



a greener Markham





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Canadian Award for Financial Reporting

Presented to

Corporation of the
Town of Markham, Ontario

For its Annual
Financial Report
for the Year Ended
December 31, 2006

A Canadian Award for Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to municipalities whose annual financial reports achieve the high program standards for Canadian Government accounting and financial reporting.



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The theme of the 2007 Annual Report, a greener Markham, is an opportunity to showcase our concern for the natural heritage, while presenting our environmental plans for this term of Council.

The 2007 Annual Report for Markham, Ontario, Canada has been prepared by the Office of the Chief Administrative Officer and the Corporate Services Commission.

We thank the Planning and Urban Design Department for selected images contained in this Report.

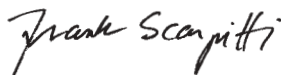
2007 annual report

This is our greenest budget ever.

We are pleased to present the 2007 Annual Report for the Corporation of the Town of Markham. Council and staff review Town services through our budget process to ensure that we are delivering value for municipal tax dollars. Fiscal stewardship remains one of our priorities, as we balance the need to deliver services to our changing population while minimizing tax increases.

Markham intends to remain at the forefront of environmental sustainability, with our Green Print for Markham, and to continue our long-term commitment to the values that build a strong community.

On behalf of Council and staff, we present our 2007 Annual Report and thank all those who have contributed to our outstanding record of success.



Frank Scarpitti
Mayor



Dan Horchik
*Councillor, Ward 6
Chair, Budget Committee*



Joseph Virgilio
*Councillor, Ward 3
Chair, Finance and
Administrative Committee*

FINANCE AND ADMINISTRATIVE COMMITTEE 2007

Chair

Joseph Virgilio
Councillor, Ward 3

Members

Frank Scarpitti
Mayor, Ex Officio
Jack Heath
Deputy Mayor, Ex Officio
Jim Jones
Regional Councillor
Tony Wong
Regional Councillor

Gordon Landon
Regional Councillor
Valerie Burke
Councillor, Ward 1
Erin Shapero
Councillor, Ward 2
Carolina Moretti
Councillor, Ward 4

John Webster
Councillor, Ward 5
Dan Horchik
Councillor, Ward 6
Logan Kanapathi
Councillor, Ward 7
Alex Chiu
Councillor, Ward 8

BUDGET COMMITTEE 2007

Chair

Dan Horchik
Councillor, Ward 6

Members

Frank Scarpitti
Mayor, Ex Officio
Jack Heath
Deputy Mayor, Ex Officio
Tony Wong
Regional Councillor

Valerie Burke
Councillor, Ward 1
Erin Shapero
Councillor, Ward 2
John Webster
Councillor, Ward 5

Logan Kanapathi
Councillor, Ward 7
Alex Chiu
Councillor, Ward 8

mayor's message

In the autumn of 2007, more than 5,000 people who live or work in Markham responded to our Click with Markham online poll on the Town's proposed strategic priorities. The response was excellent! We heard from more people during this program than we have during any other public consultation process. The program confirmed that we are headed in the right direction and it gave us excellent feedback.

A major strategic priority, and a special concern of mine, is the environment. To move this initiative forward, Council and staff, in consultation with the public, are developing a Green Print for Markham. The 2007 Budget was our greenest budget ever. It included: a turf management program to control the use of pesticides; a major expansion of our pathways and bicycle lanes; and the expansion of our recycling program to condos and apartment buildings. We are also planting more trees this term than we have during the past decade.

I'm pleased to present a review of the major highlights from 2007 as they relate to our six strategic priorities.

ENVIRONMENT

Markham Council and our residents are seriously committed to the environment. Environmental sustainability means meeting the needs of the present without compromising the ability of future generations to meet their needs. In 2007, Markham continued its leadership role, setting the benchmark in environmental protection.

The Town is creating a Green Print for Markham with policies for the protection of air, land, water, vegetation, wildlife and all living species. In 2007, our Mission Green waste management program won the Sustainable Municipality Platinum



Award from the Recycling Council of Ontario. Our residents helped us achieve our 70 per cent waste diversion target. Now, we're working on 75 per cent as we work our way to becoming a zero waste community.

Markham promotes Leadership and Environmental Design and Energy Star standards for high-performance, energy-efficient new buildings. In 2007, Markham began expansion on its District Energy plant at the Warden Energy Centre. When completed, it will deliver five megawatts of electrical power to the local power grid, enough for 5,000 homes.

GROWTH

York Region remains one of the fastest growing areas in Canada. A major challenge for Markham is to balance the demands of growth with the need to preserve its existing resources including; natural habitat, agricultural lands, heritage properties and economic opportunities. The Click with Markham program identified growth as our most important strategic priority.

In 2007, Markham Council approved the development of a "Made in Markham" growth management strategy. The strategy will be developed with significant public

input through a process beginning in 2008. In 2007, I asked the Province to hold the Places to Grow Summit, for which I acted as the municipal chair. It was an excellent exchange of ideas by municipal leaders, urban planners and leading business and environmental thinkers on how to support a sustainable environment while planning for growth in the Greater Golden Horseshoe.

As Mayor of Markham, I recommended formation of a Places to Grow task force, comprised of key provincial and municipal leaders and continue to work for a second Growth Plan summit to be held.

TRANSPORTATION & TRANSIT

As a close second, the Click with Markham program identified Transportation and Transit as the next most important strategic priority.

In 2007, Council approved the development of a Markham Transportation strategic plan, updating the plan that was set out in 2001. The Town continues to work on a more efficient transportation infrastructure and a funding strategy to improve transit throughout the Greater Toronto Area.

Markham now has a Cycling Master Plan, developed with input from our residents. When complete, the cycling and pathways network will include bicycle lanes and pathways totalling almost 400 km.

Our partnership with the Markham Board of Trade and the Richmond Hill Chamber of Commerce on Smart Commute 404-7 encourages businesses to use carpooling, transit and flexible work hours for their employees. This partnership was awarded the Sustainable Urban Transportation Award for environmental leadership from the Transportation Association of Canada.

There's an urgent need for a comprehensive strategy so that Markham will continue to be a leader in environmental sustainability. We must demonstrate innovation in the ways we deal with our natural environment and the structures we build.

SERVICE LEVELS

In Markham, we are committed to delivering high-quality and cost-effective municipal services. Residents have told us that they value services that respond to their needs, so we are adopting a service delivery model that clearly defines standards for all our services.

In 2007, we moved closer to a “one-call-does-it-all” communications and access model.

Feedback and accountability are important to us, so that we can ensure that services which should be provided are provided. We continue to look for new ways to manage and measure service delivery, including feedback from you, the residents and businesses of Markham.

PARKS & RECREATION

Council recognizes the increasing importance of quality of life as a factor in policy decisions, because knowledge industries and knowledge workers are attracted to attractive places to live.

Greater participation by residents, businesses and government provides greater vitality to our community, which results in increased quality and recognition. Awareness and recognition increase participation and the cycle continues.

Through the work of the Markham Sport Council, we launched Respect in Sport, an online training program for coaches and parents to promote fairness in sport. In keeping with our greening

initiatives, construction began in 2007 on several new parks including Markham's first cricket pitch.

The Varley Art Gallery celebrated its 10th Anniversary with a major exhibition of Frederick Varley portraits. Now touring in the United States, this exhibition is receiving critical acclaim. The McKay House renovation was completed and work on the gardens surrounding the arts centre got under way for completion in 2008.

DIVERSITY

Markham is home to a broad cross-section of people, representing a full range of human experiences. During 2007, we undertook various initiatives to promote inclusiveness, including developing a cultural competence program for Town employees. Council used Celebrate Markham grants to fund community events including: Black History Month, Chinese New Year Celebrations, Taste of Asia Festival and Canada Day.

Through Career Bridge, Markham provided six months of Canadian work experience to four new Canadians who have similar professional experience in their native countries. Also, in order to meet the diverse municipal needs of its residents, the Town installed Language Line, which offers simultaneous translation services in more than 170 languages to our residents.

CONCLUSION

In Markham, we cherish our heritage and our environment as we face the challenges of the future. We are always open to new ideas. By listening to our residents and our businesses, Council and staff work each day to make Markham a better place.

In presenting the 2007 Annual Report, I want to thank Council, staff, residents and businesses for their dedication and interest in our community.

We are Markham ... and we are Building Markham's Future Together.



Frank Scarpitti
Mayor
May, 2008



elected officials



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town councillors & ward map



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cao's message

Building Markham's Future Together underscores the strategic direction we established in 2007. The six priority areas we identified, and later confirmed through public consultation, are pivotal to our planning and operations, as is promoting a culture of leadership, innovation and best practices. Markham embraced continuous quality improvement as a way of conducting business and using our resources effectively several years ago. It's the way we do business and why we are achieving success in key areas.

In 2007, we were the first Canadian municipality certified by the National Quality Institute through its Progressive Excellence Program Level II Integrated Quality and Healthy Workplace Criteria. This certification recognized our commitment to embedding best practices in five areas essential for organizational success. Within that framework, the use of key performance indicators, surveys and public consultation guides all aspects of our work. It has helped us to recognize and implement a number of progressive programs for staff, particularly in areas of health and wellness.

In 2007, we also launched a three-year diversity competence program that will help us respond to the specific needs of our unique community. Markham is the most diverse city in the country and this program includes the promotion of greater diversity on our community advisory boards and volunteer groups. Markham was also one of the first municipalities to appoint a Director of Culture. This new function is responsible for an important cultural mapping and policy development program, ensuring we provide cultural experiences to serve and celebrate the broad interests of our diverse community, all the while encouraging



inclusiveness, and a common vision and purpose. This approach has been, and will continue to be, our key strength and sets the stage for ongoing social, economic and environmental leadership and innovation.

While 2008 and beyond will see a number of significant initiatives, our accomplishments this past year are providing the foundation. The 2007 budget was the greenest budget ever. We continue to make the environment a high priority. For example, our Markham Energy Conservation Office was a leader in a number of new energy-saving programs. During the "Haul Away Your Energy Hog" program, we collected more than 1,300 inefficient appliances, saving more than 1,400,000 kWh a year – sufficient to power 159 households for a year. The Province, following up on the success of this pilot, recently launched the program across Ontario. This is one of many "green" initiatives where Markham is leading and innovating environmental sustainability practices.

Sustainable growth and quality of life continue to be major factors in our planning and actions. Last year we completed a wide range of road improvements and

initiated several facility improvements. These included the construction of Markham's first, lit, artificial-turf sportsfield at the new Bill Crothers High School; the expansion of the Centennial Community Centre with indoor bocce courts and a gymnasium, and a new building to house collections at Markham Museum. We also launched Respect in Sport, the first community online training program in Canada for coaches and parents to help prevent abuse, neglect, harassment and bullying in sport.

In 2007, we developed a 10-year Economic Development Strategy which will be instrumental in building on our reputation as Canada's High Tech Capital. This strategy identifies key opportunities for Markham to attract businesses in life sciences, biotechnology and creative industries that focus on innovation as a way of life.

As we move forward to build on our 2007 accomplishments, and unfold new exciting initiatives in 2008, we will continue to engage residents and community stakeholders to help us forge a new strategic direction. Building Markham's Future Together is our goal. We want to continue to be a healthy and prosperous community, that attracts the best available talent.

A handwritten signature in black ink, appearing to read 'John Livey'. The signature is stylized and fluid.

John Livey
Chief Administrative Officer
May, 2008

governance

COUNCIL

The Town of Markham is governed by a Council, consisting of the Mayor, four Regional Councillors and eight Ward Councillors. The Mayor and Regional Councillors are elected at large, with each of the Ward Councillors elected in specific wards.

All Members of Council are elected for a four-year term and exercise their governance through the adoption of resolutions and By-laws. The key roles of Council are to: establish policies that define the strategic priorities of the Town; ensure that municipal services are provided in a cost-effective manner; balance the diverse values and priorities of competing interests within the community; and promote the interests of the Town of Markham.

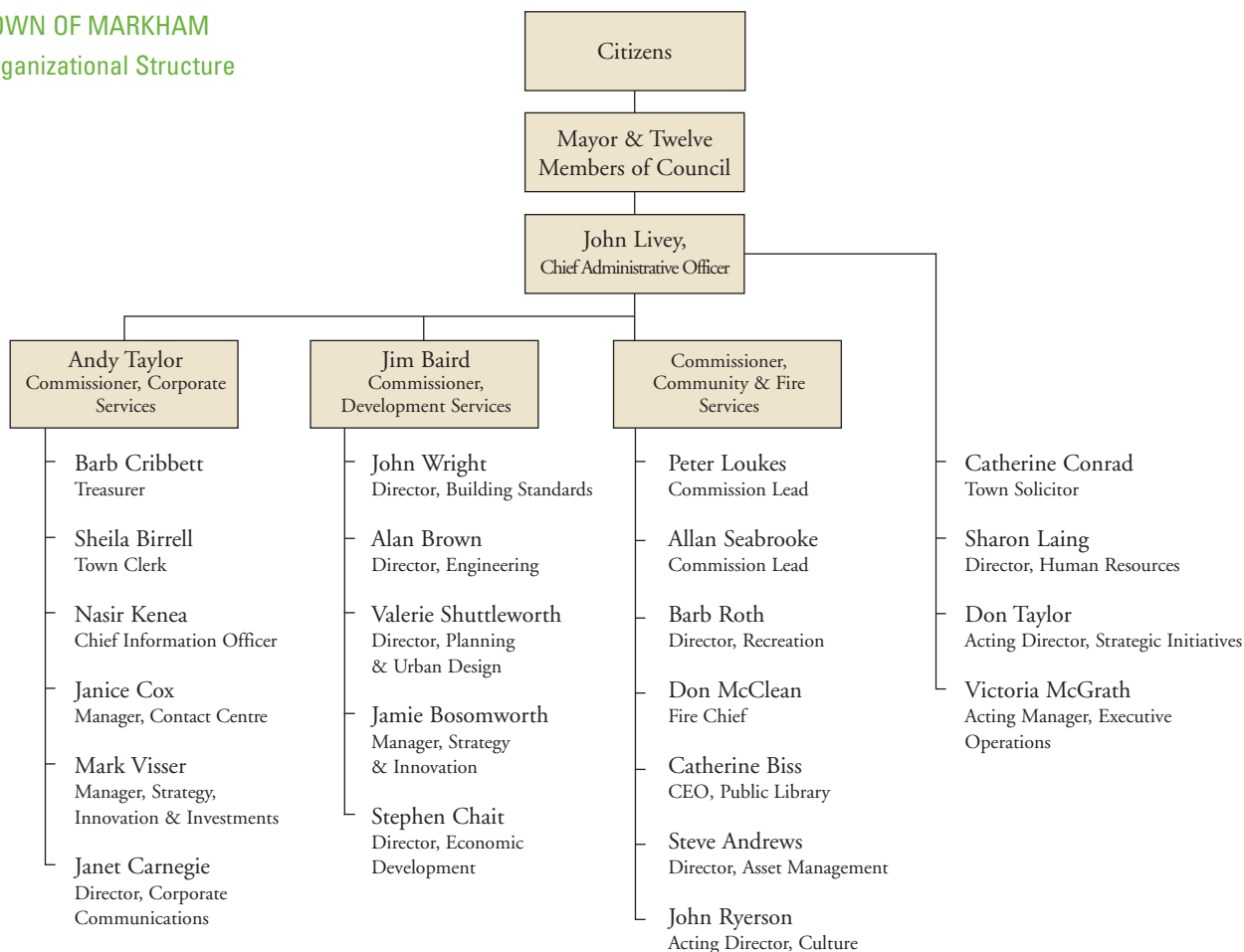
COMMITTEES

The committee structure is as follows: General Committee and Development Services Committee. Other sub-committees may be set up as needed and report to Council through one of the Standing Committees.

CHIEF ADMINISTRATIVE OFFICER

The CAO has overall responsibility for the Town's operating departments. In addition, Commissioners and departmental directors have responsibility for the day-to-day operations of the municipality. The CAO also advises the Mayor and Members of Council on matters of policy related to the civic administration of the Town of Markham.

TOWN OF MARKHAM Organizational Structure



A photograph of a dense forest with tall, thin trees and a thick canopy of bright green leaves. A path of brown leaves leads through the forest floor. The text is overlaid in the center of the image.

***We will plant more trees in this term of Council
than were planted in the past decade***

Markham profile

MARKHAM HISTORY

The modern history of the Town of Markham began in 1791, when John Graves Simcoe was appointed the first Lieutenant-Governor of Upper Canada. During his term, Simcoe's actions had a direct impact on Markham. His concern for improving military security in Upper Canada led to the clearing of Yonge Street and a system of free land grants, both of which greatly influenced the growth of the Township of Markham. Simcoe was also responsible for giving the Township the name of his friend, William Markham, the Archbishop of York at the time.

York Region's responsibilities include planning approvals, regional roads, transit, water, recycling and solid waste disposal, police services, public health and welfare programs.

The Town of Markham, the local level of government, is committed to providing services at reasonable cost. Such services include parks construction and maintenance, recreation facilities and programming, library service, fire and emergency services, the local road network, storm water management, community planning and tax collection.

The Town is also creating a "Made in Markham" strategy to manage and direct growth as well as to protect its heritage and agricultural lands.

Markham is part of the North Rouge River system and sits near the headwaters of the rivers that flow through the Greater Toronto Area. When complete, the Rouge River Park, running south from the Oak Ridges Moraine to Lake Ontario, will be the largest urban park in North America.

Markham supports its cultural life through town-owned facilities, including Markham Theatre, the Varley Art Gallery, Markham Museum and the Markham



In 1971, the Regional Municipality of York was established. The Town of Markham is the largest of nine municipalities that make up the Region which is due north of Toronto. The Greater Toronto area has a population of 4.4 million people and is Canada's largest marketplace.

GOVERNMENT STRUCTURE

Municipalities derive their powers largely from the Province of Ontario. Municipal elections are held every four years; the most recent was in the year 2006. Markham has an elected council of 13. Eight Ward Councillors serve constituents in Markham's eight wards.

The Mayor and four Regional Councillors represent Markham's interests town-wide and on York Regional Council.

MODERN MARKHAM

Markham has a land area of approximately 210 square kilometers. In 1976, the population was 56,000. During the past 31 years, the population has increased more than fivefold and stood at 287,000 in 2007. Still rich in farmlands, it stands as Canada's high-tech capital, known worldwide for innovative products and services. The municipality is surrounded by beautiful countryside.

Protecting the environment is a priority for the Town of Markham. Residents support local environmental initiatives, especially in regard to a long-term environmental strategy and the creation of a Green Print for Markham. The Town has a strong tradition of preserving natural areas for wildlife.

Public Libraries. The natural environment remains a priority as the community grows. In 2007, the Town had 192 parks, 2,553 acres of green space and an extensive system of trails and pathways.

The Town celebrates the rich fabric of its communities through the Markham, Unionville, Thornhill and Milliken Mills Festivals, Doors Open Markham, Senior's Hall of Fame Awards and its Canada Day Celebrations. All ages are represented from Youth Week through to the Seniors' Extravaganza and our Senior Citizens' Light Tour. People from many nations contribute to the cultural life of Markham and they are recognized through events such as the Chinese New Year, the Many Faces of Markham tribute and Black History Month.

2007 accomplishments

In 2007, the Town of Markham conducted Click with Markham ... a unique and innovative public engagement program, based on an interactive website. It was the largest municipal survey of its kind ever done in Ontario. What follows is a summary of the 2007 Town of Markham highlights, arranged according to the strategic priorities developed during the Click with Markham program.

GROWTH

- > Approved the development of a "Made in Markham" growth management strategy
- > Approved the development of a Markham Transportation Strategic Plan, updating the plan established in 2001
- > Approved the Thornhill Heritage District Conservation Plan, limiting the height of buildings on Yonge Street to 12 m
- > Welcomed Honda Canada headquarters to Markham
- > Participated in the 2007 Growth Summit and recommended the formation of the Places To Grow task force

ENVIRONMENT

- > Earned the Sustainable Municipality Platinum Award, Recycling Council of Ontario, for Markham's waste management program
- > Achieved 70 per cent and aimed at 75 per cent waste diversion target
- > Expanded recycling in 52 high-rise residential buildings to match the curbside blue box program
- > Passed a pesticide By-law, regulating the non-essential use of pesticides
- > Adopted the Leadership in Environmental Design and Energy Standards for high-performance, energy-efficient new buildings
- > Began the expansion of the District Energy Plant to generate enough additional electricity to power 5,000 homes

TRANSPORTATION & TRANSIT

- > Established a Cycling Master Plan that, when completed, will include on-road signed lanes and off-road pathways totaling 400 km
- > Partnered with the Markham Board of Trade and the Richmond Hill Chamber of Commerce on the Smart Commute 404-7
- > Worked with the Region of York to extend VIVA rapid transit to the Markham Stouffville Hospital
- > Allocated \$5.6 million for road resurfacing and improvements
- > Widened Warden Rd. between 14th Ave. and Hwy. 7 and widened Rodick Rd. from Miller Ave. to 14th Ave.
- > Constructed the first phase of the extension of Birchmont Rd. from 14th Ave. to Enterprise Blvd.

SERVICE

- > Created the position of Auditor General
- > Completed the revitalized Markham Village Library
- > Assumed an additional 33 hectares of parkland and began maintaining them
- > Started construction of Markham's first, lit, artificial-turf sports field in Markham Centre
- > Expanded Centennial Community Centre with new indoor bocce courts and a gymnasium
- > Began to control construction of extended or widened driveways throughout the Town
- > Started work on a new collections building and renovations to the Ward building at Markham Museum

PARKS, RECREATION, CULTURE & PUBLIC SAFETY

- > Began planning for the \$65 million East Markham Community Centre and Library
- > Hosted the 2007 Canadian Open at Angus Glen
- > Opened six local parks: Leitchcroft, Swan Lake, Van Horn Parkette, Benjamin Marr, Greensborough and Berczy Community Park
- > Began planning a new Fire Station for the Cathedral community
- > Celebrated the 10th anniversary of the Varley Art Gallery with a major exhibition of Frederick Varley's portraits
- > Completed a feasibility study for the location of the Canadian Sports Institute in Markham

DIVERSITY

- > Installed the Language Line service that offers services to residents in more than 170 languages
- > Used Celebrate Markham grants to fund community events including: Black History Month, Chinese New Year Celebration, Seniors Hall of Fame Awards, Taste of Asia Festival and Canada Day
- > Provided, through Career Bridge, six months of work experience to four professionals who have similar work experience in their native countries
- > Partnered with the Maytree Foundation to promote greater diversity on Town and community advisory boards and volunteer groups





looking forward

ENVIRONMENT

The Town will continue its environmental leadership in 2008 with the introduction of new environmental initiatives. They include the launch of a multi-year tree planting program and a comprehensive Green Print strategy for Markham.

The Town will adopt Green Building and Community Standards to assert its leadership in energy conservation and environmental design. Work continues on sustainable practices for waste water management, water protection and standards for zero emissions.

Markham is actively working on improving its excellent recycling program, controlling the use of pesticides and litter, while developing tree by-laws and control of organic waste. These activities will be accompanied by a multi-year communications program to raise public awareness of environmental issues.

Reducing our human ecological footprint is also a priority, as the Town develops policies about living with wildlife and initiatives that focus on children. All of Markham's environmental initiatives are aimed at advancing the Town's role as a leader in environmental sustainability.

GROWTH

During the "Click with Markham" public engagement program, growth management was seen as the most important area of focus with 78 per cent of respondents ranking it very or extremely important.

To become more responsive, the Make It Happen Task Force successfully streamlined the development application process, while Markham Council approved the updated Thornhill Heritage Conservation District Plan limiting the height of buildings on Yonge Street to 12 metres to reflect the scale of development traditionally found in the historic village setting.

Council is considering how best to support our live-work options and build more multi-unit housing. The Town is also developing policies on the best use of our commercial land to support public transit, while working closely with all levels of government to deliver the fiscal tools and funding required to improve our municipal infrastructure.

The Town of Markham is a recognized leader in the Greater Toronto Area and Canada for planning and development of a sustainable urban community that provides exceptional quality of life.

TRANSPORTATION/TRANSIT

Markham is committed to providing a variety of options to have a safe, efficient and environmentally-friendly transportation system. The Town now has extended VIVA rapid transit service to the Markham Stouffville Hospital, in the Town's east end. The Town continues to work with other levels of government to find ways to improve the road network, including the 400 series highways, as well as regional and local roads.

Plans are under way to provide all day GO Train service, early in 2009, on the Unionville-Markham-Stouffville line, when track work is completed. Council and staff continue to work with the Government of Ontario and the Toronto Transit Commission on the extension of the Yonge Subway into York Region.

Other planning options the Town is considering include: Transportation Demand Management, live and work balance, higher density development along transit lines, High Occupancy Vehicle lanes, parking management, cycling and bicycling lanes and environmentally-friendly nodes and corridors of new development.

SERVICE LEVELS

Replacing and upgrading infrastructure are challenges facing all municipalities. The 2008 Capital Budget provides for road resurfacing and improvement projects, as well as replacement and rehabilitation programs at parks, community centres and the Civic Centre. Projects also include a new sanitary trunk sewer at Highway 7 and Main Street, Unionville.

In the cultural area, Council has committed more than \$10.8 million to new construction and renovation of the Markham Village Library. Work has also started on a new collections building at the Markham Museum.

The Town is committed to delivering high-quality municipal services in a cost-effective way and is looking at an internet portal, as well as 211/311 phone service and access to the Town on a 24-hour basis.

Managing taxes is also a must. Staff is developing financial modeling tools that take into account the demographic, housing and transportation shifts that are happening within the Town.

PARKS, RECREATION & CULTURE

Markham continues to work on a long-term Parks, Recreation, Culture and Library Master Plan that will guide our growth in these areas for the next 15 years. We encourage residents to get involved in this important planning process.

Planning began for the \$65 million East Markham Community Centre and Library with valuable input from Markham residents. The facility will include a wellness centre operated in partnership with Markham Stouffville Hospital.

Also, we want to acknowledge the \$1.4 million donation from artist, Wallace Joyce, to support the Varley-McKay Art Foundation.

Developing our remarkable array of recreational and cultural resources will allow us to expand and enhance the awareness of Markham as a first class place to live and do business.

DIVERSITY

Markham understands the need to develop policies to promote inclusiveness and to

provide programs that respond to the diverse needs of Markham residents. The objective is to create a welcoming environment within the Town and encourage a “doors wide open” philosophy. To this end, the Town has doubled its commitment to the Career Bridge program in 2008 and partnered with the Maytree Foundation to promote greater diversity on Town and community advisory boards and volunteer groups.

As part of York Region, one of the fastest growing areas in Canada, Markham encourages everyone to respect and embrace our diversity. The Town will continue to develop its diversity training, inclusive human resources and mentoring. Council will set up a Seniors Committee, and will expand the mandates of the Race Relations Committee, the Markham Advisory Committee on Accessibility and the Mayor’s Youth Task Force.

Council continues to seek new ways to increase the Town’s awareness of our diversity strategy and the experience of inclusion throughout Markham.

MARKHAM'S TOP 10 EMPLOYERS

| Company | Number of Employees |
|-----------------------------------------------------|---------------------|
| IBM Canada | 8,534 |
| AMEX | 4,100 |
| AMD | 2,200 |
| CGI Information System & Management Consultants Inc | 2,050 |
| Markham Stouffville Hospital | 1,640 |
| TD Bank Financial Group, Home & Insurance | 1,630 |
| The Miller Group | 1,350 |
| Kohler Ltd | 879 |
| A.C. Neilsen Company of Canada Ltd | 662 |
| Allstate Insurance Company of Canada | 634 |



financial policies

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

BASIS OF ACCOUNTING

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

RESERVE/RESERVE FUND POLICY

The first phase of a comprehensive Reserve/Reserve Fund Study was approved by Council in 2004. The Town's discretionary reserves and reserve funds were consolidated and grouped into two main categories: Working Funds/Stabilization Reserves, and Capital Reserves. The second phase, approved by Council in March 2005, established targets for stabilization reserves based on best practices and capital reserves based on a review of life cycle replacement requirements for major Town facilities and infrastructure. In addition, the policy prioritized the distribution of annual operating budget surpluses to various reserves and determined the allocation of revenues from various hydro companies owned by the Town.

USE OF ONE-TIME REVENUES

For most local governments, revenue is recurring and sustainable, funding ongoing operating expenditures year after year. However, some types of revenue may occur only once, or intermittently. The Town's policy on this revenue is to use it to fund one-time expenditures. Unallocated one-time revenue is transferred as a component of the annual operating surplus, in accordance with the Reserve/Reserve Fund Policy.

DEFICIT AVOIDANCE

The Town's budgets will continue to show fiscal constraint. In any given year, when revenue shortfalls, or unforeseen expenditures appear to be more than temporary, both the Capital and Operating budgets will be reviewed to minimize the Town's exposure. The administration of the Corporation is authorized to freeze or reduce line budget spending as fiscal conditions dictate.

USE OF ASSESSMENT GROWTH

The Town will transfer up to 25 per cent of tax revenue from the net annualized growth in assessment to the Capital Fund to maintain and refurbish our existing infrastructure.

USE OF PRIOR YEAR'S SURPLUS/DEFICIT

The Town has in place a number of policies to minimize operating deficits, but should they occur, the Town maintains the flexibility to utilize funds from the Corporate Rate Stabilization Reserve. The Town has eliminated its dependence on balancing its budget by using the prior year's surplus. Surpluses are transferred in accordance with the Town's new Reserve/Reserve Fund Policy, beginning with the 2004 surplus.

CAPITAL BUDGET

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

DEBT ISSUANCE

Since 1992, Markham has not issued any debt and it became debt-free in 2002. The Town has adopted a fiscal policy of striving to maintain the status of a "Pay As You Go" community.

commissioner's report

I am pleased to present the 2007 Financial Report for The Town of Markham.

Council's six key strategic priorities include a focus on the environment. The establishment of a Green Print for Markham aims to enrich Markham as a sustainable community, ensuring long-term prosperity, social well-being and environmental health. The Green Print will guide the Town over a period of time to achieve the goal of a sustainable community. The plan will include establishing policies that protect the environment including air, vegetation/habitat, wildlife and other living species. Furthermore, the Town is developing a policy related to waste generation and disposal that is committed to promoting, facilitating, and modeling zero waste and environmentally responsible strategies. The implementation of these policies includes incorporating a plan of action that will conserve resources, such as water, raw materials and energy, reduce the use of hazardous substances, and improve the environmental quality of the community and provide the Town the opportunity to better serve the community with its model on environmental leadership. By incorporating environmental considerations in purchasing, the Town will be able to procure goods and services that will reduce its impact on the environment, eliminate unnecessary hazards from its operations, protect public health and help develop markets for environmentally responsible products.

In order to promote environmentally sound purchasing, Town staff will ensure that, wherever possible, goods and services specifications are amended to provide for the expanded use of environmentally preferred products.



These will include, but are not limited to, products that are: durable, reusable, energy-efficient, low emission and contain the maximum level of post-consumer waste and/or recyclable content.

REPORTING FOR TANGIBLE CAPITAL ASSETS

The Public Sector Accounting Board (PSAB) Handbook Section PS 3150 mandates that effective January 1, 2009, municipal governments will be required to account for and record tangible capital assets. In 2008, a cross-Commission team is inventorying all assets owned by the Town and determining their historic cost. The useful life of each asset, or asset class, will be determined and amortization must then be calculated from the time the asset was put into service. As a result, the traditional method followed by municipalities for Capital Budgeting will undergo a change and future capital budgets will only include projects that meet the criteria for tangible capital assets.

BUDGET

Each year the business units produce business plans that present their accomplishments of the previous year, as well as detailing their growth requirements and new initiatives for the coming year. Out of this process, the Budget is prepared to ensure it aligns with and supports the goals and strategic priorities of the Corporation. The Budget Committee, which consists of members of Council, supported by senior staff, encourages input and feedback from stakeholders and uses a "management-by-facts" approach to ensure taxpayers are receiving value for money.

Budget guidelines and priorities are set early in the process and budget requests are submitted to the Commissioners and CAO for rigorous review, resulting in a budget recommendation for the Budget Committee and, ultimately, Council.

For the past seven years, the Town submitted its budget document to the Government Finance Officers Association and each year we were honoured with the Distinguished Budget Presentation Award.

FINANCE & ADMINISTRATIVE COMMITTEE

The Finance & Administrative Committee assists Council in the provision of effective municipal government. Its three fundamental responsibilities are overseeing the processes related to the Corporation's: financial risks and internal control; financial reporting; and the external audit process.

FINANCIAL STATEMENTS

The accompanying Consolidated Financial Statements and all other information included in this report are the responsibility of the management of the Town of Markham. Included with the Financial Statements is a report prepared by our external auditor, KPMG LLP. The auditor has presented an independent opinion that the accompanying Consolidated Financial Statements present fairly, in all material respects, the financial position and operations of the Town of Markham.

Markham prepares its financial statements in compliance with the accounting recommendations as set out in the Canadian Institute of Chartered Accountants PSAB Handbook. It requires the Town's financial statements to provide an accounting of the full nature and extent of the financial affairs and resources for which the Town is responsible.

On a yearly basis, all Ontario municipalities are required to provide the Ministry of Municipal Affairs with performance measurement information, and to report the results of their performance to taxpayers by September 30. The goals of the program are to improve performance, strengthen accountability to taxpayers, stimulate productivity and creativity and improve budget processes. The Town's required measures are included in this report.

FINANCIAL HIGHLIGHTS

I would like to thank Barb Cribbett, Treasurer, and Joel Lustig, Director, Financial and Client Services, for the impressive efforts our team made to put in place the financial reporting systems that enabled our external auditors to verify Markham's Financial Statements within 90 days of year-end. Municipalities account for expenditures by fund. Three funds historically make up the Town's Financial Statements: Operating Fund, Capital Fund and Reserves/Reserve

Funds. For 2007, these three funds totalled \$151.5M (2006 – \$135.0M). In addition, Markham's equity interest in the Markham Enterprises Corporation is part of its Fund Balances. For 2007, the equity in Markham Enterprises Corporation was \$186.3M (2006 – \$174.5M), bringing the total fund balances to \$337.8M. The following is a summary of each fund.

OPERATING FUND

Revenues from the current year's operations were \$175.7M (2006 – \$164.6M) while the current operating expenditures totalled \$140.0M (2006 – \$129.6M). The 2007 net surplus after the transfers to reserves and reserve funds was approximately \$0.4M.

CAPITAL FUND

Markham fully funds capital projects once approved by Council. As a result, the phasing and completion of the projects affect the Capital Fund balance. The Capital Fund balance of \$24.0M (2006 – \$26.0M) represents unexpended capital funding at year-end. Capital expenditures in 2007 totalled \$76.2M (2006 – \$57.1M) and included such projects as Birchmount Road extension, Clegg Road extension, 14th Avenue watermain and Wismer Community Park.

Changes to the Development Charges Act have eliminated funding for such items as parkland acquisition, information technology and administrative space. As a result of the requirement to fund significant growth-related costs through non-development charge sources will continue to create challenges for Markham, given its remarkable growth.

To ensure Markham's existing infrastructure is maintained, the initial \$500,000 of tax revenue from new assessment each year is transferred to the Capital Fund. In 2007, \$17.7M (2006 – \$17.2M) was transferred to the Capital Fund from the tax rate.

RESERVES/RESERVE FUNDS AND DEFERRED REVENUE

As at December 31, 2007, the Reserves/Reserve Funds totalled \$127.1M (2006 – \$105.2M) and Deferred Revenue totalled \$159.6M (2006 – \$152.4M). The Reserves and Reserve Funds have been established to fund future operating and capital expenditures, long-term liabilities, special projects and potential corporate tax-rate stabilization and working capital requirements. Development Charges revenue and developer contributions for parkland are now reclassified as Deferred Revenue under Public Sector Accounting Board recommendations. They are no longer included within the Reserves and Reserve Funds.

The Reserve balances that have been established will give the Town added stability and flexibility to deal with the increasing demands placed on a growing community.

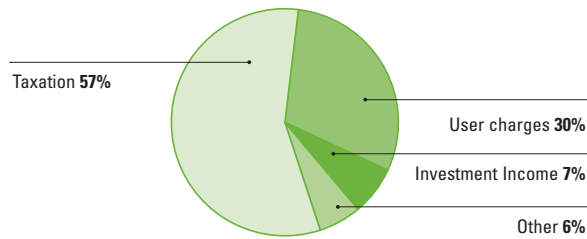
Building on our tradition of leadership and strategic planning, we will continue to meet the challenges and opportunities of the road ahead.

For the past six years, our Annual Report has won the Government Finance Officers Association Award for Financial Reporting. We are proud of these significant accomplishments because they acknowledge that our financial data and narrative explanations go well beyond minimum requirements of generally accepted accounting principles.

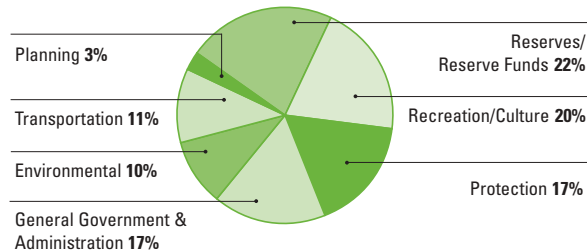


Andy Taylor, C.A.
Commissioner, Corporate Services
May, 2008

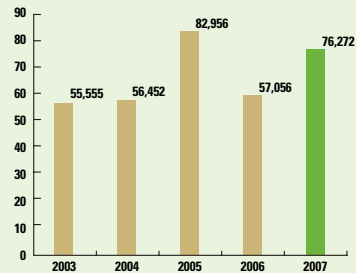
2007 Revenue



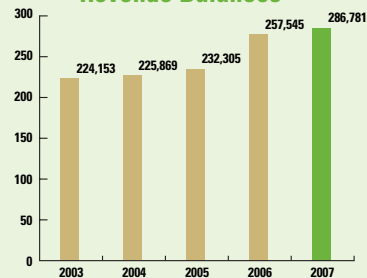
2007 Expenditures



Capital Spending



Reserves / Reserve Funds and Deferred Revenue Balances



All dollar amounts are in \$000

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, 2007 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, 2007 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 a 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.

KPMG LLP

Chartered Accountants, Licensed Public Accountants
Toronto, Canada
April 18, 2008

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2007

(All dollar amounts are in \$000)

| | 2007 | 2006 |
|---------------------------------------------------------|-------------------|------------|
| ASSETS | | |
| FINANCIAL ASSETS | | |
| Cash and cash equivalents (Note 4) | \$ 319,226 | \$ 291,687 |
| Taxes receivable (Note 7) | 30,033 | 30,842 |
| Unbilled user charges | 5,914 | 5,191 |
| Accounts receivable (Note 17) | 28,511 | 20,654 |
| Investment in Markham Enterprises Corporation (Note 18) | 186,304 | 174,471 |
| Other current assets | 6,105 | 225 |
| | 576,093 | 523,070 |
| LIABILITIES | | |
| Accounts payable and accrued liabilities (Note 9) | 69,967 | 53,459 |
| Deferred revenues (Note 10) | 159,649 | 152,367 |
| Employee future benefits liabilities (Note 12) | 14,112 | 12,781 |
| | 243,728 | 218,607 |
| | \$ 332,365 | \$ 304,463 |
| NET FINANCIAL ASSETS | | |
| MUNICIPAL POSITION | | |
| FUND BALANCES | | |
| Operating Fund (Note 14) | \$ 432 | \$ 3,814 |
| Capital Fund (Note 14) | 23,963 | 25,997 |
| Reserves and Reserve Funds (Note 14) | 127,132 | 105,178 |
| Equity in Markham Enterprises Corporation (Note 18) | 186,304 | 174,471 |
| FUND BALANCES | 337,831 | 309,460 |
| AMOUNTS TO BE RECOVERED (Note 6) | | |
| From reserves and reserve funds on hand | (5,466) | (4,997) |
| | \$ 332,365 | \$ 304,463 |

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

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

Year ended December 31, 2007
(All dollar amounts are in \$000)

| | 2007 <i>Budget</i> | 2007 <i>Actual</i> | 2006 <i>Actual</i> |
|-------------------------------------------------------------|-----------------------|-----------------------|-----------------------|
| Revenues | | | |
| Taxation | \$ 100,393 | \$ 100,552 | \$ 94,357 |
| User charges (Note 11) | 53,772 | 53,134 | 48,672 |
| Grants | 3,686 | 3,565 | 4,270 |
| Contributions from developers | 52,017 | 47,512 | 14,983 |
| Investment income | 11,674 | 15,556 | 16,100 |
| Tax penalties | 3,375 | 3,375 | 3,436 |
| Other | 6,228 | 9,078 | 12,303 |
| TOTAL REVENUES | 231,145 | 232,772 | 194,121 |
| Expenditures | | | |
| Operating | | | |
| General government | 29,013 | 29,682 | 27,191 |
| Protection to persons and property | 30,881 | 30,879 | 29,229 |
| Transportation services | 19,305 | 19,963 | 16,413 |
| Environmental services | 18,052 | 17,261 | 16,278 |
| Recreation and cultural services | 37,110 | 36,004 | 34,603 |
| Planning and development | 6,346 | 6,143 | 5,878 |
| Other | 33 | 499 | 622 |
| Subtotal | 140,740 | 140,431 | 130,214 |
| Capital | | | |
| General government | 8,801 | 5,330 | 5,279 |
| Protection to persons and property | 5,229 | 1,425 | 1,303 |
| Transportation services | 53,946 | 39,790 | 18,530 |
| Environmental services | 9,117 | 8,976 | 7,328 |
| Recreation and cultural services | 9,213 | 12,978 | 18,579 |
| Planning and development | 7,522 | 7,773 | 6,037 |
| Subtotal | 93,828 | 76,272 | 57,056 |
| TOTAL EXPENDITURES | 234,568 | 216,703 | 187,270 |
| | (3,423) | 16,069 | 6,851 |
| Equity pick up in Markham Enterprises Corporation (Note 18) | | 11,833 | 8,060 |
| INCREASE IN NET FINANCIAL ASSETS | (3,423) | 27,902 | 14,911 |
| INCREASE IN AMOUNTS TO BE RECOVERED | – | 469 | 597 |
| CHANGE IN FUND BALANCE | \$ (3,423) | \$ 28,371 | \$ 15,508 |

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

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

| <i>Year ended December 31, 2007</i> <i>(All dollar amounts are in \$000)</i> | 2007 | 2006 |
|---------------------------------------------------------------------------------|-------------------|------------|
| OPERATING ACTIVITIES | | |
| Increase in Net Financial Assets | \$ 27,902 | \$ 14,911 |
| Subtotal | 27,902 | 14,911 |
| Uses | | |
| Increase in accounts receivable | (7,857) | (6,208) |
| Increase in unbilled user charges | (723) | – |
| Increase in other current assets | (5,880) | (69) |
| Decrease in accounts payable and accrued liabilities | – | (110) |
| Subtotal | (14,460) | (6,387) |
| Sources | | |
| Decrease in unbilled user charges | – | 115 |
| Decrease in taxes receivables | 809 | 2,698 |
| Increase in accounts payable and accrued liabilities | 16,508 | – |
| Increase in deferred revenue | 7,282 | 18,769 |
| Increase in employee benefits liabilities | 1,331 | 1,420 |
| Subtotal | 25,930 | 23,002 |
| Net Increase/(decrease) from operating activities | 39,372 | 31,526 |
| INVESTING ACTIVITIES | | |
| Dividend from Markham Enterprises Corporation | – | 1,780 |
| Equity pick up in Markham Enterprises Corporation | (11,833) | (8,060) |
| Net Increase/(decrease) from investing activities | (11,833) | (6,280) |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | 27,539 | 25,246 |
| OPENING CASH AND CASH EQUIVALENTS | 291,687 | 266,441 |
| CLOSING CASH AND CASH EQUIVALENTS | \$ 319,226 | \$ 291,687 |

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2007
(All dollar amounts are in \$000)

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of The Corporation of The Town of Markham 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 reserves and reserve 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 financial activities 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.

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 Financial Activities and Fund Balances".

BASIS OF ACCOUNTING

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

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

TANGIBLE CAPITAL ASSETS

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

GOVERNMENT TRANSFERS

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

DEFERRED REVENUE

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

TAXATION AND RELATED REVENUES

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

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 contribution plan. Vacation entitlements are accrued for as entitlements are earned. Sick leave benefits are accrued where they are vested and subject to pay out when an employee leaves the Town's employ. 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 on surplus operating funds, capital funds, reserves and reserve funds (other than obligatory reserve funds) 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.

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 2007 are reflected on the Consolidated Schedules of Operating Fund Activities, Capital Fund Activities and Financial Activities. 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.

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:

| | 2007 | | | 2006 |
|--------------------------------------|------------------|-------------------|------------|------------|
| | School Boards | Region of York | Total | Total |
| Taxation | \$ 168,550 | \$ 181,492 | \$ 350,042 | \$ 334,856 |
| Payment in lieu of taxes | 226 | 979 | \$ 1,205 | 1,238 |
| Supplementary taxes | 2,897 | 3,772 | \$ 6,669 | 8,695 |
| Amount requisitioned and transferred | \$ 171,673 | \$ 186,243 | \$ 357,916 | \$ 344,789 |

3. TRUST FUNDS

Trust funds administered by the municipality for the benefit of others amounting to \$1,674 (2006 – \$1,551) have not been included in the "Consolidated Statement of Financial Position" nor have their operations been included in the "Consolidated Statement of Financial Activities". 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

| | <u>2007</u> | <u>2006</u> |
|-------------|-------------------|-------------|
| Cash | \$ 17,560 | \$ 5,330 |
| Investments | 301,666 | 286,357 |
| | \$ 319,226 | \$ 291,687 |

Investments, which are reported at cost for money market and face value for bonds, had a market value of \$301,413 (2006 – \$286,797) 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 2007, the average rate of return earned was 4.41% (2006 – 4.40%).

5. PENSION AGREEMENTS

The municipality makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

The amount contributed to OMERS for 2007 was \$4,844 (2006 – \$4,758).

6. AMOUNTS TO BE RECOVERED

| | <u>2007</u> | <u>2006</u> |
|---------------------------------------------|-----------------|-------------|
| Sick Leave | \$ 4,751 | \$ 4,383 |
| Workplace Safety and Insurance Board (WSIB) | 715 | 614 |
| | \$ 5,466 | \$ 4,997 |

7. TAXES RECEIVABLE

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

| | <u>2007</u> | <u>2006</u> |
|----------------------------------------|------------------|-------------|
| Current year | \$ 19,891 | \$ 20,480 |
| Arrears previous years | 11,866 | 12,243 |
| | 31,757 | 32,723 |
| Less Allowance for uncollectible taxes | (1,724) | (1,881) |
| | \$ 30,033 | \$ 30,842 |

MPAC continues to refine the property assessment based on values established in 2005 in the Town and across the Province. These values were used by the Town to compute the 2007 property tax bills. However, the property tax revenue and tax receivables of the Town are subject to measurement uncertainty as a number of submitted appeals have yet to be heard. However, 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 \$1,724 (2006 – \$1,881). 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 billing 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.

7. TAXES RECEIVABLE (continued)

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 2007.

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 Financial Activities”.

8. CLASSIFICATION OF EXPENDITURES BY OBJECT

The Consolidated Statement of Financial Activities presents the expenditures by function; the following classifies those same expenditures by object:

| | <u>2007</u> | <u>2006</u> |
|---------------------------------------|-------------------|-------------|
| Salaries, wages and employee benefits | \$ 88,168 | \$ 85,459 |
| Operating materials and supplies | 25,580 | 23,999 |
| Contracted services | 25,194 | 19,249 |
| Rents and financial expenses | 1,280 | 1,305 |
| External transfers to others | 209 | 202 |
| Tangible capital assets | 76,272 | 57,056 |
| Total expenditures by object | \$ 216,703 | \$ 187,270 |

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:

| | <u>2007</u> | <u>2006</u> |
|------------------------------|------------------|-------------|
| Trade accounts payable | \$ 30,770 | \$ 28,441 |
| Payable to other governments | 27,913 | 15,020 |
| Payroll liabilities | 4,984 | 3,185 |
| Accrued liabilities | 6,300 | 6,813 |
| | \$ 69,967 | \$ 53,459 |

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:

| | <u>2007</u> | <u>2006</u> |
|----------------------------|-------------------|-------------|
| Obligatory Reserve Funds | | |
| Development charges | \$ 146,598 | \$ 139,439 |
| Parkland | 9,366 | 7,421 |
| Other | 745 | 2,345 |
| Deferred revenue – general | 2,940 | 3,162 |
| | \$ 159,649 | \$ 152,367 |

11. USER CHARGES

| | <u>2007</u> | <u>2006</u> |
|----------------------------------------|------------------|-------------|
| Water and sewer billings to ratepayers | \$ 51,309 | \$ 45,908 |
| Region of York requisitions | (37,477) | (31,951) |
| Town Share | 13,832 | 13,957 |
| Building permits | 7,936 | 6,339 |
| Parking violations | 1,727 | 1,732 |
| Facility rentals | 5,669 | 5,199 |
| Recreational programs | 7,199 | 6,597 |
| Parks construction and maintenance | 262 | 261 |
| Cultural services | 1,659 | 1,403 |
| Engineering fees | 5,064 | 3,825 |
| Planning processing fees | 3,734 | 3,985 |
| Compliance letters/certificates | 229 | 239 |
| Other user charges | 5,823 | 5,135 |
| | \$ 53,134 | \$ 48,672 |

12. EMPLOYEE FUTURE BENEFITS LIABILITIES

| | <u>2007</u> | <u>2006</u> |
|------------------------------------|------------------|-------------|
| Vacation Pay – Town | \$ 2,051 | \$ 2,067 |
| Vacation Pay – Library | 80 | 74 |
| Employee future benefits | 6,516 | 5,643 |
| Vested sick leave benefits | 4,750 | 4,383 |
| Workplace Safety & Insurance Board | 715 | 614 |
| | \$ 14,112 | \$ 12,781 |

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, 2007 is \$6,516 (2006 – \$5,643). The liability recorded by the Town has been determined by an actuarial study completed December 2007.

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

| | <u>2007</u> | | | <u>2006</u> |
|----------------------------------------------|---------------|--------------------------|---------------------------------|------------------|
| | <u>WSIB</u> | <u>Vested Sick Leave</u> | <u>Employee Future Benefits</u> | <u>Total</u> |
| Accrued benefit liability, beginning of year | \$ 614 | \$ 4,383 | \$ 5,643 | \$ 10,640 |
| Service cost | 193 | 174 | 442 | 809 |
| Interest cost | 39 | 260 | 501 | 800 |
| Benefit payments | (131) | (88) | (287) | (506) |
| "Amortization of actuarial loss (gain)" | – | 21 | 217 | 238 |
| Accrued benefit liability, end of year | \$ 715 | \$ 4,750 | \$ 6,516 | \$ 11,981 |
| | | | | \$ 10,640 |

12. EMPLOYEE FUTURE BENEFITS LIABILITIES *(continued)*

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% | 3.50% | N/A |
| Interest discount rate | 5.00% | 6.25% | 5.50% |

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 \$4,750 (2006 – \$4,383). The accrued benefit liability and the net periodic benefit cost were determined by an actuarial valuation updated December 2007.

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 \$715 (2006 – \$614) and was determined by an actuarial evaluation completed December 2004 and updated December 2007. 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.

13. COMPARATIVE FIGURES

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

14. MUNICIPAL FUND BALANCES AT THE END OF THE YEAR

(a) Operating fund balance

| | <u>2007</u> | <u>2006</u> |
|--------------------------------------------|---------------|-------------|
| Available for reduction of future taxation | | |
| Town | \$ 25 | \$ 3,746 |
| Library | 438 | 55 |
| Business Improvement Areas | (31) | 13 |
| | \$ 432 | \$ 3,814 |

(b) Capital fund balance

| | <u>2007</u> | <u>2006</u> |
|----------------------------------------------------------------|------------------|-------------|
| Funds available for the acquisition of tangible capital assets | \$ 23,963 | \$ 25,997 |

14. MUNICIPAL FUND BALANCES AT THE END OF THE YEAR (continued)

(c) Reserves and Reserve Funds

| | 2007 | 2006 |
|-----------------------------------------------------------|-------------------|-------------------|
| Reserves set aside for specific purposes by Council: | | |
| Waste management process | \$ 26 | \$ 26 |
| Waterworks purposes | 8,668 | 7,719 |
| Firefighters sick leave benefits | 4,751 | 4,383 |
| Corporate rate stabilization | 14,899 | 12,539 |
| Facility Ramp Up | 2,402 | - |
| Partnership | 15 | 15 |
| Long Term Disability Benefit | 6,032 | 4,523 |
| Development Fee | 1,528 | 255 |
| Election Expenses | 300 | - |
| Election Rebate | 70 | 220 |
| Building Fee | 3,571 | 2,218 |
| Total reserves | \$ 42,262 | \$ 31,898 |
| Reserve Funds set aside for specific purposes by Council: | | |
| Theatre | \$ 394 | \$345 |
| Museum | 3 | 48 |
| Heritage | 510 | 482 |
| Environmental Land Acquisition | 5,007 | 4,298 |
| Environmental Sustainability Fund | 69 | 51 |
| Library | 2,825 | 2,195 |
| Workplace Safety & Insurance Board | 2,618 | 2,503 |
| Life Cycle Replacement & Capital | 67,809 | 58,631 |
| Land Acquisition | 1,590 | 1,031 |
| 10% Non-DC Growth | 4,045 | 3,696 |
| Total reserve funds | \$ 84,870 | \$ 73,280 |
| Total Reserves and Reserve Funds | \$ 127,132 | \$ 105,178 |

15. LEASE OBLIGATIONS

(a) As at December 31, 2007, the Town is committed to minimum annual operating lease payments for premises and equipment as follows:

| | |
|------|---------------|
| 2008 | \$ 125 |
| 2009 | 27 |
| 2010 | 1 |
| 2011 | 1 |
| 2012 | 1 |
| | \$ 155 |

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

16. CONTINGENCY

UNSETTLED LEGAL CLAIMS AND POTENTIAL OTHER CLAIMS

The Town has been named as the defendant in certain legal actions in which damages have been sought. The outcome of these actions is not determinable at this time and, accordingly, no provision has been made in these financial statements for any liability that may result.

MARKHAM ENTERPRISES CORPORATION

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 – POWERSTREAM INTEREST

Included in Accounts Receivable is \$4,777 being the 5.58% per annum interest due for the period October to December 2006 to December 2007 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 43% (2006 – 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. At year end, of the total 1,035.0877 common shares issued, by PowerStream Inc., 445.0877 (2006 – 445.0877) 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., over the strategic operating, investing and financing policies of PowerStream.

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

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, 2007 to December 31, 2007.

| | <u>2007</u> | <u>2006</u> |
|-------------------------------------------------------------------------------|-------------------|-------------|
| Assets | | |
| Current | \$ 77,994 | \$ 62,806 |
| Capital | 222,627 | 199,905 |
| Goodwill | 14,185 | 14,185 |
| Other | 5,024 | 6,879 |
| Total Assets | \$ 319,830 | \$ 283,775 |
| Liabilities | | |
| Current | 64,279 | 48,565 |
| Other | 14,889 | 15,339 |
| Long Term | 54,358 | 45,400 |
| Total Liabilities | 133,526 | 109,304 |
| Shareholders' Equity | | |
| Common Shares | \$ 66,727 | \$ 66,727 |
| Promissory Notes Payable | 84,013 | 80,508 |
| Retained Earnings and contributed surplus | 35,564 | 27,236 |
| Total Shareholders' Equity | 186,304 | 174,471 |
| Total Liabilities and Shareholders' Equity | \$ 319,830 | \$ 283,775 |
| Results of Operations | | |
| Revenues | \$ 267,462 | \$ 257,392 |
| Operating expenses | 259,371 | 250,167 |
| Net Income | \$ 8,091 | \$ 7,225 |
| Adjustment due to change in accounting policy adopted by PowerStream | 237 | – |
| Proportionate share of increase in notes payable in PowerStream | 3,505 | 884 |
| Proportionate share of dividend payment from retained earnings in PowerStream | – | (49) |
| Equity Pick up in Markham Enterprises Corporation | \$ 11,833 | \$ 8,060 |
| Dividend paid to Town of Markham | – | (1,780) |
| Change in equity in Markham Enterprises | \$ 11,833 | 6,280 |

19. TANGIBLE CAPITAL ASSETS

In June 2006, Public Sector Accounting Board (PSAB), approved the revisions to Section 3150 of the Public Sector Accounting Handbook – Tangible Capital Assets stating that effective January 1, 2009 all municipal governments will be required to capitalize Tangible Capital Assets (TCA) at historic cost and amortize these assets over their useful life. Public Sector Guideline 7 (PSG – 7) of the Public Sector Accounting Handbook of the Canadian Institute of Chartered Accountants provides transitional guidance on presenting information related to tangible capital assets by way of a note to the financial statements until Section 3150 – Tangible Capital Assets comes into effect on January 1, 2009.

In order to be fully compliant with the above new requirements, the Town of Markham is currently in the process of inventorying its assets, as at December 31, 2007. Inventories are anticipated to be significantly complete in the second quarter of 2008.

The valuation of assets, at their historic costs, is also currently underway on inventories which are substantially complete. Where historical accounting records are not available, the Town will apply a consistent method in estimating the historic cost. The valuation process is anticipated to be substantially complete by December 31, 2008. Upon completion of the valuation, amortization, using the straight line method, will be calculated on all assets.

The Town will draft a formal TCA policy, which will include a complete list of asset categories and their corresponding useful lives. This document is anticipated to be completed by the end of 2008.

Effective January 1, 2009 the Town's Capital Budget will include only projects which meet the criteria for a TCA. All other expenditures must be included in the Operating Budget and be expensed in the period in which they occur.

CONSOLIDATED SCHEDULE OF OPERATING FUND ACTIVITIES – SCHEDULE 1

Year ended December 31, 2007
(All dollar amounts are in \$000)

| | 2007 <i>Budget</i> | 2007 <i>Actual</i> | 2006 <i>Actual</i> |
|----------------------------------------|-----------------------|-----------------------|-----------------------|
| REVENUES | | | |
| Taxation – all classes | \$ 100,393 | \$ 100,552 | \$ 94,357 |
| User charges (Note 11) | 53,772 | 53,134 | 48,672 |
| Grants | 751 | 1,322 | 1,200 |
| Investment income | 11,674 | 11,893 | 11,738 |
| Tax penalties | 3,375 | 3,375 | 3,436 |
| Other | 4,440 | 5,470 | 5,231 |
| Total Revenue | 174,405 | 175,746 | 164,634 |
| EXPENDITURES | | | |
| General government | 29,013 | 29,682 | 27,191 |
| Protection to persons and property | 30,881 | 30,879 | 29,229 |
| Transportation services | 19,305 | 19,963 | 16,413 |
| Environmental services | 18,052 | 17,261 | 16,278 |
| Recreation and cultural services | 37,110 | 36,004 | 34,603 |
| Planning and development | 6,346 | 6,143 | 5,878 |
| Other | 33 | 30 | 25 |
| Total Expenditures | 140,740 | 139,962 | 129,617 |
| NET REVENUES | 33,665 | 35,784 | 35,017 |
| FINANCING AND TRANSFERS | | | |
| Transfer to Capital Funds | – | (258) | – |
| Transfer to Reserves and Reserve Funds | (33,665) | (38,908) | (35,059) |
| Net financing and transfers | (33,665) | (39,166) | (35,059) |
| CHANGE IN OPERATING FUND | – | (3,382) | (42) |
| SURPLUS, BEGINNING OF YEAR | – | 3,814 | 3,856 |
| SURPLUS, END OF YEAR | \$ – | \$ 432 | \$ 3,814 |

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

CONSOLIDATED SCHEDULE OF CAPITAL FUND ACTIVITIES – SCHEDULE 2

*Year ended December 31, 2007
(All dollar amounts are in \$000)*

| | 2007 <i>Budget</i> | 2007 <i>Actual</i> | 2006 <i>Actual</i> |
|------------------------------------------|------------------------------|------------------------------|-----------------------|
| REVENUES | | | |
| Government of Canada grants | \$ 2,935 | \$ 2,208 | \$ 1,987 |
| Province of Ontario grants | – | 35 | 1,083 |
| Contributions from developers | 21,552 | 5,380 | 1,707 |
| Developers revenue earned | 30,465 | 33,370 | 13,276 |
| Other | 1,788 | 3,608 | 7,072 |
| Total revenues | 56,740 | 44,601 | 25,125 |
| EXPENDITURES | | | |
| General government | 8,801 | 5,330 | 5,279 |
| Protection to persons and property | 5,229 | 1,425 | 1,303 |
| Transportation services | 53,946 | 39,790 | 18,530 |
| Environmental services | 9,117 | 8,976 | 7,328 |
| Recreation and cultural services | 9,213 | 12,978 | 18,579 |
| Planning and development | 7,522 | 7,773 | 6,037 |
| Total expenditures | 93,828 | 76,272 | 57,056 |
| NET EXPENDITURES | (37,088) | (31,671) | (31,931) |
| FINANCING AND TRANSFERS | | | |
| Transfer from Reserves and Reserve Funds | 37,088 | 29,379 | 34,730 |
| Transfer from Operating Funds | – | 258 | – |
| Net financing and transfers | 37,088 | 29,637 | 34,730 |
| CHANGE IN CAPITAL FUND | – | (2,034) | 2,799 |
| OPENING CAPITAL FUND | – | 25,997 | 23,198 |
| CLOSING CAPITAL FUND | \$ – | \$ 23,963 | \$ 25,997 |

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

CONSOLIDATED SCHEDULE OF RESERVES AND RESERVE FUNDS ACTIVITIES – SCHEDULE 3

Year ended December 31, 2007
(All dollar amounts are in \$000)

| | 2007 | 2006 |
|------------------------------------------------------|-------------------|------------|
| REVENUES | | |
| Investment income | \$ 3,663 | \$ 2,843 |
| Developers Revenue & others | 8,762 | 1,519 |
| Total revenues | 12,425 | 4,362 |
| FINANCING/NET TRANSFERS FROM (TO) OTHER FUNDS | | |
| Dividend from Markham Enterprises Corporation | – | 1,780 |
| Transfer from Operating Funds | 38,908 | 35,059 |
| Transfer to Capital Funds | (29,379) | (34,730) |
| Total net transfers | 9,529 | 2,109 |
| CHANGE IN RESERVES AND RESERVE FUNDS | 21,954 | 6,471 |
| OPENING BALANCE | 105,178 | 98,707 |
| CLOSING BALANCE | \$ 127,132 | \$ 105,178 |

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



auditors' report

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

We have audited the balance sheet of the Trust Funds of The Corporation of The Town of Markham as at December 31, 2007 and the statement of continuity of Trust Funds 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 financial statements present fairly, in all material respects, the financial position of the Trust Funds of the Town as at December 31, 2007 and the continuity of the Trust Funds for the year then ended in accordance with the accounting principles.

KPMG LLP

Chartered Accountants, Licensed Public Accountants
Toronto, Canada
April 18, 2008

TRUST FUNDS

Statement of Financial Position*December 31, 2007 with comparative figures for 2006*

| | 2007 | | | | | | | 2006 | |
|------------------------------------|-------------------------|---------------------------|-----------------------------------------------|-------------------------------|-------------------|---------------------------------------|------------------------------------------|-------------|-------------|
| | Morgan Park Trust | Varley- McKay Trust | Markham Conservation Committee Trust | Elections Surplus Trust | Cemetery Trust | Older Adults in Action Trust | Markham History Res & Pub Trust | Total | Total |
| Bank balance | \$57,502 | \$1,487,167 | \$11,670 | \$105,398 | \$124,898 | \$7,301 | \$68,460 | \$1,862,396 | \$1,676,331 |
| Payable to Varley-McKay Foundation | – | (188,363) | – | – | – | – | – | (188,363) | (125,140) |
| Fund balance | \$57,502 | \$1,298,804 | \$11,670 | \$105,398 | \$124,898 | \$7,301 | \$68,460 | \$1,674,033 | \$1,551,191 |

Statement of Financial Activities and Fund Balances*Year ended December 31, 2007 with comparative figures for 2006*

| | | | | | | | | | |
|---------------------------------|-----------|--------------|-----------|------------|------------|----------|-----------|--------------|--------------|
| Fund balance, beginning of year | \$ 55,051 | \$ 1,298,804 | \$ 13,134 | \$ – | \$ 111,288 | \$ 6,990 | \$ 65,924 | \$ 1,551,191 | \$ 1,608,701 |
| Receipts | | | | | | | | | |
| Interest Earned | 2,451 | 63,206 | 535 | 3,425 | 5,014 | 311 | 2,536 | 77,478 | 69,219 |
| Sale of plots | – | – | – | – | 13,610 | – | – | 13,610 | 6,430 |
| Deposit from Candidates | – | – | – | 101,973 | – | – | – | 101,973 | – |
| | 57,502 | 1,362,010 | 13,669 | 105,398 | 129,912 | 7,301 | 68,460 | 1,744,252 | 1,684,350 |
| Expenditures | – | – | (1,999) | – | (5,014) | – | – | (7,013) | (73,762) |
| Distributable to Foundation | – | (63,206) | – | – | – | – | – | (63,206) | (59,397) |
| Fund balance, end of year | \$ 57,502 | \$ 1,298,804 | \$ 11,670 | \$ 105,398 | \$ 124,898 | \$ 7,301 | \$ 68,460 | \$ 1,674,033 | \$ 1,551,191 |

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

TRUST FUNDS

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2007

1. SIGNIFICANT ACCOUNTING POLICIES

The Trust Funds financial statements of The Corporation of The Town of Markham are the representation of management prepared in accordance with accounting principles set out below.

BASIS OF ACCOUNTING

- (a) Revenue Recognition: Receipts, other than interest and letters of credit receipts, are reported on receipt. Interest income and letters of credit receipts are recorded on the accrual basis of accounting.
- (b) The accrual basis of accounting recognizes expenditures as they are incurred and measurable as a result of receipts of goods or services and the creation of legal obligation to pay.

2. TRUST FUNDS

MORGAN PARK TRUST

The T. & G. Morgan Memorial Fund in Markham Village was established in 1918 as a result of the last Will and Testament of George Morgan to hold funds, the interest earned on which can be used to offset certain maintenance costs of Morgan Park.

The Morgan Park Redevelopment Trust Fund was established by Council Resolution on December 11, 1991 to receive charitable donations to be used towards the redevelopment of Morgan Park.

VARLEY-MCKAY ART FOUNDATION TRUST FUND

The Varley-McKay Art Foundation Trust Fund was established by Council Resolution on December 11, 2001. This trust is funded by the amount received from the Estate of Kathleen G. McKay. Interest earned on these funds is available to the Varley-McKay Art Foundation of Markham to fund art appreciation and development.

MARKHAM CONSERVATION COMMITTEE TRUST FUND

The Markham Conservation Committee Trust Fund was established by Council Resolution on April 15, 1992 to receive donations, grants, subsidies, and other amounts, to be used to cover costs associated with conservation and naturalization programs and projects undertaken by the Markham Conservation Committee.

ELECTION – CANDIDATES SURPLUS FUNDS TRUST ACCOUNT

The Election – Candidates Surplus Funds Trust Account was established under the Municipal Elections Act to hold surplus campaign funds received by registered candidates in a previous election, to credit interest earned to the surplus funds while held in trust, and to distribute the funds to the registered candidate or to the municipality, school board or local board, as the case may be, in accordance with the Act.

CEMETERY TRUST FUNDS

The Cemetery Trust Funds were established under the Regulations of the Cemeteries Act to accumulate certain funds from the sale or transfer of an interment right to a purchaser in accordance with the Regulations. These funds are to be held in trust for the care and maintenance of the cemetery. Interest earned on amounts held by the Fund are used towards the maintenance, security and preservation of the cemetery, its grounds, buildings, equipment and markers in accordance with the Regulations.

OLDER ADULTS IN ACTION TRUST FUND

Council Resolution established the Older Adults In Action Trust Fund on March 10, 1998 to collect donations for the Club and Older Adult Centre.

MARKHAM HISTORY – RESEARCH AND PUBLICATION TRUST FUND

The Markham History – Research and Publication Trust Fund was established by Council Resolution on June 1, 2004 to plan and monitor the implementation of research, writing, digitizing and production of historical media that illuminates various themes in Markham's history. This trust is funded from cash and securities received from organizations involved in the creation of the original trust fund – Markham History Book Committee and the Markham District Historical Society and the Museum Advisory Board.

FIVE-YEAR REVIEW (UNAUDITED)

| | 2007 | 2006 | 2005 | 2004 | 2003 |
|---------------------------------------------------------------|------------------------------------------|------------|------------|------------|------------|
| REVENUE FUND OPERATIONS | | | | | |
| | <i>(All dollar amounts are in \$000)</i> | | | | |
| <i>Expenditures by function</i> | | | | | |
| General Government | \$ 29,682 | \$ 27,191 | \$ 25,419 | \$ 25,873 | \$ 23,335 |
| Protection to Persons & Property | 30,879 | 29,229 | 26,233 | 22,789 | 22,233 |
| Transportation Services | 19,963 | 16,413 | 17,099 | 15,711 | 15,144 |
| Environmental Services | 17,261 | 16,278 | 14,571 | 11,826 | 10,771 |
| Recreation and Cultural Services | 36,004 | 34,603 | 32,920 | 28,813 | 26,297 |
| Planning and Development | 6,143 | 5,878 | 5,816 | 5,620 | 5,143 |
| Other | 30 | 25 | 22 | 21 | 27 |
| Financing Repayment & Transfers | 39,166 | 35,059 | 45,843 | 31,402 | 32,294 |
| | \$ 179,128 | \$ 164,676 | \$ 167,923 | \$ 142,055 | \$ 135,244 |
| <i>Revenues by Source</i> | | | | | |
| Taxation (includes Supplementary & Payments In Lieu) | \$ 100,552 | \$ 94,357 | \$ 88,036 | \$ 81,846 | \$ 74,638 |
| Province of Ontario – Grants/Subsidies | 1,322 | 1,200 | 1,410 | 1,393 | 820 |
| Other Grants – for example, Canada | 0 | 0 | 0 | 0 | 0 |
| Fees and service charges | 53,134 | 48,672 | 46,830 | 39,783 | 37,177 |
| Investment Income | 11,893 | 11,738 | 11,762 | 11,775 | 11,536 |
| Other Revenue | 8,845 | 8,667 | 10,192 | 17,980 | 9,492 |
| | \$ 175,746 | \$ 164,634 | \$ 158,230 | \$ 152,777 | \$ 133,663 |
| Accumulated Net Revenue at the end of the year | \$ (3,382) | \$ (42) | \$ (9,693) | \$ 10,722 | \$ (1,581) |
| Surplus, Beginning of Year | 3,814 | 3,856 | 13,549 | 2,827 | 4,408 |
| Surplus, End of Year | \$ 432 | \$ 3,814 | \$ 3,856 | \$ 13,549 | \$ 2,827 |
| Reference: Consolidated Schedule of Operating Fund Activities | | | | | |
| CAPITAL OPERATIONS | | | | | |
| <i>Capital Expenditures</i> | \$ 76,272 | \$ 57,056 | \$ 82,956 | \$ 56,452 | \$ 55,555 |
| <i>Financing by Source</i> | | | | | |
| Transfers from Own Funds | \$ 29,637 | \$ 34,730 | \$ 40,152 | \$ 22,839 | \$ 21,799 |
| Grants/Subsidies – Federal/Provincial | 2,243 | 3,070 | 459 | 1,799 | 883 |
| Other | 42,358 | 22,055 | 41,289 | 32,850 | 43,835 |
| | \$ 74,238 | \$ 59,855 | \$ 81,900 | \$ 57,488 | \$ 66,517 |
| Change in Capital Fund | \$ (2,034) | \$ 2,799 | \$ (1,056) | \$ 1,036 | \$ 10,962 |
| Opening Capital Fund | 25,997 | 23,198 | 24,254 | 23,218 | 12,256 |
| Closing Capital Fund | \$ 23,963 | \$ 25,997 | \$ 23,198 | \$ 24,254 | \$ 23,218 |
| Reference: Consolidated Schedule of Capital Activities | | | | | |
| RESERVES AND RESERVE FUNDS | | | | | |
| Reserves | \$ 42,262 | \$ 31,898 | \$ 29,562 | \$ 83,603 | \$ 75,744 |
| Reserve Funds – Discretionary Only | \$ 84,870 | \$ 73,280 | \$ 69,145 | \$ 6,911 | \$ 6,338 |
| Deferred Revenue | \$ 159,649 | \$ 152,367 | \$ 133,598 | \$ 135,355 | \$ 142,071 |
| | \$ 286,781 | \$ 257,545 | \$ 232,305 | \$ 225,869 | \$ 224,153 |
| NET LONG TERM DEBT | | | | | |
| <i>Net Long-term Liabilities</i> | | | | | |
| Town of Markham Purposes | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Annual Debt Limit prescribed by Province | \$ 46,387 | \$ 44,171 | \$ 39,691 | \$ 37,382 | \$ 34,543 |
| Per Capita | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 |
| Percentage of taxable assessment | 0.0000% | 0.0000% | 0.0000% | 0.0000% | 0.0000% |
| <i>Annual charges for net long-term liabilities</i> | | | | | |
| Principal & Interest – Town of Markham Purposes | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| As a percentage of Revenue Fund Expenditures | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Per Capita | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 |

FIVE-YEAR REVIEW (UNAUDITED)

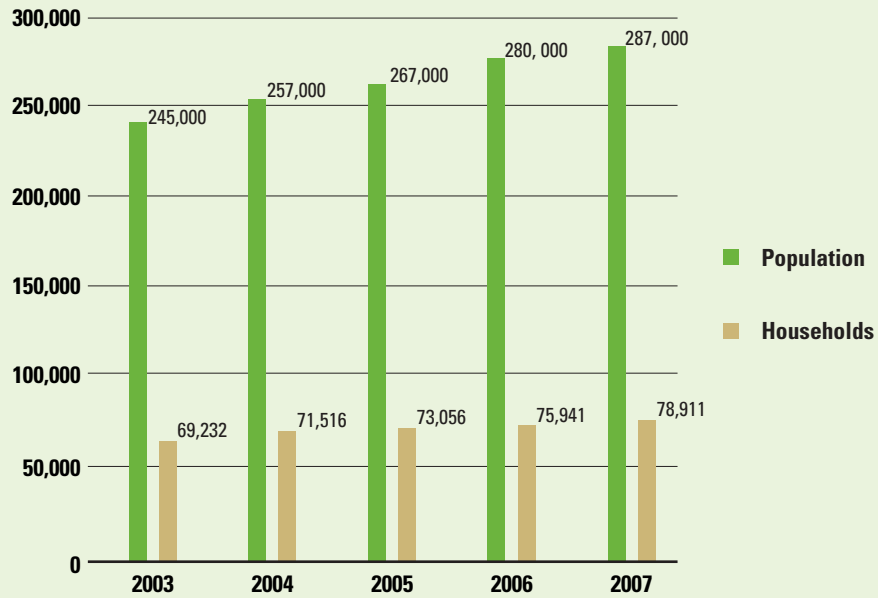
| | 2007 | 2006 | 2005 | 2004 | 2003 |
|------------------------------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|
| CONSOLIDATED EXPENDITURES | | | | | |
| <i>Expenditures by object</i> | | | | | |
| <i>(All dollar amounts are in \$000)</i> | | | | | |
| Salaries, wages & employee benefits | \$ 91,989 | \$ 85,459 | \$ 78,825 | \$ 71,514 | \$ 64,320 |
| Operating materials and supplies | 25,580 | 23,999 | 21,692 | 20,022 | 19,695 |
| Contracted services | 21,373 | 19,249 | 20,359 | 17,922 | 17,103 |
| Rents and financial expenses | 1,280 | 1,305 | 1,521 | 1,345 | 1,932 |
| External transfers to others | 209 | 202 | 180 | 169 | 79 |
| Tangible capital assets | 76,272 | 57,056 | 82,956 | 56,452 | 55,555 |
| Debt service | 0 | 0 | 0 | 0 | 0 |
| Total expenditure by object | \$ 216,703 | \$ 187,270 | \$ 205,533 | \$ 167,424 | \$ 158,684 |
| TAXABLE ASSESSMENT | | | | | |
| Residential, multi-residential and farm | \$ 29,658,866 | \$ 28,659,827 | \$ 25,314,458 | \$ 23,740,831 | \$ 19,830,413 |
| Commercial – all classes | 5,107,994 | 5,032,293 | 4,437,343 | 4,424,242 | 4,173,784 |
| Industrial – all classes | 999,598 | 942,125 | 805,232 | 766,641 | 761,200 |
| Pipeline & Managed Forests | 105 | 108,212 | 103,239 | 105,019 | 102,158 |
| | \$ 35,766,563 | \$ 34,742,457 | \$ 30,660,272 | \$ 29,036,733 | \$ 24,867,555 |
| Commercial, industrial and business as a percentage of taxable assessment | 17.08% | 17.20% | 17.10% | 17.88% | 19.85% |
| PROPERTY TAXATION | | | | | |
| <i>Tax Rates/Mill Rates (Note 1)</i> | | | | | |
| <i>Residential</i> | | | | | |
| Town of Markham | 0.260687% | 0.250717% | 0.261018% | 0.251221% | 0.276434% |
| Region of York | 0.495729 | 0.473336 | 0.510942 | 0.485717 | 0.525619 |
| School Boards (Public and Separate) | 0.264000 | 0.264000 | 0.296000 | 0.296000 | 0.335000 |
| | 1.020416% | 0.988053% | 1.067960% | 1.032938% | 1.137053% |
| <i>Multi-residential</i> | | | | | |
| Town of Markham | 0.260687% | 0.250717% | 0.261018% | 0.251221% | 0.276434% |
| Region of York | 0.495729 | 0.473336 | 0.510942 | 0.485717 | 0.525619 |
| School Boards (Public and Separate) | 0.264000 | 0.264000 | 0.296000 | 0.296000 | 0.335000 |
| | 1.020416% | 0.988053% | 1.067960% | 1.032938% | 1.137053% |
| <i>Commercial – Full Rate</i> | | | | | |
| Town of Markham | 0.314649% | 0.302616% | 0.315049% | 0.303224% | 0.304077% |
| Region of York | 0.598345 | 0.571316 | 0.616707 | 0.586260 | 0.578181 |
| School Boards (Public and Separate) | 1.492897 | 1.492897 | 1.683154 | 1.683154 | 1.758765 |
| | 2.405891% | 2.366829% | 2.614910% | 2.572638% | 2.641023% |
| Commercial – Vacant units, excess land % of Full Rate | 70% | 70% | 70% | 70% | 70% |
| <i>Industrial – Full Rate</i> | | | | | |
| Town of Markham | 0.358105% | 0.344410% | 0.358561% | 0.345103% | 0.359364% |
| Region of York | 0.680983 | 0.650221 | 0.701881 | 0.667229 | 0.683305 |
| School Boards (Public and Separate) | 1.658072 | 1.871896 | 1.878960 | 1.871896 | 2.033891 |
| | 2.697160% | 2.866527% | 2.939402% | 2.884228% | 3.076560% |
| Industrial – Vacant units, excess land – Percentage of Full Rate | 65% | 65% | 65% | 65% | 65% |
| <i>Taxes Levied</i> | | | | | |
| Town of Markham | \$ 100,552 | \$ 94,357 | \$ 88,036 | \$ 81,846 | \$ 74,638 |
| Region of York | 186,243 | 175,264 | 169,175 | 154,846 | 138,594 |
| School Boards (Public and Separate) | 171,673 | 169,525 | 166,810 | 166,884 | 155,992 |
| | \$ 458,468 | \$ 439,146 | \$ 424,021 | \$ 403,576 | \$ 369,224 |
| <i>Property Tax Collected</i> | | | | | |
| | \$ 428,435 | \$ 408,304 | \$ 390,481 | \$ 375,500 | \$ 348,229 |
| <i>Total Tax Arrears (Taxes Receivable)</i> | | | | | |
| | \$ 30,033 | \$ 30,842 | \$ 33,540 | \$ 28,076 | \$ 20,995 |
| Per capita | \$ 104.64 | \$ 110.19 | \$ 109.37 | \$ 109.25 | \$ 89.34 |
| Percentage of current levy | 6.55% | 7.02% | 7.91% | 6.96% | 5.69% |

Note:

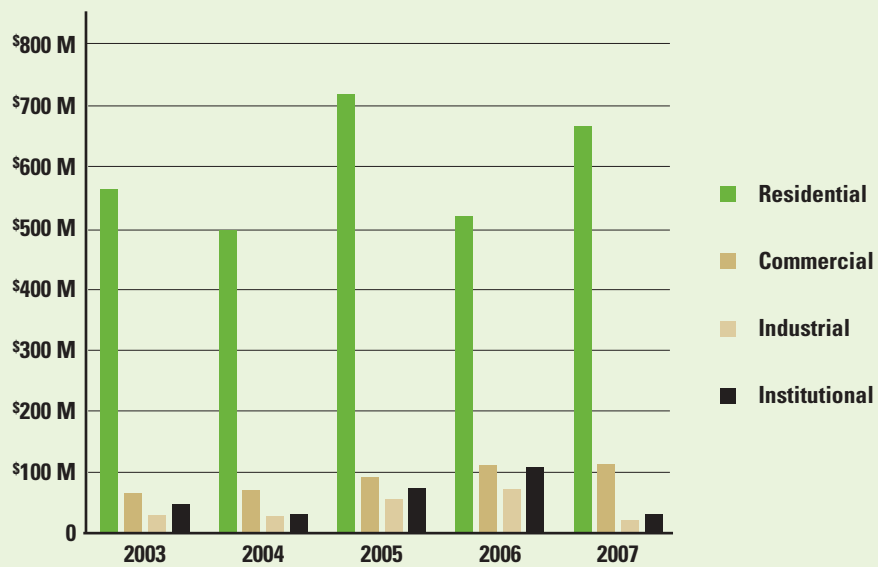
(1) Average Residential Tax bill for 2007 and 2006 was based on Current Value Assessment of \$403,000 for both the years.

five year review

Number of Households and Population



Value of Construction



PERFORMANCE MEASURES REPORT CARD

Year ended December 31, 2007

| Measure | 2007 Result |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|
| Local Government | |
| Operating costs for governance and corporate management as a percentage of total municipal operating costs | 8.20% |
| Fire | |
| Operating costs for fire services per \$1,000 of assessment | \$ 0.66 |
| Roads | |
| Operating costs for paved (hard top) roads per lane kilometre | \$ 694.75 |
| Operating costs for unpaved (loose top) roads per lane kilometre | \$ 3,908.17 |
| Operating costs for winter control maintenance of roadways per lane kilometre maintained in winter | \$ 3,968.97 |
| Percentage of paved lane kilometres where the condition is rated as good to very good | 77.00% |
| Percentage of winter events where the response met or exceeded locally determined road maintenance standards | 99.00% |
| Wastewater (Sewage) | |
| Operating costs for collection of wastewater per kilometre of wastewater main | \$ 4,903.64 |
| Operating costs for the treatment and disposal of wastewater per megalitre | \$ 529.21 |
| Operating costs for collection, treatment and disposal of wastewater per megalitre (Integrated) | \$ 620.36 |
| Number of wastewater main backups per 100 kilometres of wastewater main in the year | 0.446 |
| Percentage of wastewater estimated to have by-passed treatment | N/A |
| Water | |
| Operating costs for the treatment of drinking water per megalitre | \$ 505.86 |
| Operating costs for the distribution of drinking water per kilometre of water distribution pipe | \$ 11,808.65 |
| Operating costs for the treatment and distribution of drinking water per megalitre (Integrated) | \$ 813.74 |
| Number of water main breaks per 100 kilometres of water distribution pipe in a year | 4.34 |
| Weighted number of days when a boil water advisory issued by the Medical Officer of Health, applicable to a municipal water supply | 0.00 |
| Solid Waste Management (Garbage) | |
| Operating costs for solid waste collection per tonne | \$ 26.27 |
| Operating costs for solid waste disposal per tonne | \$ - |
| Operating costs for solid waste diversion (recycling) per tonne | \$ 98.35 |
| Average operating costs for solid waste management per tonne (Integrated) | \$ 95.35 |
| Number of days per year when a Ministry of Environment compliance order for remediation concerning an air or groundwater standard was in effect for a municipally owned Solid Waste Facility | 0.00 |
| Management facility | |
| Total number of solid waste management facilities owned by Municipality | 0.00 |
| Number of complaints received in a year concerning the collection of garbage and recycled materials per 1,000 households | 57.27 |
| Percentage of residential solid waste diverted for recycling | 70.20% |
| Parks and Recreation | |
| Operating costs for parks per person | \$ 23.17 |
| Operating costs for recreation programs per person | \$ 19.71 |
| Operating costs for recreation facilities per person | \$ 45.98 |
| Operating costs for parks, recreation programs and recreation facilities per person | \$ 88.86 |
| Hectares of open space per 1,000 persons (municipally owned) | 2.92 |
| Total kilometres of trails per 1,000 persons | 0.108 |
| Total hours for special events | 2,015,333 |
| Total hours for registered programs | 1,035,097 |
| Total hours for drop-in programs | 27,693 |
| Total hours for permitted programs | 4,209,310 |
| Total participant hours | 5,272,100 |
| Total participant hours for recreation programs (registered, drop-in and permitted programs) per 1,000 persons | 18,369,686 |
| Square metres of indoor recreation facilities (municipally owned) | 90,036 |
| Square metres of outdoor recreation facility space with controlled access and electrical or mechanical functions (municipally owned) | 29,980 |
| Total square metres recreation facility space (municipally owned) | 120,016 |
| Square metres of indoor recreation facilities per 1,000 persons (municipally owned) | 313.714 |
| Square metres of outdoor recreation facility space with controlled access per 1,000 persons (municipally owned) | 104.460 |
| Library Services | |
| Operating costs for library services per person | \$ 33.96 |
| Operating costs for library services per use | \$ 1.05 |
| Total library uses for municipality only | 9,306,262 |
| Total population | 287,000 |
| Library uses per person | 32.426 |
| Electronic library uses as a percentage of total library uses | 25.30% |
| Non-electronic library uses as a percentage of total library uses | 74.70% |
| Land-Use Planning | |
| Percentage of new residential units located within settlement areas | 100.00% |
| Percentage of land designated for agricultural purposes which was not re-designated for other uses during the reporting year | 100.00% |
| Percentage of land designated for agricultural purposes which was not re-designated for other uses relative to the base year of 2000 | 88.00% |

strategic initiatives

ENVIRONMENT

There's an urgent need for a comprehensive strategy so that Markham will continue to be a leader in environmental sustainability. We must demonstrate innovation in the way we deal with our natural environment and the structures we build.

GROWTH

We will develop a "Made in Markham" strategy to manage and direct growth. We will consider our land use options; create live/work communities, preserve our environment, our heritage districts and our quality of life.

TRANSPORTATION & TRANSIT

We need a more efficient transportation system and improved public transit. Options include extension of subway lines, improved GO and VIVA service and higher population density along major transit routes.

MUNICIPAL SERVICES

The Town of Markham is committed to delivering high-quality municipal services in a cost-effective way and we will keep monitoring our service levels.

PARKS, RECREATION, CULTURE AND LIBRARY MASTER PLAN AND PUBLIC SAFETY

We are updating our Master Plan in each of these areas, as we want to make sure that the needs of our diverse population are properly met.

DIVERSITY

We need policies and a clear strategy to strengthen the Town's ability to promote inclusiveness and respond to the diverse needs of our community.

