessment	0.0286 %	0.0078 %	0.0087	0.0158 %	0.0186 %
Annual charges for net long-term liabilities					
Principal & Interest - City of Markham Purposes	\$1,130	\$1,130	\$1,130	\$1,130	\$1,130
As a percentage of Revenue	0.24 %	0.21 %	0.20 %	0.19 %	0.26 %
Per Capita	\$0.003	\$0.003	\$0.003	\$0.003	\$0.003
CONSOLIDATED EXPENSES BY OBJECT					
Salaries, wages & employee benefits	\$134,247	\$143,121	\$148,082	\$141,062	\$142,463
Operating materials and supplies	28,778	39,863	33,206	32,350	38,495
Contracted services	164,040	164,549	149,221	136,694	132,657
Rents and financial expenses	1,805	2,351	2,718	2,516	2,894
External transfers to others	457	407	375	360	313
Amortization - tangible capital assets	79,258	78,188	76,384	72,890	70,345
Total expenditure by object	<u>\$408,585</u>	<u>\$428,479</u>	<u>\$409,986</u>	<u>\$385,872</u>	<u>\$387,167</u>

	2020	2019	2018	2017	2016
TAXABLE ASSESSMENT					
Residential, multi-residential and farm	89,144,793	81,616,967	\$71,361,563	\$66,142,589	\$58,584,043
Commercial - all classes	11,339,344	10,880,640	10,444,369	9,967,108	9,555,390
Industrial - all classes	1,413,400	1,390,877	1,327,924	1,245,457	1,246,720
Pipeline & managed Forests	95,621	92,640	2,266,896	72,371	69,904
	\$101,993,156	\$93,981,125	\$85,400,752	\$77,427,525	\$69,456,057
Commercial and Industrial as a percentage of taxable assessment	12.50 %	13.06 %	13.78 %	14.48 %	15.55 %
PROPERTY TAXATION					
Tax Rates/Mill Rates (Note 1)					
	%	%	%	%	%
<i>Residential</i>					
City of Markham	0.153572	0.162273	0.173226	0.184850	0.197612
Region of York	0.321619	0.336549	0.350606	0.371903	0.397157
School Boards (Public and Separate)	0.153000	0.161000	0.170000	0.179000	0.188000
	0.628191	0.659822	0.693832	0.735753	0.782769
<i>Multi-residential</i>					
City of Markham	0.153572	0.162273	0.173226	0.184850	0.197612
Region of York	0.321619	0.336549	0.350606	0.371903	0.397157
School Boards (Public and Separate)	0.153000	0.161000	0.170000	0.179000	0.188000
	0.628191	0.659822	0.693832	0.735753	0.782769
<i>Commercial - full rat</i>					
City of Markham	0.204573	0.207612	0.213467	0.218366	0.220772
Region of York	0.428429	0.430581	0.432052	0.439334	0.443704
School Boards (Public and Separate)	0.896686	0.931834	0.966480	0.987908	1.008874
	1.529688	1.570027	1.611999	1.645608	1.673350
Commercial - vacant units, excess land percentage of full rat	70	70	70	70	70
<i>Industrial - full rate</i>					
City of Markham	0.252350	0.254833	0.259372	0.261912	0.259346
Region of York	0.528484	0.528517	0.524962	0.526945	0.521229
School Boards (Public and Separate)	0.980000	1.030000	1.090000	1.140000	1.180000
	1.760834	1.813350	1.874334	1.928857	1.960575
Industrial - vacant units, excess land - percentage of full rate	65	65	65	65	65
Taxes Levied					
City of Markham	\$167,013	\$162,536	\$156,737	\$150,884	\$144,092
Region of York	343,801	329,994	312,140	296,293	281,721
School Boards (Public and Separate)	250,425	245,656	238,168	227,150	215,195
	\$761,239	\$738,186	\$707,045	\$674,327	\$641,008
Taxes Collected					
	\$750,386	\$737,123	\$707,400	\$675,886	\$642,397
Total Tax Arrears (Taxes Receivable)					
Per capita	\$37,506	\$26,653	\$25,590	\$25,946	\$27,505
Population	\$106.78	\$76.37	\$73.38	\$72.73	\$77.72
Population	351,251	349,007	347,103	342,422	340,749
Percentage of current levy	4.93 %	3.61 %	3.62 %	3.85 %	4.29 %

Note:

(1) Average Residential Tax Bill for 2020 was based on Current Value Assessment \$831,448

TEN LARGEST CORPORATE PROPERTY TAXPAYERS

Owner	Assessment Value \$
1 Ontrea Inc	494,909,000
2 IBM Canada Limited	305,032,000
3 Ruland Properties Inc	304,183,000
4 Neamsby Investments Inc	240,569,000
5 ACC Parkway Nominee Inc	141,194,000
6 Wismer Markham (Commercial) Developments Inc	121,576,000
7 Wahta Developments Inc	106,897,000
8 E Manson Investments Limited Zureit Holdings Limited	105,049,000
9 3500 Steeles Ave East Inc	102,538,000
10 CVD Holdings Ltd	93,716,000
Top Ten - Assessment Total	2,015,663,000

AWARDS

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City of Markham Sustainability

Partners for Climate Protection (PCP) 2 & 3

Federation of Canadian Municipalities

City of Markham Sustainable Neighbourhood Action Program

Sustainable Community Honourable Mention

Federation of Canadian Municipalities

Top 7 Intelligent Communities of the Year

Intelligent Community Forum

City of Markham Senior Management Dashboard of Departmental Operations in Response to COVID-19

MarCom Gold Communications Award

Print Media, Employee Publication, Internal Communication

Fats, Oils and Grease (F.O.G.) campaign

Promotion & Education Awards

Municipal Waste Association

AI Pothole Detection

Founding Member Award

Visual Defence Inc.

City of Markham

ISO 37120 Platinum Certification

World Council on City Data





Please contact: **Mayor Frank Scarpitti**

City of Markham, Anthony Roman Centre, 101 Town Centre Blvd., Markham, ON L3R 9W3
Tel: 905.475.4872 | Fax: 905.479.7775 | mayorscarpitti@markham.ca | markham.ca