

*Consolidated Financial Statements of*

**THE CORPORATION OF  
THE TOWN OF MARKHAM**

*December 31, 2011*

# INDEPENDENT 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, 2011, the consolidated statement of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and notes, comprising 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 public sector accounting standards, 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 consolidated financial position of the Corporation of the Town of Markham as at December 31, 2011, and its consolidated results of operations and accumulated surplus, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Accountants, Licensed Public Accountants  
June XXX 2012  
Toronto, Canada

# THE CORPORATION OF THE TOWN OF MARKHAM

## Consolidated Statement of Financial Position

December 31, 2011

(All dollar amounts are in \$000)

	2011	2010
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents (Note 4)	\$ 363,848	\$ 335,552
Taxes receivable (Note 7)	31,918	39,141
Unbilled user charges	8,802	7,964
Accounts receivable (Note 17)	53,691	51,222
Investment in Markham Enterprises Corporation (Note 18)	199,578	189,665
Other current assets	4,123	4,644
	<b>661,960</b>	<b>628,188</b>
<b>FINANCIAL LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 9)	112,712	82,101
Deferred revenue (Note 10)	133,024	147,742
Employee future benefits liabilities (Note 12)	23,879	17,756
Long-term liabilities (Note 6)	11,599	12,000
	<b>281,214</b>	<b>259,599</b>
<b>NET FINANCIAL ASSETS</b>	<b>\$ 380,746</b>	<b>\$ 368,589</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 13)	3,296,468	3,157,537
Inventories of supplies	972	1,067
Inventories of Land - Heritage Estates	109	109
Prepaid expenses	1,042	404
	<b>\$ 3,298,591</b>	<b>\$ 3,159,117</b>
Lease obligations (Note 15)		
Contingency (Note 16)		
<b>ACCUMULATED SURPLUS (Note 14 )</b>	<b>\$ 3,679,337</b>	<b>\$ 3,527,706</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, 2011  
(All dollar amounts are in \$000)

	2011		2010
	Budget	Actual	Actual
	(Unaudited Note 1)		
<b>Revenues</b>			
Taxation	\$ 115,199	\$ 119,934	\$ 112,098
User charges (Note 11)	61,204	64,309	58,748
Grants	1,473	8,750	6,931
Contributions from developers	-	88,047	54,858
Investment income	18,346	19,267	14,528
Tax penalties	3,375	3,724	3,334
Sales revenue - land inventory	-	-	-
Proceeds from sale of tangible capital assets	-	138	568
Deferred revenue earned	29,894	82,760	40,564
Increase/(decrease) in equity of Markham Enterprises Corporation (Note 18)	-	8,020	6,926
Interest earned on reserves and reserve funds	-	1,186	596
Other	6,413	6,286	6,924
<b>TOTAL REVENUES</b>	<b>235,904</b>	<b>402,421</b>	<b>306,075</b>
<b>Expenses</b>			
Operating			
General government	39,365	49,535	42,437
Protection to persons and property	36,846	37,378	33,969
Transportation services	26,073	27,966	27,523
Environmental services	20,991	27,083	25,867
Recreation and cultural services	41,708	46,460	40,872
Planning and development	6,670	6,750	6,393
Other	38	41	32
Write-down of tangible capital assets	-	331	989
Amortization of tangible capital assets	55,112	55,246	53,636
<b>TOTAL EXPENSES</b>	<b>226,803</b>	<b>250,790</b>	<b>231,718</b>
Dilution loss due to proportionate decrease in retained earning in Power Stream Inc. ( Note 18)		-	-
<b>ANNUAL SURPLUS</b>	<b>9,101</b>	<b>151,631</b>	<b>74,357</b>
ACCUMULATED SURPLUS, BEGINNING OF YEAR	3,527,706	3,527,706	3,453,349
<b>(Note 14)</b>	<b>\$ 3,536,807</b>	<b>\$ 3,679,337</b>	<b>\$ 3,527,706</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, 2011

(All dollar amounts are in \$000)

	2011		2010
	Budget (Unaudited Note 1)	Actual	Actual
<b>Annual surplus</b>	<b>9,101</b>	<b>151,631</b>	<b>74,357</b>
Acquisition of tangible capital assets	(62,074)	(169,780)	(93,807)
Amortization of tangible capital assets	55,112	55,246	53,636
Change in capital work in progress	-	(24,728)	(40,662)
Land and land improvements write-down	-	331	993
	<b>2,139</b>	<b>12,700</b>	<b>(5,483)</b>
Acquisition of inventories of supplies	-	(972)	(1,067)
Acquisition prepaid expenses	-	(1,042)	(404)
Consumption of inventories of supplies	-	1,067	961
Use of prepaid expenses	-	404	265
<b>Change in net financial assets</b>	<b>2,139</b>	<b>12,157</b>	<b>(5,728)</b>
Net financial assets, beginning of year	<b>368,589</b>	<b>368,589</b>	<b>374,317</b>
Net financial assets, end of year	<b>370,728</b>	<b>380,746</b>	<b>368,589</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, 2011  
(All dollar amounts are in \$000)

	2011	2010
<b>CASH PROVIDED BY (USED IN):</b>		
<b>OPERATING ACTIVITIES</b>		
Annual surplus	151,631	74,357
Amortization of tangible capital assets	55,246	53,636
Developers contribution of tangible capital assets	(88,047)	(54,858)
Change in employee future benefits and other liabilities	6,123	1,094
Tax receivable	7,223	4,989
Accounts receivable	(2,469)	(22,543)
Unbilled user charges	(838)	(846)
Other current assets	521	209
Accounts payable and accrued liabilities	30,611	6,368
Long term liabilities	(401)	12,000
Deferred revenue	(14,718)	4,683
Inventories of supplies	95	(106)
Prepaid expenses	(638)	(140)
<b>NET CHANGE IN CASH FROM OPERATING ACTIVITIES</b>	<b>144,339</b>	<b>78,843</b>
<b>CAPITAL ACTIVITIES</b>		
Proceeds of sale of tangible capital assets	138	568
Acquisition of tangible capital assets net of developers contribution	(106,268)	(79,184)
<b>NET CHANGE IN CASH FROM CAPITAL ACTIVITIES</b>	<b>(106,130)</b>	<b>(78,616)</b>
<b>INVESTING ACTIVITIES</b>		
Dividend from Markham Enterprises Corporation	3,445	3,854
Change in equity of Markham Enterprises Corporation	(13,358)	(7,759)
<b>NET CHANGE IN CASH FROM INVESTING ACTIVITIES</b>	<b>(9,913)</b>	<b>(3,905)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>28,296</b>	<b>(3,678)</b>
<b>OPENING CASH AND CASH EQUIVALENTS</b>	<b>335,552</b>	<b>339,230</b>
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	<b>\$ 363,848</b>	<b>\$ 335,552</b>
<b>Supplementary information:</b>		
Interest paid	235	244
Interest received	5,055	5,284

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, 2011

(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 Generally Accepted Accounting Principles ("GAAP") for local government accounting standards, as recommended by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA"). 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, expenses, 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, 2011

(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.

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

#### **TANGIBLE CAPITAL ASSETS**

Expenses made on capital assets are reported as capital expenses 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 School Boards 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, 2011

(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, 2011

(All dollar amounts are in \$000)

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### (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:

<b>Asset</b>	<b>Useful Life - Years</b>
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 prorated 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. 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.

# THE CORPORATION OF THE TOWN OF MARKHAM

## Notes to the Consolidated Financial Statements

December 31, 2011

(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 2011 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.

### 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, 2011

(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:

	2011			2010
	School Boards	Region of York	Total	Total
Taxation	\$ 183,297	\$ 214,372	\$ 397,669	\$ 384,338
Payment in lieu of taxes	204	1,003	\$ 1,207	1,424
Supplementary taxes	12,068	10,995	\$ 23,063	7,339
Amount requisitioned and transferred	\$ 195,569	\$ 226,370	\$ 421,939	\$ 393,101

### 3. TRUST FUNDS

Trust funds administered by the municipality for the benefit of others amounting to \$2,221 (2010 - \$1,755) 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

	2011	2010
Cash	\$ 136,618	\$ 67,361
Investments	227,230	268,191
	\$ 363,848	\$ 335,552

Investments, which are reported at cost for money market and face value for bonds, had a market value of \$240,658 (2010 - \$275,075) 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 2011, the average rate of return earned was 4.54% (2010 - 4.15%).

# THE CORPORATION OF THE TOWN OF MARKHAM

## Notes to the Consolidated Financial Statements

December 31, 2011

(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.

In 2011, the amount contributed to OMERS by the Town was \$7,383 (2010 - \$5,926). Employees' contribution to OMERS in 2011 was \$7,383 (2010 - \$5,926).

Since OMERS is a multi-employer pension plan, the Town does not recognize any share of pension plan deficit \$9,627,000 (2010 - \$6,745,000) based on fair market value of the Plan's assets, as this is a joint responsibility of all Ontario municipalities and their employees.

### 6. LONG TERM LIABILITIES

On July 1, 2010, the Town received a loan of \$12M from Canada Mortgage Housing Corporation (CMHC) through the Regional Municipality of York. As a lower tier municipality the Town does not have the ability to borrow long-term funds; therefore, the borrowing was done through the Regional Municipality 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 \$12M 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 \$0.886M, consisting of principal and interest. The first payment is due effective July 1, 2011.

### 7. TAXES RECEIVABLE

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

	<u>2011</u>	<u>2010</u>
Current year	<b>\$ 19,434</b>	\$ 22,143
Arrears previous years	<b>13,485</b>	17,999
	<b>32,919</b>	40,142
Less: Allowance for uncollectible taxes	<b>(1,001)</b>	(1,001)
Tax Receivable	<b>\$ 31,918</b>	\$ 39,141

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 2011 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, 2011

(All dollar amounts are in \$000)

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### 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. 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 (2010 - \$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 York Region in 2011.

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, Legal, Sustainability office, Legislative services, Financial Services, Corporate Communications 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, 2011

(All dollar amounts are in \$000)

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### **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 mandate of these departments is to administer sanitary and storm sewer system, distribute water, and the 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 and 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, 2011

(All dollar amounts are in \$000)

								\$ in thousands	
Segmented Information - Note 8 (Cont'd.)								Consolidated	
Revenues	General Government	Protection to persons and property	Transportation services	Environmental Services	Recreation and Cultural services	Planning and Development	Others	2011	2010
Taxation, grants in lieu, assessments	541,873	-	-	-	-	-	-	541,873	505,199
Collection for other authorities	(421,939)	-	-	-	-	-	-	(421,939)	(393,101)
Taxation for Town purposes	119,934	-	-	-	-	-	-	119,934	112,098
User Charges	1,738	11,020	7,543	20,567	16,541	6,838	62	64,309	58,748
Grants	-	530	1,341	966	5,429	484	-	8,750	6,931
Contribution from developers	88,047	-	-	-	-	-	-	88,047	54,858
Investment income	19,267	-	-	-	-	-	-	19,267	14,528
Tax penalties	3,724	-	-	-	-	-	-	3,724	3,334
Sales revenue - land inventory	-	-	-	-	-	-	-	-	-
Proceeds from sale of tangible assets	138	-	-	-	-	-	-	138	568
Deferred revenue earned	82,760	-	-	-	-	-	-	82,760	40,564
Equity pick up from Markham Enterprises Corporation	8,020	-	-	-	-	-	-	8,020	6,926
Interest earned on reserves and reserve funds	1,186	-	-	-	-	-	-	1,186	596
Others	954	154	1,085	398	1,068	2,627	-	6,286	6,924
Total	325,768	11,704	9,969	21,931	23,038	9,949	62	402,421	306,075



# THE CORPORATION OF THE TOWN OF MARKHAM

## Notes to the Consolidated Financial Statements

December 31, 2011

(All dollar amounts are in \$000)

<u>Expenses</u>	General Government	Protection to persons and property	Transportation services	Environmental Services	Recreation and Cultural services	Planning and Development	Others	Consolidated 2011	2010
Salaries, Wages and employee benefits	26,796	34,957	11,301	6,615	30,016	4,173	-	113,858	104,066
Operating Materials and Supplies	10,037	926	4,077	5,224	8,679	1,997	41	30,981	29,490
Contracted Services	12,148	1,446	12,745	14,937	7,235	149	-	48,660	42,072
Rents and Financial Expenses	319	49	(157)	307	530	431	-	1,479	1,237
External Transfers to others	235	-	-	-	-	-	-	235	228
Others	-	-	-	-	-	-	-	-	-
Amortization of tangible capital assets (including write down)	55,577	-	-	-	-	-	-	55,577	54,625
<b>Total Expenses</b>	<b>105,112</b>	<b>37,378</b>	<b>27,966</b>	<b>27,083</b>	<b>46,460</b>	<b>6,750</b>	<b>41</b>	<b>250,790</b>	<b>231,718</b>
<b>Annual Surplus / (Deficit)</b>	<b>220,656</b>	<b>(25,674)</b>	<b>(17,997)</b>	<b>(5,152)</b>	<b>(23,422)</b>	<b>3,199</b>	<b>21</b>	<b>151,631</b>	<b>74,357</b>
<b>Accumulated surplus, beginning of year</b>	<b>3,527,706</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,527,706</b>	<b>3,453,349</b>
<b>Accumulated surplus, end of year</b>	<b>3,748,362</b>	<b>(25,674)</b>	<b>(17,997)</b>	<b>(5,152)</b>	<b>(23,422)</b>	<b>3,199</b>	<b>21</b>	<b>3,679,337</b>	<b>3,527,706</b>

# THE CORPORATION OF THE TOWN OF MARKHAM

## Notes to the Consolidated Financial Statements

December 31, 2011

(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 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:

	2011	2010
Trade accounts payable	\$ 43,961	\$ 41,051
Payable to other governments	55,183	24,245
Payroll liabilities	2,909	6,995
Accrued liabilities	10,659	9,810
	<b>\$ 112,712</b>	<b>\$ 82,101</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:

	2011	2010
Obligatory Reserve Funds		
Development charges	\$ 111,921	\$ 128,033
Parkland	(166)	428
Other	8,861	7,962
Deferred revenue - general	12,408	11,319
	<b>\$ 133,024</b>	<b>\$ 147,742</b>

# THE CORPORATION OF THE TOWN OF MARKHAM

## Notes to the Consolidated Financial Statements

December 31, 2011

(All dollar amounts are in \$000)

### 11. USER CHARGES

	2011	2010
Water and sewer billings to ratepayers	\$ 73,461	\$ 67,856
Region of York requisitions	(53,718)	(49,277)
Town Share	19,743	18,579
Building permits	13,524	6,097
Parking violations	1,909	1,902
Facility rentals	6,106	5,701
Recreational programs	7,745	7,679
Parks construction and maintenance	304	287
Cultural services	2,010	1,672
Engineering fees	2,916	5,236
Planning processing fees	3,927	4,936
Compliance letters/certificates	205	217
Other user charges	5,920	6,442
	\$ 64,309	\$ 58,748

### 12. EMPLOYEE FUTURE BENEFITS LIABILITIES

	2011	2010
Vacation Pay – Town	\$ 2,852	\$ 2,393
Vacation Pay – Library	115	87
Employee future benefits	9,380	8,661
Vested sick leave benefits	5,565	5,418
Long term disability	4,633	-
Workplace Safety & Insurance Board	1,334	1,197
	\$ 23,879	\$ 17,756

#### ***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, 2011 is \$9,380 (2010 - \$8,661). The liability recorded by the Town has been determined by an actuarial study completed in prior year which included a projected estimate for 2011.

# THE CORPORATION OF THE TOWN OF MARKHAM

## Notes to the Consolidated Financial Statements

December 31, 2011

(All dollar amounts are in \$000)

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

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

	<b>WSIB</b>	<b>Vested Sick Leave</b>	<b>Employee Future benefits</b>	<b>Long Term disability</b>	<b>Total</b>	<b>Total</b>
Accrued benefit beginning of year	\$ 1,197	\$ 5,418	\$ 8,661	\$ -	\$ 15,276	\$ 14,325
Service cost	166	193	410	5,013	5,782	698
Interest cost	84	319	595	173	1,171	964
Benefit payments	(206)	(366)	(356)	(553)	(1,481)	(894)
Amortization of actuarial loss (gain)	93	1	70	-	164	183
Accrued benefit end of year	<u>\$ 1,334</u>	<u>\$ 5,565</u>	<u>\$ 9,380</u>	<u>\$ 4,633</u>	<u>\$ 20,912</u>	<u>\$ 15,276</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:

	<b>WSIB</b>	<b>Sick Leave</b>	<b>Early Retirement</b>	<b>LTD</b>
Expected inflation rate	0.00%	N/A	N/A	N/A
Expected level of salary increases	3.00%	3.00%	N/A	N/A
Interest discount rate	4.75%	6.00%	6.00%	4.00%

### 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 \$1,334 (2010 – \$1,197) and was determined by an actuarial valuation completed in December 2011. A Workplace Safety and Insurance Reserve Fund, funded by annual contributions from the Operating Fund, has been established to protect against any

# THE CORPORATION OF THE TOWN OF MARKHAM

## Notes to the Consolidated Financial Statements

December 31, 2011

(All dollar amounts are in \$000)

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

unknown future liability.

The Town also maintains an insurance policy, which protects the Corporation against single claims in excess of \$1,000.

#### **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 \$5,565 (2010 - \$5,418). The accrued benefit liability and the net periodic benefit cost were determined by an actuarial valuation updated December 2011.

#### **LONG TERM DISABILITY**

The Town provides long term disability benefits to certain employees. At the year end, the accrued liability of \$4,633 represents the actuarial valuation of benefits to be paid on the history of claims with employees. The Town has established a long term disability reserve to reduce future impact of these obligations. The yearend balance of this reserve was \$11,154 (2010 - \$9,640).

# THE CORPORATION OF THE TOWN OF MARKHAM

## Notes to the Consolidated Financial Statements

December 31, 2011

(All dollar amounts are in \$000)

### 13. TANGIBLE CAPITAL ASSETS

<u>Cost</u>	Balance as at January 1, 2011	Additions	Disposals	Balance as at December 31, 2011
Land and land improvements	\$ 1,519,068	\$ 90,400	\$ (331)	\$ 1,609,137
Buildings and building improvements	172,687	11,813	-	184,500
Equipment	17,166	6,304	(1,428)	22,042
Furniture & Fixtures	6,527	527	(273)	6,781
Infrastructure	1,021,741	35,890	(6,456)	1,051,175
Library Furniture & Fixtures	2,486	459	(174)	2,771
Library Media Collection	11,234	1,718	(814)	12,138
Parks and Pathways	54,160	4,973	(928)	58,205
Vehicles	13,492	495	(1,421)	12,566
Waterworks Equipment	676	261	(2)	935
Waterworks Infrastructure	911,559	16,765	(399)	927,925
Waterworks Vehicles	1,117	175	-	1,292
Total	\$ 3,731,913	\$ 169,780	\$ (12,226)	\$ 3,889,467
Capital Work in progress	61,713	24,728	-	86,441
Grand Total	\$ 3,793,626	\$ 194,508	\$ (12,226)	\$ 3,975,908

# THE CORPORATION OF THE TOWN OF MARKHAM

## Notes to the Consolidated Financial Statements

December 31, 2011

(All dollar amounts are in \$000)

### 13. TANGIBLE CAPITAL ASSETS (continued)

<u>Accumulated amortization</u>	Balance as at January 1, 2011	Additions	Disposals	Balance as at December 31, 2011
Land and land improvements	\$ -	\$ -	\$ -	\$ -
Buildings and building improvements	67,056	4,416	-	71,472
Equipment	9,143	2,108	(1,428)	9,823
Furniture & Fixtures	2,009	465	(273)	2,201
Infrastructure	294,103	27,378	(6,456)	315,025
Library Furniture & Fixtures	1,388	251	(174)	1,465
Library Media Collection	5,831	1,483	(814)	6,500
Parks & Pathways	20,580	3,384	(928)	23,036
Vehicles	8,541	1,371	(1,421)	8,491
Waterworks Equipment	191	97	(2)	286
Waterworks Infrastructure	226,813	14,145	(399)	240,559
Waterworks Vehicles	434	148	-	582
<b>Total</b>	<b>\$ 636,089</b>	<b>\$ 55,246</b>	<b>\$ (11,895)</b>	<b>\$ 679,440</b>

	Net book value December 31, 2011	Net book value December 31, 2010
Land and land improvements	\$ 1,609,137	\$ 1,519,068
Buildings and building improvements	113,028	105,631
Equipment	12,219	8,023
Furniture & Fixtures	4,580	4,518
Infrastructure	736,150	727,638
Library Furniture & Fixtures	1,306	1,098
Library Media Collection	5,638	5,403
Parks & Pathways	35,169	33,580
Vehicles	4,075	4,951
Waterworks Equipment	648	485
Waterworks Infrastructure	687,367	684,746
Waterworks Vehicles	710	683
<b>Total</b>	<b>3,210,027</b>	<b>3,095,824</b>
Capital Work in progress	86,441	61,713
<b>Grand Total</b>	<b>\$ 3,296,468</b>	<b>\$ 3,157,537</b>

# THE CORPORATION OF THE TOWN OF MARKHAM

## Notes to the Consolidated Financial Statements

December 31, 2011

(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 \$86,441 (2010 - \$61,713) 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 \$83,980 (2010 - \$47,237) comprised of land in the amount of \$43,916 (2010 - \$13,875), roads infrastructure in the amount of \$29,769 (2010 - \$25,177) and water and wastewater infrastructure in the amount of \$10,295 (2010 - \$8,185)

#### **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.



# THE CORPORATION OF THE TOWN OF MARKHAM

## Notes to the Consolidated Financial Statements

December 31, 2011

(All dollar amounts are in \$000)

### 14. ACCUMULATED SURPLUS

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

	2011	2010
Town operating fund surplus including library and business improvement areas before year end and accounting accruals	\$ 2,061	\$ 4,893
Year end accounting accruals and transfers to reserves and reserve funds	(2,289)	(2,285)
Operating Surplus	\$ (228)	\$ 2,608
Equity in Markham Enterprises Corporations	199,578	189,665
Invested in tangible capital assets and others	3,265,580	3,152,742
	\$ 3,464,930	\$ 3,345,015
Reserves set aside for specific purposes by Council:		
Berczy Landscape Feature	203	203
Building Fee	6,823	90
Capital Gains	3,133	1,778
Corporate rate stabilization	16,419	16,004
Development Fee	(1,751)	(779)
Election Expenses	318	45
Election Rebate	(104)	230
Facility Ramp Up	5,495	2,525
Firefighters sick leave benefits	5,565	5,418
Insurance	1,967	1,475
Long Term Disability Benefit	11,154	9,640
Partnership	16	16
Waste management	28	28
Waterworks	31,118	25,026
Total reserves	\$ 80,384	\$ 61,699

# THE CORPORATION OF THE TOWN OF MARKHAM

## Notes to the Consolidated Financial Statements

December 31, 2011

(All dollar amounts are in \$000)

### 14. ACCUMULATED SURPLUS (continued)

	2011	2010
Reserve Funds set aside for specific purposes by Council:		
Cemetery Operations	101	-
Environmental Land Acquisition	7,758	7,242
Environmental Sustainability Fund	291	445
Heritage	477	494
Land Acquisition	4,019	3,321
Library Infrastructure	5,122	4,549
Life Cycle Replacement & Capital	96,243	94,679
Museum	58	57
Theatre	489	439
Trees for Tomorrow	230	227
Workplace Safety & Insurance Board	2,799	2,764
Non-DC Growth	16,435	6,775
Total reserve funds	\$ 134,023	\$ 120,992
<b>Total</b>	<b>\$ 3,679,337</b>	<b>\$ 3,527,706</b>

### 15. LEASE OBLIGATIONS

- (a) As at December 31, 2011, the Town is committed to minimum annual operating lease payments for premises and equipment as follows:

2012	524
2013	540
2014	180
2015	4
2016	4
	<u>\$1,252</u>

# THE CORPORATION OF THE TOWN OF MARKHAM

## Notes to the Consolidated Financial Statements

December 31, 2011

(All dollar amounts are in \$000)

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### 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 issued reassessments up to and including the 2006 taxation year.

There remains an outstanding matter regarding the treatment of Retail Settlement Variance Account (RSVA) for tax purpose. 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, amounts will be recorded as necessary.

- ✓ The Corporation has entered into agreements for capital projects and is committed to making payments of \$5,115 in 2012.

# THE CORPORATION OF THE TOWN OF MARKHAM

## Notes to the Consolidated Financial Statements

December 31, 2011

(All dollar amounts are in \$000)

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### 17. ACCOUNTS RECEIVABLE – POWERSTREAM INTEREST

Included in Accounts Receivable is \$7,584 (2010 - \$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% (2010 – 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 7,955 (2010 – 4,056) Class A Common Shares issued 3,604 (2010 - 1,838) Class A Common Shares are registered under Vaughan Holdings Inc. (wholly owned the City of Vaughan), 2,720 (2010 - 1,387) Class A Common Shares are registered under Markham Enterprises Corporation (wholly owned by the Town of Markham) and 1,631 (2010 – 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, 2011

(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, 2011 to December 31, 2011.

# THE CORPORATION OF THE TOWN OF MARKHAM

## Notes to the Consolidated Financial Statements

December 31, 2011

(All dollar amounts are in \$000)

	2011	2010
<b>Assets</b>		
Current	\$ 79,313	\$ 74,177
Capital	328,392	287,910
Goodwill	14,543	14,543
Other	24,263	30,790
<b>Total Assets</b>	<b>\$ 446,511</b>	<b>\$ 407,420</b>
<b>Liabilities</b>		
Current	74,660	66,121
Other	51,890	51,165
Long Term	120,383	100,469
<b>Total Liabilities</b>	<b>246,933</b>	<b>217,755</b>
<b>Shareholders' Equity</b>		
Common Shares	\$ 72,897	\$ 67,559
Promissory Notes Payable	79,164	79,164
Retained Earnings and contributed surplus	47,517	42,942
<b>Total Shareholders' Equity</b>	<b>199,578</b>	<b>189,665</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 446,511</b>	<b>\$ 407,420</b>
<b>Results of Operations</b>		
Revenues	\$ 324,312	\$ 299,781
Operating expenses	316,292	292,855
<b>Net Income</b>	<b>\$ 8,020</b>	<b>\$ 6,926</b>
Proportionate share of increase/(decrease) in notes payable in Power Stream Inc.	-	-
Equity Pick up in Markham Enterprises Corporation	\$ 8,020	\$ 6,926
Increase in share capital	5,338	833
Dividend paid to Town of Markham	(3,445)	(3,854)
<b>Change In Equity In Markham Enterprises Corporation</b>	<b>9,913</b>	<b>3,905</b>