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*Consolidated Financial Statements of*

**THE CORPORATION OF  
THE TOWN OF MARKHAM**

*December 31, 2010*

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# Auditors' Report

To the Members of Council, Inhabitants  
and Ratepayers of The Corporation of The Town of Markham:

We have audited the accompanying consolidated financial statements of the Corporation of the Town of Markham ("the Town"), which comprise the consolidated statement of financial position as at December 31, 2010 and the consolidated statement of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Management's Responsibility for the Consolidated Financial Statements

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

## Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Town's preparation and fair presentation of the consolidated financial statements 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 Town's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Corporation of the Town of Markham as at December 31, 2010, and the results of its operations and accumulated surplus, change in net financial assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants, Licensed Public Accountants

Toronto, Ontario  
April xx, 2011

# THE CORPORATION OF THE TOWN OF MARKHAM

## Consolidated Statement of Financial Position

December 31, 2010

(All dollar amounts are in \$000)

	2010	2009
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents (Note 4)	\$ 335,552	\$ 339,230
Taxes receivable (Note 7)	39,141	44,130
Unbilled user charges	7,964	7,118
Accounts receivable (Note 17)	51,222	28,679
Investment in Markham Enterprises Corporation (Note 18)	189,665	185,760
Other current assets	4,644	4,853
	<b>628,188</b>	<b>609,770</b>
<b>FINANCIAL LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 9)	82,101	75,732
Deferred revenue (Note 10)	147,742	143,059
Employee future benefits liabilities (Note 12)	17,756	16,662
Long-term liabilities (Note 6)	12,000	-
	<b>259,599</b>	<b>235,453</b>
<b>NET FINANCIAL ASSETS</b>	<b>\$ 368,589</b>	<b>\$ 374,317</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 13)	3,157,537	3,077,698
Inventories of supplies	1,067	961
Inventories of Land - Heritage Estates	109	109
Prepaid expenses	404	264
	<b>\$ 3,159,117</b>	<b>\$ 3,079,032</b>
Lease obligations (Note 15)		
Contingency (Note 16)		
<b>ACCUMULATED SURPLUS (Note 14 )</b>	<b>\$ 3,527,706</b>	<b>\$ 3,453,349</b>

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

**THE CORPORATION OF THE TOWN OF MARKHAM**  
**Consolidated Statement of Operations and Accumulated Surplus**  
Year ended December 31, 2010  
(All dollar amounts are in \$000)

	2010		2009
	Budget (Unaudited Note 1)	Actual	Actual
<b>Revenues</b>			
Taxation	\$ 110,932	\$ 112,098	\$ 110,328
User charges (Note 11)	54,740	58,748	51,349
Grants	5,298	6,931	7,089
Contributions from developers	-	54,858	92,456
Investment income	14,253	14,528	14,743
Tax penalties	3,375	3,334	4,756
Sales revenue - land inventory	-	-	320
Proceeds from sale of tangible capital assets	-	568	160
Deferred revenue earned	18,487	40,564	43,715
Increase/(decrease) in equity of Markham Enterprises Corporation (Note 18)	-	6,926	(2,247)
Interest earned on reserves and reserve funds	-	596	951
Other	5,704	6,924	7,510
<b>TOTAL REVENUES</b>	<b>212,789</b>	<b>306,075</b>	<b>331,130</b>
<b>Expenses</b>			
Operating			
General government	35,503	42,437	41,994
Protection to persons and property	34,822	33,969	33,637
Transportation services	23,866	27,523	36,553
Environmental services	20,742	25,867	21,210
Recreation and cultural services	40,853	40,872	41,058
Planning and development	3,358	6,393	6,796
Other	32	32	399
Write-down of tangible capital assets	-	989	-
Amortization of tangible capital assets	52,890	53,636	50,996
<b>TOTAL EXPENSES</b>	<b>212,066</b>	<b>231,718</b>	<b>232,643</b>
retained earning			
in Power Stream Inc. ( Note 18)		-	(2,100)
<b>ANNUAL SURPLUS</b>	<b>723</b>	<b>74,357</b>	<b>96,387</b>
ACCUMULATED SURPLUS, BEGINNING OF YEAR	3,453,349	3,453,349	3,356,962
<b>ACCUMULATED SURPLUS, END OF YEAR (Note 14)</b>	<b>\$ 3,454,072</b>	<b>\$ 3,527,706</b>	<b>\$ 3,453,349</b>

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

# THE CORPORATION OF THE TOWN OF MARKHAM

## Consolidated Statement of Change in Net Financial Assets

Year ended December 31, 2010

(All dollar amounts are in \$000)

	2010		2009
	Budget (Unaudited Note 1)	Actual	Actual
<b>Annual surplus</b>	<b>723</b>	<b>74,357</b>	<b>96,387</b>
Acquisition of tangible capital assets	(65,508)	(93,806)	(132,067)
Amortization of tangible capital assets	52,890	53,636	50,996
Change in capital work in progress	-	(40,662)	(3,401)
Land and land improvements disposal	-	993	-
	(11,895)	(5,483)	11,915
Acquisition of inventories of supplies	-	(1,067)	(961)
Acquisition prepaid expenses	-	(404)	(264)
Consumption of inventories of supplies	-	961	747
Inventories of Land - Heritage Estates	-	-	18
Use of prepaid expenses	-	265	201
<b>Change in net financial assets</b>	<b>(11,895)</b>	<b>(5,728)</b>	<b>11,656</b>
Net financial assets, beginning of year	<b>374,317</b>	<b>374,317</b>	<b>362,661</b>
Net financial assets, end of year	<b>362,422</b>	<b>368,589</b>	<b>374,317</b>

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

# THE CORPORATION OF THE TOWN OF MARKHAM

## Consolidated Statement of Cash Flows

Year ended December 31, 2010

(All dollar amounts are in \$000)

	2010	2009
<b>CASH PROVIDED BY (USED IN):</b>		
<b>OPERATING ACTIVITIES</b>		
Annual surplus	74,357	96,387
Amortization of tangible capital assets	53,636	50,996
Developers contribution of tangible capital assets	(54,858)	(86,188)
Change in employee benefits and other liabilities	1,094	1,140
Tax receivable	4,989	(6,460)
Accounts receivable	(22,543)	(1,947)
Unbilled user charges	(846)	(1,188)
Other current assets	209	641
Accounts payable and accrued liabilities	6,368	10,364
Long term liabilities	12,000	-
Deferred revenue	4,683	(22,550)
Inventories of supplies	(106)	(214)
Inventories of land - Heritage Estate	-	18
Prepaid expenses	(140)	(63)
<b>NET CHANGE IN CASH FROM OPERATING ACTIVITIES</b>	<b>78,843</b>	<b>40,936</b>
<b>CAPITAL ACTIVITIES</b>		
Proceeds of sale of tangible capital assets	568	160
Acquisition of tangible capital assets net of developers contribution	(79,184)	(49,440)
<b>NET CHANGE IN CASH FROM CAPITAL ACTIVITIES</b>	<b>(78,616)</b>	<b>(49,280)</b>
<b>INVESTING ACTIVITIES</b>		
Dividend from Markham Enterprises Corporation	3,854	3,661
Change in equity of Markham Enterprises Corporation	(7,759)	4,347
<b>NET CHANGE IN CASH FROM INVESTING ACTIVITIES</b>	<b>(3,905)</b>	<b>8,008</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(3,678)</b>	<b>(336)</b>
<b>OPENING CASH AND CASH EQUIVALENTS</b>	<b>339,230</b>	<b>339,566</b>
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	<b>\$ 335,552</b>	<b>\$ 339,230</b>
<b>Supplementary information:</b>		
Interest paid	274	-
Interest received	5,284	5,795

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

# THE CORPORATION OF THE TOWN OF MARKHAM

## Notes to the Consolidated Financial Statements

December 31, 2010

(All dollar amounts are in \$000)

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### 1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of The Corporation of The Town of Markham (the "Town") are the representations of management prepared in accordance with local government accounting standards, as recommended by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies are as follows:

#### 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 Town, and which are owned or controlled by the Town, including the following:

- Town of Markham Public Library Board
- Old Markham Village Business Improvement Area
- Unionville Business Improvement Area
- Toronto Buttonville Airport (Markham) Inc.

Inter-entity transactions and balances are eliminated on consolidation.

#### INVESTMENT IN MARKHAM ENTERPRISES CORPORATION

Markham Enterprises Corporation and its subsidiaries are accounted for on a modified equity basis, consistent with the generally accepted accounting principles 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 Town, and inter-organizational transactions and balances are not eliminated. The Town recognizes its equity interest in the annual income or loss of Markham Enterprises Corporation in its consolidated statement of operations and accumulated surplus with a corresponding increase or decrease in its investment asset account. Any dividends that the Town may receive from Markham Enterprises Corporation are reflected as reductions in the investment asset account.

#### ACCOUNTING FOR REGION AND SCHOOL BOARD TRANSACTIONS

The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the school boards and the Region of York are not reflected in the municipal fund balances of these financial statements.

# **THE CORPORATION OF THE TOWN OF MARKHAM**

## **Notes to the Consolidated Financial Statements**

December 31, 2010

(All dollar amounts are in \$000)

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### **1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **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".

#### **BASIS OF ACCOUNTING**

Revenues are recorded in the period in which the transactions or events occurred that gave rise to the revenue.

Expenditures are the cost of goods and services acquired in the period whether or not payment has been made or invoices received.

#### **TANGIBLE CAPITAL ASSETS**

Expenditures made on capital assets are reported as capital expenditures in the statement of financial activities in the period incurred.

#### **GOVERNMENT TRANSFERS**

Government transfers are recognized in the financial statements in the period in which the events giving rise to the transfer occur, providing that the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

#### **DEFERRED REVENUE**

Funds received for specific purposes are accounted for as deferred revenue until the Town discharges the obligation, which led to receipt of the funds.

#### **TAXATION AND RELATED REVENUES**

Property tax billings are prepared by the Town based on assessment rolls compiled by the Municipal Property Assessment Corporation (MPAC). Tax rates are established annually by Town Council, incorporating amounts to be raised for local services and amounts that the Town is required to collect on behalf of the Region of York and for education purposes. Realty taxes are billed based on the assessment rolls provided by MPAC. Taxation revenues are recorded at the time tax billings are issued.

# THE CORPORATION OF THE TOWN OF MARKHAM

## Notes to the Consolidated Financial Statements

December 31, 2010

(All dollar amounts are in \$000)

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### 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Town determines the 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 regional government and school boards as appropriate.

The Town is entitled to collect interest and penalties on overdue taxes. These revenues are recorded in the period the interest and penalties are levied.

#### EMPLOYEE FUTURE BENEFITS

The Town accounts for its participation in the Ontario Municipal Employee Retirement System (OMERS), a multi-employer public sector pension fund, as a defined benefit plan. Vacation entitlements are accrued for as entitlements are earned. Sick leave benefits are accrued where they are vested and subject to pay out when an employee leaves the Town's employment. Other post-employment 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. 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.

#### INVESTMENT INCOME

Investment income is reported as revenue in the period earned. Investment income earned on obligatory reserve funds, such as development charges, is added to the fund balance and forms part of the respective deferred revenue balance.

#### 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.

# THE CORPORATION OF THE TOWN OF MARKHAM

## Notes to the Consolidated Financial Statements

December 31, 2010

(All dollar amounts are in \$000)

### (i) Tangible Capital assets

Tangible capital assets are recorded at cost which includes amounts that are directly attributable 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 as follows:

Asset	Useful Life - Years
Buildings and building improvements	40
Equipments	5 - 20
Furniture and fixtures	10 - 15
Infrastructure	10 - 100
Library furniture and fixtures	10
Library media collection	7
Parks and Pathways	10 - 60
Vehicles	7 - 9
Waterworks equipment	9
Waterworks infrastructure	15 - 100
Waterworks Vehicles	7

Amortization is pro rated to 6 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.

### (ii) 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.

### (iii) 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.

# THE CORPORATION OF THE TOWN OF MARKHAM

## Notes to the Consolidated Financial Statements

December 31, 2010

(All dollar amounts are in \$000)

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### 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (iv) Interest capitalization

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

#### (v) Inventories of supplies

Inventories of supplies held for consumption are recorded at the lower of cost and replacement cost.

### 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.

### BUDGET FIGURES

The approved operating and capital budgets for 2010 are reflected on the Consolidated Statements of Operations and Accumulated Surplus and are unaudited. The Capital budget is on a project-oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable with the current year actual amounts. As well, the municipality does not budget for activity within Reserve Funds, with the exception being those transactions which affect either the operating expenses or capital expenditures.

### SEGMENT DISCLOSURE

The Town adopted PSAB Standard 2700 for Segment Disclosures. 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 Town has provided definitions of the segments used and presented financial information in segmented format in note 8.

# THE CORPORATION OF THE TOWN OF MARKHAM

## Notes to the Consolidated Financial Statements

December 31, 2010

(All dollar amounts are in \$000)

### 2. OPERATIONS OF SCHOOL BOARDS AND THE REGION OF YORK

Further to Note 1, requisitions were made by the York Region and School Boards requiring the Town to collect property taxes and payments in lieu of property taxes on their behalf. The amounts collected and remitted are summarized as follows:

	2010			2009
	School Boards	Region of York	Total	Total
Taxation	\$ 178,975	\$ 205,363	\$ 384,338	\$ 372,867
Payment in lieu of taxes	351	1,073	\$ 1,424	1,078
Supplementary taxes	2,463	4,876	\$ 7,339	11,423
Amount requisitioned and transferred	\$ 181,789	\$ 211,312	\$ 393,101	\$ 385,368

### 3. TRUST FUNDS

Trust funds administered by the municipality for the benefit of others amounting to \$1,755 (2009 - \$1,739) 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 trust funds have been reported separately on the "Trust Funds Statement of Financial Position" and "Trust Funds Statement of Financial Activities and Fund Balances".

### 4. CASH AND CASH EQUIVALENTS

	2010	2009
Cash	\$ 67,361	\$ 55,715
Investments	268,191	283,515
	\$ 335,552	\$ 339,230

Investments, which are reported at cost for money market and face value for bonds, had a market value of \$275,075 (2009 - \$290,899) at the end of the year. 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. For the year 2010, the average rate of return earned was 4.15% (2009 - 4.83%).

# THE CORPORATION OF THE TOWN OF MARKHAM

## Notes to the Consolidated Financial Statements

December 31, 2010

(All dollar amounts are in \$000)

### 5. PENSION AGREEMENTS

The Municipality makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of its staff. 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 service and rates of pay.

The amount contributed to OMERS for 2010 was \$5,926 (2009 - \$5,936).

### 6. LONG TERM LIABILITIES

On July 1, 2010, the Town received a loan of \$12,000 from Canada Mortgage Housing Corporation (CMHC) through Region of York. As a lower tier municipality the Town does not have the ability to borrow long-term funds directly; therefore, the borrowing was done through the Region of York. The loan received was used to fund the purchase of the Markham District Energy Birchmount plant; the plant was subsequently leased back to Markham District Energy, a 100% subsidiary of Markham Enterprises Corporation.

The loan of \$12,000 is to be amortized over a period of 20 years, at an interest rate of 4.04%. The annual payment to the Region of York will be \$886, consisting of principal and interest. The first payment is due July 1, 2011.

Annual minimum payments of principal over the next 5 years are

2011	\$	401
2012		418
2013		434
2014		452
2015		470
Thereafter		9,825
Total	\$	<u>12,000</u>

### 7. TAXES RECEIVABLE

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

	2010	2009
Current year	\$ 22,143	\$ 26,489
Arrears previous years	17,999	18,642
	<u>40,142</u>	<u>45,131</u>
Less: Allowance for uncollectible taxes	(1,001)	(1,001)
	<u>\$ 39,141</u>	<u>\$ 44,130</u>

# THE CORPORATION OF THE TOWN OF MARKHAM

## Notes to the Consolidated Financial Statements

December 31, 2010

(All dollar amounts are in \$000)

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### 7. TAXES RECEIVABLE (continued)

MPAC continues to refine the property assessment based on values updated to 2008 in the Town and across the Province. These values were used by the Town to compute the 2010 property tax bills. The 2008 values will be in place for the next year cycle (2009 - 2012) when all properties in Ontario will be re-assessed. However, the property tax revenue and tax receivables of the Town are subject to measurement uncertainty as a number of submitted appeals have yet to be heard. As a result, there are remaining outstanding tax appeals retroactive to 1998, many of which have not yet been finalized. This additional financial uncertainty continues the need for the allowance established for tax appeals in the amount of \$1,001 (2009 - \$1,001). The provision is required due to a number of different types of tax adjustments, including frozen assessment listing ("FAL") appeals, new construction retroactive appeals, and commercial vacancy rebates. Any supplementary billings adjustments made necessary by the determination of such changes will be recognized in the fiscal year they occur and the effect shared with the regional government and school boards as appropriate.

As part of its 2004 budget, the Ontario Government implemented new provisions through Bill 83 that permitted Ontario municipalities to expand capping provisions for the multi – residential, commercial and industrial classes beginning with the 2005 tax year. The Region of York adopted these new tax policies and the effect is to limit annual assessment – related tax increases to 10% over the previous year tax level or 5% of previous year full Current Value Assessment ("CVA") taxes. The effect of these policies is to move properties to full CVA taxes sooner. The adjustments caused by this legislation may also impact the amounts of rebates which the municipality must issue to certain charitable organizations and the interest and penalties the municipality can collect on arrears of taxes where it is subsequently determined that such amounts have been overstated. These policies continued in Region of York in 2010.

This program is administered by the Region of York on behalf of the area municipalities, and therefore, there is no impact on the "Consolidated Statement of Operations and Accumulated Surplus".

### 8. SEGMENTED INFORMATION

The Town provides a wide range of services to its citizens including general government services, protection services, parks, recreation and culture services, transportation services, environmental services, and planning and development services. Service areas disclosed in the segmented information along with the services they provide are as follow:-

**General Government Services:** (include Office of Mayor & Councillors, Chief Administrative Officer, Auditor General, Human Resources, Financial Services, and Information Technology department) The departments within General Government Services are responsible for general governance and corporate management.

# THE CORPORATION OF THE TOWN OF MARKHAM

## Notes to the Consolidated Financial Statements

December 31, 2010

(All dollar amounts are in \$000)

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### 8. SEGMENTED INFORMATION (continued)

**Protection Services:** (include Fire department, Building Standard department) The mandate of the departments is to perform fire prevention and protection, fire alarm, and other auxiliary services.

**Transportation Services:** (include Roads, Parking Control and Asset Management department) The departments are responsible for road maintenance, hard top and loose top maintenance, winter patrol, salt, sanding, snow removal, street lighting, air transportation and administration of parking.

**Environmental Services:** (include Waterworks and Waste Management department) The departments mandate is administer sanitary and storm sewer system, distribute water, administration of garbage collection and garbage recycling.

**Recreation and Culture Services:** (include Parks, Recreation, Culture and Public Libraries) The parks, recreation and culture departments are responsible for providing, facilitating the development of and maintenance of high quality parks, recreation services and cultural services and administration of libraries.

**Planning and Development Services:** (include Planning and Engineering department) The departments are responsible for administration of land use plans, policies for sustainable development of the Town.

**Other:** (include cemeteries) The department is responsible for administration of cemetery maintenance and morgues.

# THE CORPORATION OF THE TOWN OF MARKHAM

## Notes to the Consolidated Financial Statements

December 31, 2010

(All dollar amounts are in \$000)

### 8. SEGMENTED INFORMATION

(continued)

REVENUES	General Government	Protection to Persons and Property	Transportation Services	Environmental Services	Recreation and Cultural Services	Planning and Development	Other	Consolidated	
								2010	2009
Taxation, grants in lieu, assessments	505,199	-	-	-	-	-	-	505,199	495,696
Collection for other authorities	(393,101)	-	-	-	-	-	-	(393,101)	(385,368)
Taxation for Town purposes	112,098	-	-	-	-	-	-	112,098	110,328
User Charges	1,704	7,329	9,370	19,403	15,455	5,457	30	58,748	51,349
Grants	-	258	1,605	777	3,358	933	-	6,931	7,089
Contribution from developers	54,858	-	-	-	-	-	-	54,858	92,456
Investment income	14,520	-	-	-	-	-	8	14,528	14,743
Tax penalties	3,334	-	-	-	-	-	-	3,334	4,756
Sales revenue - land inventory	-	-	-	-	-	-	-	-	320
Proceeds from sale of tangible assets	568	-	-	-	-	-	-	568	160
Deferred revenue earned	40,564	-	-	-	-	-	-	40,564	43,715
Equity pick up from Markham Enterprises Corporation	6,926	-	-	-	-	-	-	6,926	(2,247)
Interest earned on reserves and reserve funds	596	-	-	-	-	-	-	596	951
Other	2,631	285	231	879	871	2,027	-	6,924	7,510
Total Revenue	237,799	7,872	11,206	21,059	19,684	8,417	38	306,075	331,130

# THE CORPORATION OF THE TOWN OF MARKHAM

## Notes to the Consolidated Financial Statements

December 31, 2010

(All dollar amounts are in \$000)

### 8. SEGMENTED INFORMATION

(continued)

<u>EXPENSES</u>	General Government	Protection to Persons and Property	Transportation Services	Environmental Services	Recreation and Cultural Services	Planning and Development	Consolidated	
							Other	2010 2009
Salaries, Wages & employee benefits	23,754	32,437	10,395	5,825	27,940	3,715	-	104,066 104,089
Operating Materials and Supplies	10,087	918	2,965	5,376	8,307	1,805	32	29,490 32,032
Contracted Services	7,880	566	14,379	14,627	4,115	505	-	42,072 43,940
Rents and Financial Expenses	488	49	-	-	510	369	-	1,237 990
External Transfers to others	228	-	-	-	-	-	-	228 224
Other	-	-	-	-	-	-	-	- 372
Amortization of tangible capital assets (including write down)	54,625	-	-	-	-	-	-	54,625 50,996
<b>Total Expenses</b>	<b>97,062</b>	<b>33,970</b>	<b>27,523</b>	<b>25,865</b>	<b>40,872</b>	<b>6,394</b>	<b>32</b>	<b>231,718 232,643</b>
Dilution loss due to proportionate decrease in retained earnings in Power Stream Inc.								- (2,100)
<b>Annual Surplus / (Deficit)</b>	<b>140,737</b>	<b>(26,098)</b>	<b>(16,317)</b>	<b>(4,806)</b>	<b>(21,188)</b>	<b>2,023</b>	<b>6</b>	<b>74,357 96,387</b>
Accumulated surplus, beginning of year	3,453,349	-	-	-	-	-	-	3,453,349 3,356,962
Accumulated surplus, end of year	3,594,086	(26,098)	(16,317)	(4,806)	(21,188)	2,023	6	3,527,706 3,453,349

# THE CORPORATION OF THE TOWN OF MARKHAM

## Notes to the Consolidated Financial Statements

December 31, 2010

(All dollar amounts are in \$000)

### 9. 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 the Town of 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:

	2010	2009
Trade accounts payable	\$ 41,051	\$ 35,700
Payable to other governments	24,245	25,255
Payroll liabilities	6,995	4,114
Accrued liabilities	9,810	10,663
	<b>\$ 82,101</b>	<b>\$ 75,732</b>

### 10. DEFERRED REVENUE

Deferred revenues represent 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 revenues:

	2010	2009
Obligatory Reserve Funds		
Development charges	\$ 128,033	\$ 124,707
Parkland	428	10,924
Other	7,962	2,909
Deferred revenue - general	11,319	4,519
	<b>\$ 147,742</b>	<b>\$ 143,059</b>

# THE CORPORATION OF THE TOWN OF MARKHAM

## Notes to the Consolidated Financial Statements

December 31, 2010

(All dollar amounts are in \$000)

### 11. USER CHARGES

	2010	2009
Water and sewer billings to ratepayers	\$ 67,856	\$ 62,344
Region of York requisitions	(49,277)	(41,879)
Town Share	18,579	20,465
Building permits	6,097	5,352
Parking violations	1,902	1,842
Facility rentals	5,701	5,549
Recreational programs	7,679	7,831
Parks construction and maintenance	287	285
Cultural services	1,672	1,451
Engineering fees	5,236	1,233
Planning processing fees	4,936	1,919
Compliance letters/certificates	217	188
Other user charges	6,442	5,234
	\$ 58,748	\$ 51,349

### 12. EMPLOYEE FUTURE BENEFITS LIABILITIES

	2010	2009
Vacation Pay – Town	\$ 2,393	\$ 2,236
Vacation Pay – Library	87	101
Employee future benefits	8,661	7,960
Vested sick leave benefits	5,418	5,290
Workplace Safety & Insurance Board	1,197	1,075
	\$ 17,756	\$ 16,662

#### **EMPLOYEE FUTURE BENEFITS**

Employee Future Benefits are health and dental benefits that the Town of Markham pays on behalf of its current and retired employees. The Town recognizes these post-retirement costs as they are earned during the employee's tenure of service. The benefit liability at December 31, 2010 is \$8,661 (2009 - \$7,960). The liability recorded by the Town has been determined by an actuarial study completed December 2010.

# THE CORPORATION OF THE TOWN OF MARKHAM

## Notes to the Consolidated Financial Statements

December 31, 2010

(All dollar amounts are in \$000)

### 12. EMPLOYEE FUTURE BENEFITS AND LIABILITIES (continued)

Information about the Town's defined benefit plans is as follows:

	2010			2009
	WSIB	Vested Sick Leave	Employee Future benefits	Total
Accrued benefit liability, beginning of year	\$ 1,075	\$ 5,290	\$ 7,960	\$ 14,325
Service cost	129	182	387	698
Interest cost	96	311	557	964
Benefit payments	(215)	(366)	(313)	(894)
Amortization of actuarial loss	112	1	70	183
Accrued benefit liability, end of year	\$ 1,197	\$ 5,418	\$ 8,661	\$ 15,276

The actuarial valuations of the plans were based upon a number of assumptions about future events, which reflect management's best estimates. The following represents the more significant assumptions made:

	WSIB	Sick Leave	Early Retirement
Expected inflation rate	0.00%	N/A	N/A
Expected level of salary increases	3.00%	3.00%	N/A
Interest discount rate	5.00%	6.00%	6.00%

### VESTED SICK LEAVE BENEFITS

Under the sick leave benefit plan, which is available only to the Town's firefighters, employees can accumulate unused sick leave and may become entitled to a cash payment when they leave the municipality'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 \$5,418 (2009 - \$5,290). The accrued benefit liability and the net periodic benefit cost were determined by an actuarial valuation updated December 2010.

### WORKPLACE SAFETY & INSURANCE OBLIGATIONS

Effective January 1, 1999, the Corporation of the Town of Markham became a Schedule II employer under the Workplace Safety and Insurance Act and follows a policy of self

# THE CORPORATION OF THE TOWN OF MARKHAM

## Notes to the Consolidated Financial Statements

December 31, 2010

(All dollar amounts are in \$000)

### 12. EMPLOYEE FUTURE BENEFITS AND LIABILITIES (continued)

insurance for all its employees. The Town remits payments to the WSIB as required to fund disability payments. The estimated future liability relating to WSIB amounted to \$1,197 (2009 – \$1,075) and was determined by an actuarial valuation completed in December 2010. 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 Town also maintains an insurance policy, which protects the Corporation against single claims in excess of \$1,000.

### 13. TANGIBLE CAPITAL ASSETS

<u>Cost</u>	Balance as at December 31, 2009	Additions	Disposals	Balance as at December 31, 2010
Land and land improvements	\$ 1,503,001	\$ 17,060	\$ (993)	\$ 1,519,068
Buildings and building improvements	163,183	9,504	-	172,687
Equipment	15,411	2,656	(901)	17,166
Furniture & Fixtures	6,361	194	(28)	6,527
Infrastructure	980,348	41,393	-	1,021,741
Library Furniture & Fixtures	2,536	75	(125)	2,486
Library Media Collection	10,099	1,674	(539)	11,234
Parks and Pathways	49,387	5,274	(501)	54,160
Vehicles	12,947	1,249	(704)	13,492
Waterworks Equipment	347	331	(2)	676
Waterworks Infrastructure	897,459	14,342	(242)	911,559
Waterworks Vehicles	1,489	54	(426)	1,117
	\$ 3,642,568	\$ 93,806	\$ (4,461)	\$ 3,731,913
Capital Work in progress		61,713		61,713
	\$ 3,642,568	\$ 155,519	\$ (4,461)	\$ 3,793,626

# THE CORPORATION OF THE TOWN OF MARKHAM

## Notes to the Consolidated Financial Statements

December 31, 2010

(All dollar amounts are in \$000)

### 13. TANGIBLE CAPITAL ASSETS (continued)

Accumulated amortization	Balance as at December 31, 2009	Additions	Disposals	Balance as at December 31, 2010
Land and land improvements	\$ -	\$ -	\$ -	\$ -
Buildings and building improvements	62,906	4,150	-	67,056
Equipment	8,101	1,943	(901)	9,143
Furniture & Fixtures	1,592	445	(28)	2,009
Infrastructure	267,627	26,476	-	294,103
Library Furniture & Fixtures	1,277	236	(125)	1,388
Library Media Collection	4,943	1,427	(539)	5,831
Parks & Pathways	17,918	3,163	(501)	20,580
Vehicles	7,597	1,648	(704)	8,541
Waterworks Equipment	128	65	(2)	191
Waterworks Infrastructure	213,122	13,933	(242)	226,813
Waterworks Vehicles	710	150	(426)	434
	<b>\$ 585,921</b>	<b>\$ 53,636</b>	<b>\$ (3,468)</b>	<b>\$ 636,089</b>

	Net book value December 31, 2010	Net book value December 31, 2009
Land and land improvements	\$ 1,519,068	\$ 1,503,001
Buildings and building improvements	105,631	100,277
Equipment	8,023	7,310
Furniture & Fixtures	4,518	4,769
Infrastructure	727,638	712,721
Library Furniture & Fixtures	1,098	1,259
Library Media Collection	5,403	5,156
Parks & Pathways	33,580	31,469
Vehicles	4,951	5,350
Waterworks Equipment	485	219
Waterworks Infrastructure	684,746	684,337
Waterworks Vehicles	683	779
	<b>3,095,824</b>	<b>3,056,647</b>
Capital Work in progress	61,713	21,051
	<b>\$ 3,157,537</b>	<b>\$ 3,077,698</b>

# THE CORPORATION OF THE TOWN OF MARKHAM

## Notes to the Consolidated Financial Statements

December 31, 2010

(All dollar amounts are in \$000)

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### **13. TANGIBLE CAPITAL ASSETS (continued)**

#### **a) Capital work in progress**

Assets under construction having a value of \$ 61,713 (2009 - \$21,051) have not been amortized. Amortization of these assets will commence when the asset is put into service.

#### **b) Contributed Tangible Capital Assets**

Contributed capital assets have been recognized at fair market value at the date of contribution. The value of contributed assets received during the year is \$47,237 (2009 - \$86,188) comprised of land in the amount of \$13,875 (2009 - \$3,968) roads infrastructure in the amount of \$25,177 (2009 - \$52,322) and water and wastewater infrastructure in the amount of \$8,185 (2009 - \$29,898)

#### **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.

#### **d) Works of Art and Historical Treasures**

The Town manages and controls various works of art and non-operational historical cultural assets including buildings, artifacts, paintings and sculptures located at City sites and public display areas. These assets are not recorded as tangible capital assets and are not amortized.

#### **e) Write-down of Tangible Capital Assets**

The write-down of tangible capital assets during the year was \$989 (2009 \$5) that represents value of land that was transferred to developers as per terms of agreement.

# THE CORPORATION OF THE TOWN OF MARKHAM

## Notes to the Consolidated Financial Statements

December 31, 2010

(All dollar amounts are in \$000)

### 14. ACCUMULATED SURPLUS

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

	2010	2009
Town operating fund surplus including library and business improvement areas before year end and accounting accruals	\$ 4,893	\$ 4,868
Year end accounting accruals and transfers to reserves and reserve funds	(2,285)	(2,998)
Operating surplus	\$ 2,608	\$ 1,870
Equity in Markham Enterprises Corporation	189,665	185,760
Investment in tangible capital assets and other	3,152,742	3,122,900
	\$ 3,345,015	\$ 3,310,530
Reserves set aside for specific purposes by Council:		
Corporate rate stabilization	16,004	15,761
Waterworks	25,026	9,213
Insurance	1,475	770
Long Term Disability Benefit	9,640	8,212
Firefighters sick leave benefits	5,418	5,290
Facility Ramp Up	2,525	1,274
Building Fee	90	540
Development Fee	(779)	(5,632)
Election Expenses	45	842
Election Rebate	230	207
Waste management	28	28
Berczy Landscape Feature	203	203
Capital Gains	1,778	1,278
Partnership	16	16
Total reserves	\$ 61,699	\$ 38,002

# THE CORPORATION OF THE TOWN OF MARKHAM

## Notes to the Consolidated Financial Statements

December 31, 2010

(All dollar amounts are in \$000)

### 14. ACCUMULATED SURPLUS (continued)

	2010	2009
Reserve Funds set aside for specific purposes by Council:		
Life Cycle Replacement & Capital	\$ 94,679	\$ 83,864
Environmental Land Acquisition	7,242	6,222
Land Acquisition	3,321	2,919
Environmental Sustainability Fund	445	209
10% Non-DC Growth	6,775	3,806
Library Infrastructure	4,549	4,002
Workplace Safety & Insurance Board	2,764	2,741
Trees for Tomorrow	227	225
Theatre	439	370
Heritage	494	453
Museum	57	6
Total reserve funds	\$ 120,992	\$ 104,817
<b>Total</b>	<b>\$ 3,527,706</b>	<b>\$ 3,453,349</b>

### 15. LEASE OBLIGATIONS

- (a) As at December 31, 2010, the Town is committed to minimum annual operating lease payments for premises and equipment as follows:

2011	\$509
2012	524
2013	540
2014	180
2015	4
	<u>\$1,757</u>

# THE CORPORATION OF THE TOWN OF MARKHAM

## Notes to the Consolidated Financial Statements

December 31, 2010

(All dollar amounts are in \$000)

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### 15. LEASE OBLIGATIONS (continued)

- (b) The Toronto Buttonville Airport (Markham) Inc. (TBAI), a wholly-owned subsidiary of the Town, entered into an agreement to lease the Buttonville Airport property for a period of nine years for the term of January 1, 2002 to December 31, 2010. Annual rental payment is limited to the funding provided by the Region of York, the Greater Toronto Airport Authority and from any other source during the term of this lease, whether paid directly or as rent.

### 16. CONTINGENCY

#### ***UNSETTLED LEGAL CLAIMS AND POTENTIAL OTHER CLAIMS***

The Town 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.

#### ***MARKHAM ENTERPRISES CORPORATION***

The Ministry of Finance (the "Ministry") conducted Payment in Lieu of tax (PILS) audits in 2008 on the three predecessor utilities, namely Richmond Hill Hydro Inc., Markham Hydro Distribution Inc. and Hydro Vaughan Distribution Inc. for the period January 1, 2004 through to May 31, 2004 and for PowerStream Inc. in 2009 for the periods June 1, 2004 through to December 31, 2004 and January 1, 2005 through to October 31, 2005. There is still an outstanding matter regarding the treatment of the Retail Settlement Variances Account (RSVA) for tax purposes.

There has been inconsistent practice of tax treatment of certain regulatory asset/liability accounts among Local Distribution Companies (LDC) across Ontario.

In accordance with Ontario Energy Board (OEB) regulations, the Corporation has recorded the variance between amounts charged by the Corporation to its customers (at the OEB prescribed rates) and the costs charged to the Corporation for electricity, market services and transmission services, namely retail settlement variances, as regulatory assets or liabilities on the financial statements. Similar treatment has been followed for tax purposes. The Ministry is questioning this treatment of the RSVA for tax purposes and is suggesting that RSVA liabilities may be considered income for tax purposes.

The Ministry is currently reviewing the treatment of RSVA for tax purposes on a province wide basis. The impact of a tax ruling may result in a reassessment of taxes payable which could have an impact on results, financial position and cash flows in the future. The outcome of the Ministry's review is not determinable and as such, no provision has been made in the financial statements.

The Corporation has identified operations sites that have traces of environmental contaminants in the soil; a provision of \$194 has been made for cleaning up these sites.

# THE CORPORATION OF THE TOWN OF MARKHAM

## Notes to the Consolidated Financial Statements

December 31, 2010

(All dollar amounts are in \$000)

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### 17. ACCOUNTS RECEIVABLE – POWERSTREAM INTEREST

Power Stream Interest - Included in Accounts Receivable is \$7,584 (2009 - \$7,584) being interest @ 5.58% per annum due for the period October 2006 to September 2008 on promissory notes issued by PowerStream. Council has approved the deferral of this payment and future quarterly interest payments due up to September 2008 for a period of 5 years from September 2008. The Town will receive full repayment of the accumulated interest due on October 31, 2013.

The Town will receive from PowerStream secondary interest on the deferred interest payments from April 2007 up to October 2013.

### 18. INVESTMENT IN MARKHAM ENTERPRISES CORPORATION

The Town of Markham incorporated corporations under the laws of the Province of Ontario. Markham Enterprises Corporation (Previously Markham Energy Corporation) is wholly owned by the Town of Markham. Markham Enterprises Corporation owns 100% of Markham District Energy Inc. and 34.185% (2009 – 34.185%) of PowerStream Inc.

In accordance with the June 1, 2004 shareholders' agreement, Markham Enterprises Corporation exercised its option to purchase from treasury, an additional 2% of all the issued and outstanding shares after giving effect to the exercise of such an option. An additional 35,087 common shares were purchased in 2005 for cash consideration of \$6,800. On January 1, 2009, the shareholders of PowerStream Inc. and Barrie Hydro Distribution Inc., agreed to amalgamate PowerStream and Barrie Hydro Distribution Inc. The amalgamated corporation retained the PowerStream Inc. corporate name and issued shares to its shareholders namely – Vaughan Holding Inc., Markham Enterprises Corporation and Barrie Hydro Holdings Inc. Upon amalgamation the shares held by Markham Enterprises Corporation will be 34.185% of the shares issued by PowerStream Inc. At year end, of the total 100,000 common shares issued by PowerStream Inc., 34,185 common shares were registered under Markham Enterprises Corporation.

On November 23, 2010 a Subscription Agreement was signed between PowerStream and its Shareholders for new Class A Common Shares for the purposes of the Shareholders providing equity the Corporations solar business. As a result of the subscription agreement the articles of incorporation and shareholder agreements was amended which have been re-signed in November 2010. The maximum amount of Class A shares that are available under the subscription agreement is 100,000.

Of the total 4,056 Class A Common Shares issued 1,838 Class A Common Shares are registered under Vaughan Holdings Inc. (wholly owned the City of Vaughan), 1,387 Class A Common Shares are registered under Markham Enterprises Corporation (wholly owned by the Town of Markham) and 831 Class A Common Shares are registered under Barrie Hydro Holdings Inc. (wholly owned by the City of Barrie).

# THE CORPORATION OF THE TOWN OF MARKHAM

## Notes to the Consolidated Financial Statements

December 31, 2010

(All dollar amounts are in \$000)

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### 18. INVESTMENT IN MARKHAM ENTERPRISES CORPORATION (continued)

The Shareholder's Agreement, consistent with the original intent of the shareholders, provides the Town of Markham, through its wholly owned subsidiary Markham Enterprises Corporation, with "substantive participating rights" that establish joint control with the City of Vaughan, through its wholly owned subsidiary Vaughan Holding Inc., over the strategic operating, investing and financing policies of PowerStream.

The following consolidated financial statements of Markham Enterprises Corporation include the financial information of its subsidiaries Markham District Energy Inc., and PowerStream Inc. for the period from January 1, 2010 to December 31, 2010.

# THE CORPORATION OF THE TOWN OF MARKHAM

## Notes to the Consolidated Financial Statements

December 31, 2010

(All dollar amounts are in \$000)

	2010	2009
<b>Assets</b>		
Current	\$ 74,177	\$ 86,637
Capital	287,910	261,111
Goodwill	14,543	14,543
Other	30,790	22,535
<b>Total Assets</b>	<b>\$ 407,420</b>	<b>\$ 384,826</b>
<b>Liabilities</b>		
Current	66,121	66,040
Other	51,165	43,406
Long Term	100,469	89,620
<b>Total Liabilities</b>	<b>217,755</b>	<b>199,066</b>
<b>Shareholders' Equity</b>		
Common Shares	\$ 67,559	\$ 66,727
Promissory Notes Payable	79,164	79,164
Retained Earnings and contributed surplus	42,942	39,869
<b>Total Shareholders' Equity</b>	<b>189,665</b>	<b>185,760</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 407,420</b>	<b>\$ 384,826</b>
<b>Results of Operations</b>		
Revenues	\$ 299,781	\$ 272,061
Operating expenses	292,855	266,827
<b>Net Income</b>	<b>\$ 6,926</b>	<b>\$ 5,234</b>
Proportionate share of increase/(decrease) in notes payable in Power Stream Inc.	-	(7,481)
<b>Equity Pick up in Markham Enterprises Corporation</b>	<b>\$ 6,926</b>	<b>\$ (2,247)</b>
Dilution loss due to proportionate decrease in retained earnings in PowerStream Inc.	-	(2,100)
Increase in share capital	833	-
	<b>7,759</b>	<b>(4,347)</b>
Dividend paid to Town of Markham	(3,854)	(3,661)
<b>Change In Equity In Markham Enterprises</b>	<b>3,905</b>	<b>(8,008)</b>