

Consolidated Financial Statements of

**THE CORPORATION OF
THE TOWN OF MARKHAM**

December 31, 2009

Auditors' Report

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

We have audited the consolidated statement of financial position of The Corporation of The Town of Markham as at December 31, 2009 and the consolidated statement of financial activities and changes in financial position for the year then ended. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Town as at December 31, 2009 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The current year's supplementary information included in the schedule is presented for purposes of additional analysis and is not required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Chartered Accountants, Licensed Public Accountants

Toronto, Ontario
May xx, 2010

THE CORPORATION OF THE TOWN OF MARKHAM

Consolidated Statement of Financial Position

December 31, 2009

(All dollar amounts are in \$000)

	2009	2008 (Restated note 6)
FINANCIAL ASSETS		
Cash and cash equivalents (Note 4)	\$ 339,230	\$ 339,566
Taxes receivable (Note 7)	44,130	37,670
Unbilled user charges	7,118	5,930
Accounts receivable (Note 17)	28,679	26,732
Investment in Markham Enterprises Corporation (Note 18)	185,760	193,768
Other current assets	4,853	5,494
	609,770	609,160
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities (Note 9)	75,873	65,368
Deferred revenue (Note 10)	164,799	165,609
Employee future benefits liabilities (Note 12)	16,662	15,522
	257,334	246,499
NET FINANCIAL ASSETS	\$ 352,436	\$ 362,661
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 13)	3,077,698	2,993,226
Inventories of supplies	961	747
Inventories of Land - Heritage Estates	109	127
Prepaid expenses	264	201
	\$ 3,079,032	\$ 2,994,301
Lease obligations (Note 15)		
Contingency (Note 16)		
ACCUMULATED SURPLUS (Note 14)	\$ 3,431,468	\$ 3,356,962

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, 2009

(All dollar amounts are in \$000)

	2009		2008
	Budget	Actual	Actual (Restated note 6)
Revenues			
Taxation	\$ 108,814	\$ 110,328	\$ 106,856
User charges (Note 11)	56,713	51,349	47,048
Grants	14,110	2,437	21,216
Contributions from developers	60,170	92,456	141,319
Investment income	13,253	14,743	13,190
Tax penalties	3,375	4,756	4,005
Sales revenue - land inventory	-	320	568
Proceeds from sale of tangible capital assets	-	160	208
Deferred revenue earned	-	26,822	23,389
Dividend from Markham Enterprises Corporation (Note 18)	-	3,661	1,780
Equity pick up from Markham Enterprises Corporation (Note 18)	-	(8,008)	7,464
Interest earned on reserves and reserve funds	-	951	2,985
Other	8,405	7,174	5,740
TOTAL REVENUES	264,840	307,149	375,768
Expenses			
Operating			
General government	33,397	41,994	35,190
Protection to persons and property	33,124	33,637	32,874
Transportation services	22,160	36,553	25,193
Environmental services	20,846	21,210	20,003
Recreation and cultural services	40,104	41,058	41,525
Planning and development	6,207	6,796	13,144
Other	32	399	597
Amortization of tangible capital assets	-	50,996	47,863
TOTAL EXPENSES	155,870	232,643	216,389
ANNUAL SURPLUS		74,506	159,379
ACCUMULATED SURPLUS, BEGINNING OF YEAR		3,356,962	3,197,583
ACCUMULATED SURPLUS, END OF YEAR (Note 14)		\$ 3,431,468	\$ 3,356,962

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, 2009

(All dollar amounts are in \$000)

	2009	2008
	Actual	Actual (Restated note 6)
Annual surplus	74,506	159,379
Acquisition of tangible capital assets	(132,067)	(207,765)
Amortization of tangible capital assets	50,996	47,863
Sale revenue - land inventory	72	568
Proceeds on sale of tangible capital assets	160	208
Library Media collections capitalized	(1,672)	(1,662)
Capital administration fees	(1,577)	(1,807)
Sick leave and Workplace Safety and Insurance Board	(381)	(546)
	(9,963)	(3,762)
Acquisition of inventories of supplies	(961)	(747)
Acquisition prepaid expenses	(264)	(202)
Consumption of inventories of supplies	747	752
Inventories of Land - Heritage Estates	15	-
Use of prepaid expenses	202	168
Change in net financial assets	(10,225)	(3,791)
Net financial assets, beginning of year	362,661	366,452
Net financial assets, end of year	352,436	362,661

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, 2009
(All dollar amounts are in \$000)

	2009	2008 (Restated note 6)
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Annual surplus	74,506	159,379
Items not involving cash		
Amortization of tangible capital assets	50,996	47,863
Equity pick up in Markham Enterprises Corporation	4,347	7,464
Developers contribution of tangible capital assets	(86,187)	(133,742)
Change in employee benefits and other liabilities	1,140	1,410
Tax receivable	(6,460)	(7,637)
Accounts receivable	(1,947)	2,063
Unbilled user charges	(1,188)	(16)
Other current assets	640	527
Accounts payable and accrued liabilities	10,506	(13,843)
Deferred revenue	(810)	5,960
Inventories of supplies	(214)	-
Inventories of land - Heritage Estate	18	20
Prepaid expenses	(64)	(36)
NET CHANGE IN CASH FROM OPERATING ACTIVITIES	45,284	69,412
CAPITAL ACTIVITIES		
Proceeds of sale of tangible capital assets	160	208
Acquisition of tangible capital assets net of developers contribution	(49,440)	(51,060)
NET CHANGE IN CASH FROM CAPITAL ACTIVITIES	(49,280)	(50,852)
INVESTING ACTIVITIES		
Dividend from Markham Enterprises Corporation	3,661	1,780
NET CHANGE IN CASH FROM INVESTING ACTIVITIES	3,661	1,780
NET CHANGE IN CASH AND CASH EQUIVALENTS	(336)	20,340
OPENING CASH AND CASH EQUIVALENTS	339,566	319,226
CLOSING CASH AND CASH EQUIVALENTS	\$ 339,230	\$ 339,566
Supplementary information:		
Interest paid	-	-
Interest received	5,795	7,667

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, 2009

(All dollar amounts are in \$000)

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 expenditures of the operating fund, capital fund, and reserve and reserves funds 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.

All material 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 statement of operations with a corresponding increase or decrease in its investment asset account. Any dividends that the Town may receive from Markham Enterprises Corporation will be 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, 2009

(All dollar amounts are in \$000)

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".

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.

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.

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 contribution

THE CORPORATION OF THE TOWN OF MARKHAM

Notes to the Consolidated Financial Statements

December 31, 2009

(All dollar amounts are in \$000)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

plan. Vacation entitlements are accrued for as entitlements are earned. Sick leave benefits are accrued when 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 earned 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.

(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	5-11
Furniture and fixtures	10-15
Infrastructure	25-100
Library furniture and fixtures	10
Library media collection	7
Parks and pathways	7-60
Vehicles	7-9
Waterworks equipment	9
Waterworks infrastructure	25-100
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.

THE CORPORATION OF THE TOWN OF MARKHAM

Notes to the Consolidated Financial Statements

December 31, 2009

(All dollar amounts are in \$000)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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. Tangible capital assets conveyed from Developers are recorded at the estimated engineering value at time of registration.

(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.

(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 budget and capital budgets for 2009 are reflected on the Consolidated Statement of Operations and are unaudited. The budgets established for the capital fund operations are 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 or capital funds.

THE CORPORATION OF THE TOWN OF MARKHAM

Notes to the Consolidated Financial Statements

December 31, 2009

(All dollar amounts are in \$000)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

SEGMENT DISCLOSURE

As per Public Sector Accounting Board (PSAB) Standard 2700 on Segment Disclosures, a new requirement for Municipal Governments is effective for fiscal years beginning on or after April 1, 2007. 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.

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:

	2009			2008
	School Boards	Region of York	Total	Total
Taxation	\$ 172,356	\$ 200,511	\$ 372,867	\$ 360,533
Payment in lieu of taxes	178	900	\$ 1,078	1,174
Supplementary taxes	4,877	6,546	\$ 11,423	8,107
Amount requisitioned and transferred	\$ 177,411	\$ 207,957	\$ 385,368	\$ 369,814

3. TRUST FUNDS

Trust funds administered by the municipality for the benefit of others amounting to \$1,739 (2008 - \$1,714) have not been included in the "Consolidated Statement of Financial Position" nor have their operations been included in the "Consolidated Statement of Operations". The trust funds have been reported separately on the "Trust Funds Statement of Financial Position" and "Trust Funds Statement of Operations".

4. CASH AND CASH EQUIVALENTS

	2009	2008
Cash	\$ 55,715	\$ 6,043
Investments	283,515	333,523
	<u>\$ 339,230</u>	<u>\$ 339,566</u>

Investments, which are reported at cost for money market and face value for bonds, had a market value of \$ 290,899 (2008 - \$333,736) 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 2009, the average rate of return earned was 4.83% (2008 - 4.38%).

THE CORPORATION OF THE TOWN OF MARKHAM

Notes to the Consolidated Financial Statements

December 31, 2009

(All dollar amounts are in \$000)

5. PENSION AGREEMENTS

The Municipality makes contributions to the 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 2009 was \$5,936 (2008 - \$5,452).

6. CHANGE IN ACCOUNTING POLICIES

The Town has implemented Public Sector Accounting Board ("PSAB") sections 1200 Financial Statement Presentation and 3150 Tangible Capital Assets. Section 1200 establishes general reporting principles and standards for the disclosure of information in government financial statements. Section 3150 requires governments to record and amortize their tangible capital assets in their financial statements. In prior years, cost associated with tangible capital asset additions were expensed in the year which they occurred.

Methods used for determining the cost of each major category of tangible capital assets

The financial information recorded includes the actual or estimated historical cost of the tangible capital assets. When historical cost records were not available, other methods were used to estimate the costs and accumulated amortization of the assets. The Town applied a consistent method of estimating the replacement or reproduction cost of the tangible capital assets for which it did not have historical cost records, except in circumstances where it could be demonstrated that a different method would provide a more accurate estimate of the cost of a particular type of tangible capital asset. After defining replacement or reproduction cost, either the Non-residential Building Construction Price Index (NRBCPI) or Consumer Price Index (CPI) was used to deflate the replacement or reproduction cost to an estimated historical cost at the year of acquisition.

This change has been applied retroactively and the Town's 2008 Financial Statements have been restated. This change in accounting policy has changed amounts reported in the prior period as follows:

THE CORPORATION OF THE TOWN OF MARKHAM

Notes to the Consolidated Financial Statements

December 31, 2009

(All dollar amounts are in \$000)

	2009
Accumulated surplus at January 1, 2008	
Operating fund balance	\$ 432
Capital fund balance	23,963
Reserves and reserve funds	127,132
Equity in Markham Enterprises Corporation	186,304
Amounts to be recovered	(5,466)
Accumulated surplus, as previously reported	332,365
Net book value of tangible capital assets recorded	2,816,664
Contribution from developers and others	48,554
Accumulated surplus, as restated	3,197,583
Annual surplus for 2008:	
Net revenues, as previously reported	\$ 30,642
Contribution from developers - assumed sub-divisions	133,742
Assets expensed previously now capitalized	44,403
Amortization expenses	(47,863)
Other adjustments (capital administration fees, heritage estate property net sales etc.)	(1,545)
	\$ 159,379

7. TAXES RECEIVABLE

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

	2009	2008
Current year	\$ 26,489	\$ 22,045
Arrears previous years	18,642	16,932
	45,131	38,977
Less Allowance for uncollectible taxes	(1,001)	(1,307)
	\$ 44,130	\$ 37,670

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 2009 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

THE CORPORATION OF THE TOWN OF MARKHAM

Notes to the Consolidated Financial Statements

December 31, 2009

(All dollar amounts are in \$000)

7. TAXES RECEIVABLE (continued)

revenue and tax receivables of the Town are subject to measurement uncertainty as a number of submitted appeals have yet to be heard. Thus 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 (2008 - \$1,307). 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 2009.

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".

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 follows:-

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.

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.

THE CORPORATION OF THE TOWN OF MARKHAM

Notes to the Consolidated Financial Statements

December 31, 2009

(All dollar amounts are in \$000)

8. SEGMENTED INFORMATION (continued)

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.

Others (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, 2009

(All dollar amounts are in \$000)

Segmented Information - Note 8 (Contd..)

Revenues	General Government	Protection to persons and property	Transportation services	Environmental Services	Recreation and Cultural services	Planning and Development	Others	2009	2008
Taxation, grants in lieu, assessments	495,696	-	-	-	-	-	-	495,696	476,670
Collection for other authorities	(385,368)	-	-	-	-	-	-	(385,368)	(369,814)
Taxation for Town purposes	110,328	-	-	-	-	-	-	110,328	106,856
User Charges	1,603	6,531	5,047	21,238	15,825	1,016	39	51,349	47,048
Grants	69	-	700	707	848	113	-	2,437	21,216
Contribution from developers	92,456	-	-	-	-	-	-	92,456	141,319
Investment Income	14,743	-	-	-	-	-	-	14,743	13,190
Tax penalties	4,756	-	-	-	-	-	-	4,756	4,005
Sales revenue - land inventory	320	-	-	-	-	-	-	320	568
Proceeds from sale of tangible capital assets	160	-	-	-	-	-	-	160	208
Deferred revenue earned	26,822	-	-	-	-	-	-	26,822	23,389
Dividend from Markham Enterprises Corporation	3,661	-	-	-	-	-	-	3,661	1,780
Equity pick up from Markham Enterprises Corporation	(8,008)	-	-	-	-	-	-	(8,008)	7,464
Interest earned on reserves and reserve funds	951	-	-	-	-	-	-	951	2,985
Other	3,187	267	821	197	721	1,981	-	7,174	5,740
Total	251,048	6,798	6,568	22,192	17,394	3,110	39	307,149	375,768

THE CORPORATION OF THE TOWN OF MARKHAM

Notes to the Consolidated Financial Statements

December 31, 2009

(All dollar amounts are in \$000)

Segmented Information - Note 8 (Contd..)

<u>Expenses</u>	General Government	Protection to persons and property	Transportation services	Environmental Services	Recreation and Cultural services	Planning and Development	Other	2009	2008
Salaries, Wages and employee benefits	26,607	30,015	9,727	5,510	26,953	5,277	-	104,089	95,3
Operating Materials and Supplies	13,548	933	3,790	1,747	10,327	1,660	27	32,032	28,3
Contracted Services	1,284	2,626	22,990	13,915	3,330	(205)	-	43,940	42,9
Rents and Financial Expenses	332	63	46	38	448	64	-	991	1,0
External Transfers to others	224	-	-	-	-	-	-	224	2
Other	-	-	-	-	-	-	371	371	5
Amortization of tangible capital assets	50,996	-	-	-	-	-	-	50,996	47,8
Total Expenses	92,991	33,637	36,553	21,210	41,058	6,796	398	232,643	216,3
Annual Surplus	158,057	(26,839)	(29,985)	982	(23,664)	(3,686)	(359)	74,506	159,3
Accumulated surplus, beginning of year	3,356,962	-	-	-	-	-	-	3,356,962	3,197,5
Accumulated surplus, end of year	3,515,019	(26,839)	(29,985)	982	(23,664)	(3,686)	(359)	3,431,468	3,356,9

THE CORPORATION OF THE TOWN OF MARKHAM

Notes to the Consolidated Financial Statements

December 31, 2009

(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:

	2009	2008
Trade accounts payable	\$ 35,700	\$ 30,828
Payable to other governments	25,255	17,912
Payroll liabilities	4,114	5,122
Accrued liabilities	10,804	11,506
	<u>\$ 75,873</u>	<u>\$ 65,368</u>

10. 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:

	2008	2008
Obligatory Reserve Funds:		
Development charges	\$ 147,326	\$ 152,886
Parkland	10,924	8,656
Other	2,909	484
Deferred revenue - general	3,640	3,583
	<u>\$ 164,799</u>	<u>\$ 165,609</u>

THE CORPORATION OF THE TOWN OF MARKHAM

Notes to the Consolidated Financial Statements

December 31, 2009

(All dollar amounts are in \$000)

11. USER CHARGES

	2009	2008
Water and sewer billings to ratepayers	\$ 62,344	\$ 53,692
Region of York requisitions	(41,879)	(38,163)
Town Share	20,465	15,529
Building permits	5,352	5,928
Parking violations	1,842	1,647
Facility rentals	5,549	5,564
Recreational programs	7,831	7,378
Parks construction and maintenance	285	246
Cultural services	1,451	1,515
Engineering fees	1,233	1,110
Planning processing fees	1,919	2,541
Compliance letters/certificates	188	185
Other user charges	5,234	5,405
	\$ 51,349	\$ 47,048

12. EMPLOYEE FUTURE BENEFITS LIABILITIES

	2009	2008
Vacation Pay – Town	\$ 2,236	\$ 1,960
Vacation Pay – Library	101	108
Employee future benefits	7,960	7,442
Vested sick leave benefits	5,290	5,100
Workplace Safety & Insurance Board	1,075	912
	\$ 16,662	\$ 15,522

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, 2009 is \$7,960 (2008 - \$7,442). The liability recorded by the Town has been determined by an actuarial study completed in December 2009.

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

THE CORPORATION OF THE TOWN OF MARKHAM

Notes to the Consolidated Financial Statements

December 31, 2009

(All dollar amounts are in \$000)

	2009			2008	
	WSIB	Vested Sick Leave	Employee Future benefits	Total	Total
Accrued benefit liability, beginning of year	\$ 912	\$ 5,100	\$ 7,442	\$ 13,454	\$11,981
Service cost	187	145	299	631	980
Interest cost	95	355	558	1,008	908
Benefit payments	(230)	(281)	(283)	(794)	(653)
Amortization of actuarial loss	111	(29)	(56)	26	238
Accrued benefit liability, end of year	<u>\$ 1,075</u>	<u>\$ 5,290</u>	<u>\$ 7,960</u>	<u>\$ 14,325</u>	<u>\$13,454</u>

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 \$5,290 (2008 - \$5,100). The accrued benefit liability and the net periodic benefit cost were determined by an actuarial valuation updated December 2009.

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 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 \$1,075 (2008 - \$912) and was determined by an actuarial evaluation completed December 2007 and updated December 2009. A Workplace Safety and Insurance Reserve Fund, funded by annual contributions from the Operating Fund, has also 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.

THE CORPORATION OF THE TOWN OF MARKHAM

Notes to the Consolidated Financial Statements

December 31, 2009

(All dollar amounts are in \$000)

13. TANGIBLE CAPITAL ASSETS

<u>Cost</u>	Balance as at December 31, 2008	Additions	Disposals	Balance as at December 31, 2009
Land and land improvements	\$ 1,493,156	\$ 9,847	\$ -	\$ 1,503,003
Buildings and building improvements	158,938	4,245	-	163,183
Equipments	15,371	1,279	(1,239)	15,411
Furniture and fixtures	5,910	479	(28)	6,361
Infrastructure	909,261	73,496	(2,409)	980,348
Library furniture and fixtures	4,199	63	(1,726)	2,536
Library media collection	9,003	1,702	(606)	10,099
Parks and pathways	46,094	3,600	(307)	49,387
Vehicles	12,171	1,581	(805)	12,947
Waterworks equipment	337	21	(11)	347
Waterworks infrastructure	861,891	35,625	(57)	897,459
Waterworks vehicles	1,386	129	(26)	1,489
	<u>\$ 3,517,717</u>	<u>\$ 132,067</u>	<u>\$ (7,214)</u>	<u>\$ 3,642,570</u>
Capital work in progress		21,049		21,049
	<u>\$ 3,517,717</u>	<u>\$ 153,116</u>	<u>\$ (7,214)</u>	<u>\$ 3,663,619</u>

THE CORPORATION OF THE TOWN OF MARKHAM

Notes to the Consolidated Financial Statements

December 31, 2009

(All dollar amounts are in \$000)

<u>Accumulated amortization</u>	Balance as at December 31, 2008	Additions	Disposals	Balance as at December 31, 2009
Land and land improvements	\$ -	\$ -	\$ -	\$ -
Buildings and building improvements	58,933	3,973	-	62,906
Equipments	7,423	1,917	(1,239)	8,101
Furniture and fixtures	1,195	425	(28)	1,592
Infrastructure	245,299	24,737	(2,409)	267,627
Library furniture and fixtures	2,759	244	(1,726)	1,277
Library media collection	4,266	1,283	(606)	4,943
Parks and pathways	15,293	2,932	(307)	17,918
Vehicles	6,721	1,681	(805)	7,597
Waterworks equipment	94	45	(11)	128
Waterworks infrastructure	199,608	13,571	(57)	213,122
Waterworks vehicles	548	188	(26)	710
	\$ 542,130	\$ 50,996	\$ (7,214)	\$ 585,921

	Net book value December 31, 2009	Net book value December 31, 2008
Land and land improvements	\$ 1,503,003	\$ 1,493,156
Buildings and building improvements	100,277	100,004
Equipments	7,310	7,948
Furniture and fixtures	4,769	4,715
Infrastructure	712,721	663,961
Library furniture and fixtures	1,259	1,441
Library media collection	5,156	4,737
Parks and pathways	31,469	30,800
Vehicles	5,350	5,451
Waterworks equipment	219	243
Waterworks infrastructure	684,337	662,284
Waterworks vehicles	779	836
	3,056,649	2,975,576
Capital work in progress	21,049	17,650
	\$ 3,077,698	\$ 2,993,226

THE CORPORATION OF THE TOWN OF MARKHAM

Notes to the Consolidated Financial Statements

December 31, 2009

(All dollar amounts are in \$000)

<u>Cost</u>	Balance as at December 31, 2007	Additions	Disposals	Balance as at December 31, 2008
Land and land improvements	\$ 1,397,623	\$ 96,523	\$ (990)	\$ 1,493,156
Buildings and building improvements	158,833	105	-	158,938
Equipments	14,268	2,093	(990)	15,371
Furniture and fixtures	4,450	1,460	-	5,910
Infrastructure	852,666	56,726	(131)	909,261
Library furniture and fixtures	3,949	250	-	4,199
Library media collection	7,185	1,818	-	9,003
Parks and pathways	37,897	8,197	-	46,094
Vehicles	14,790	871	(3,490)	12,171
Waterworks equipments	265	72	-	337
Waterworks infrastructure	822,634	39,257	-	861,891
Waterworks vehicles	1,340	393	(347)	1,386
	<u>\$ 3,315,900</u>	<u>\$ 207,765</u>	<u>\$ (5,948)</u>	<u>\$ 3,517,717</u>
Capital work in progress		17,650		17,650
	<u>\$ 3,315,900</u>	<u>\$ 225,415</u>	<u>\$ (5,948)</u>	<u>\$ 3,535,367</u>

<u>Accumulated amortization</u>	Balance as at December 31, 2007	Additions	Disposals	Balance as at December 31, 2008
Land and land improvements	\$ -	\$ -	\$ -	\$ -
Buildings and building improvements	55,001	3,932	-	58,933
Equipments	6,568	1,844	(990)	7,422
Furniture and fixtures	841	355	-	1,196
Infrastructure	222,678	22,754	(131)	245,301
Library furniture and fixtures	2,437	321	-	2,758
Library media collection	3,154	1,113	-	4,267
Parks and pathways	12,698	2,596	-	15,294
Vehicles	8,536	1,674	(3,490)	6,720
Waterworks equipment	53	41	-	94
Waterworks infrastructure	186,579	13,028	-	199,607
Waterworks vehicles	691	205	(347)	549
	<u>\$ 499,236</u>	<u>\$ 47,863</u>	<u>\$ (4,958)</u>	<u>\$ 542,141</u>

THE CORPORATION OF THE TOWN OF MARKHAM

Notes to the Consolidated Financial Statements

December 31, 2009

(All dollar amounts are in \$000)

	Net book value December 31, 2008	Net book value December 31, 2007
Land and land improvements	\$ 1,493,156	\$ 1,397,623
Buildings and building improvements	100,005	103,832
Equipments	7,949	7,699
Furniture and fixtures	4,714	3,609
Infrastructure	663,960	629,989
Library furniture and fixtures	1,441	1,512
Library media collection	4,736	4,032
Parks and pathways	30,800	25,199
Vehicles	5,451	6,254
Waterworks equipments	243	212
Waterworks infrastructure	662,284	636,055
Waterworks vehicles	837	648
	2,975,576	2,816,664
Capital work in progress	17,650	48,553
	\$ 2,993,226	\$ 2,865,217

a) Assets under construction

Assets under construction having a value of \$ 21,049 (2008 - \$17,650) 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 \$86,126 (2008 - \$56,989) comprised of land in the amount of \$3,906 (2008 - \$4,838) roads infrastructure in the amount of \$52,322 (2008 - \$30,715) and water and wastewater infrastructure in the amount of \$29,898 (2008 - \$21,436)

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 \$ 7,214 (2008 \$4,958).

THE CORPORATION OF THE TOWN OF MARKHAM

Notes to the Consolidated Financial Statements

December 31, 2009

(All dollar amounts are in \$000)

14. ACCUMULATED SURPLUS

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

	2009	2008
Town operating fund surplus including library fund and business improvement areas before year end accounting accruals	\$ 4,368	\$ 508
Year end accounting accruals and transfers to reserves and reserve funds	(2,998)	(3,716)
	\$ 1,870	\$ (3,208)
Equity in Markham Enterprises Corporation	185,760	193,768
Invested in tangible capital assets	3,119,907	3,039,542
	\$ 3,307,537	\$ 3,230,102
Reserves set aside for specific purposes by Council:		
Corporate rate stabilization	16,531	15,051
Waterworks	9,213	10,815
Long Term Disability Benefit	8,212	6,811
Firefighters sick leave benefits	5,290	5,100
Facility Ramp Up	1,274	3,696
Building Fee	540	2,412
Development Fee	(5,632)	(1,716)
Election Expenses	842	600
Election Rebate	207	137
Waste management	28	28
Berczy Landscape Feature	203	-
Capital Gains	1,278	-
Partnership	16	16
Total reserves	\$ 38,002	\$ 42,950

THE CORPORATION OF THE TOWN OF MARKHAM

Notes to the Consolidated Financial Statements

December 31, 2009

(All dollar amounts are in \$000)

14. ACCUMULATED SURPLUS (continued)

	2009	2008
Reserve Funds set aside for specific purposes by Council:		
Life Cycle Replacement & Capital	\$ 64,976	\$ 63,524
Environmental Land Acquisition	6,222	6,212
Land Acquisition	2,919	2,157
Environmental Sustainability Fund	209	117
10% Non-DC Growth	3,806	4,679
Library Infrastructure	4,002	3,449
Workplace Safety & Insurance Board	2,741	2,711
Trees for Tomorrow	225	223
Theatre	370	381
Heritage	453	452
Museum	6	5
Total reserve funds	\$ 85,929	\$ 83,910
Total	\$ 3,431,468	\$ 3,356,962

15. LEASE OBLIGATIONS

- (a) As at December 31, 2009, the Town is committed to minimum annual operating lease payments for premises and equipment as follows:

2010	\$263
2011	509
2012	524
2013	540
2014	536
	\$2,372

- (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.

THE CORPORATION OF THE TOWN OF MARKHAM

Notes to the Consolidated Financial Statements

December 31, 2009

(All dollar amounts are in \$000)

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

A class action claiming \$500,000 in restitutionary payments plus interest was served on November 18, 1998. This action has been brought under the Class Proceedings Act, 1992. The plaintiff class seeks \$500,000 in restitution for amounts paid to Toronto Hydro and to other Ontario municipal electric utilities ("LDCs") who received late payment penalties which constitute interest at an effective rate in excess of 60% per year, contrary to section 347 of Criminal Code. Pleadings have closed in this action. The action has not yet been certified as a class action and no disclosures have been held, as the parties were awaiting the outcome of a similar proceedings brought against Enbridge Gas Distribution Inc. (formerly Consumers Gas).

The Electricity Distributors Association is undertaking the defence of this class action. At this time it is not possible to determine the effect, if any, on the financial position of Markham Enterprises Corporation and on that of the Town of Markham.

17. ACCOUNTS RECEIVABLE - POWER STREAM INTEREST

Included in Accounts Receivable is \$7,584 being the 5.58% per annum interest due for the period October to December 2006 to December 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% (2008 – 43%) 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 35.0877 common shares were purchased in 2005 for cash consideration of \$6,800.

THE CORPORATION OF THE TOWN OF MARKHAM

Notes to the Consolidated Financial Statements

December 31, 2009

(All dollar amounts are in \$000)

18. INVESTMENT IN MARKHAM ENTERPRISES CORPORATION (continued)

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. 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., and Barrie Holdings 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, 2009 to December 31, 2009.

THE CORPORATION OF THE TOWN OF MARKHAM

Notes to the Consolidated Financial Statements

December 31, 2009

(All dollar amounts are in \$000)

18. INVESTMENT IN MARKHAM ENTERPRISES CORPORATION (continued)

	2009	2008
Assets		
Current	\$ 86,637	\$ 91,262
Capital	261,110	243,623
Goodwill	14,543	14,185
Other	31,572	5,234
Total Assets	\$ 393,862	\$ 354,304
Liabilities		
Current	66,039	51,587
Other	52,443	17,485
Long Term	89,620	91,464
Total Liabilities	208,102	160,536
Shareholders' Equity		
Common Shares	\$ 66,727	\$ 66,727
Promissory Notes Payable	79,164	86,645
Retained Earnings and contributed surplus	39,869	40,396
Total Shareholders' Equity	185,760	193,768
Total Liabilities and Shareholders' Equity	\$ 393,862	\$ 354,304
Results of Operations		
Revenues	\$ 272,061	\$ 265,770
Operating expenses	266,827	259,158
Net Income	\$ 5,234	\$ 6,612
Dilution loss due to proportionate decrease in retained earnings in PowerStream	(2,100)	-
Proportionate share of increase/(decrease) in notes payable in Power Stream	(7,481)	2,632
Equity Pick up in Markham Enterprises Corporation	\$ (4,347)	\$ 9,244
Dividend paid to Town of Markham	(3,661)	(1,780)
Change in equity in Markham Enterprises Corporation	(8,008)	7,464

19. COMPARATIVE FIGURES

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

