



Green MARKHAM

A Healthier Community



2016 Annual Report

We are pleased to present, on behalf of Markham Council and staff, the 2016 Annual Report for The Corporation of the City of Markham. This year's report highlights our key achievements and includes the City's Consolidated Financial Statements.

Markham's decision making is guided by its strategic plan, *Building Markham's Future Together: 2015-2019*. This and other key strategic documents, including *The Greenprint* - Markham's Community Sustainability Plan, our *Official Plan* and other master plans, help ensure our work is aligned with our four goals: Exceptional Services by Exceptional People; Engaged, Diverse and Thriving City; Safe and Sustainable Community; and Stewardship of Money and Resources.

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

We continue to be proud that Markham is recognized as a municipal leader and has received the Government Finance Officers Association Award for its annual reports for 15 consecutive years. We thank everyone who contributed to our outstanding successes in 2016.



Frank Scarpitti
Mayor



Logan Kanapathi
Budget Chief
Councillor, Ward 7



Amanda Yeung Collucci
Budget Vice Chair
Councillor, Ward 6

Mayor and Members of Council

Mayor Frank Scarpitti

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Deputy Mayor Jack Heath

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Ward 8 Councillor Alex Chiu

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General Committee

Frank Scarpitti, Mayor

Jack Heath, Deputy Mayor, Chair

Jim Jones, Regional Councillor

Joe Li, Regional Councillor

Nirmala Armstrong, Regional Councillor

Valerie Burke, Councillor, Ward 1

Alan Ho, Councillor, Ward 2

Don Hamilton, Councillor, Ward 3

Karen Rea, Councillor, Ward 4

Colin Campbell, Councillor, Ward 5, Vice Chair

Amanda Yeung Collucci, Councillor, Ward 6

Logan Kanapathi, Councillor, Ward 7

Alex Chiu, Councillor, Ward 8

Budget Committee

Budget Chief

Logan Kanapathi, Councillor, Ward 7

Budget Vice Chair

Amanda Yeung Collucci, Councillor, Ward 6

Members

Frank Scarpitti, Mayor, Ex Officio

Jack Heath, Deputy Mayor, Ex Officio

Jim Jones, Regional Councillor

Nirmala Armstrong, Regional Councillor

Alan Ho, Councillor, Ward 2

Don Hamilton, Councillor, Ward 3

Karen Rea, Councillor, Ward 4

Alex Chiu, Councillor, Ward 8



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The 2016 Annual Report for the City of Markham was compiled by:

Office of the Chief Administrative Officer
Corporate Services Commission
Financial Services
Corporate Communications and Community Engagement
Sustainability and Asset Management.



Government Finance Officers Association

Canadian Award for Financial Reporting

Presented to

**Corporation of the City of Markham
Ontario**

For its Annual
Financial Report
for the Year Ended

December 31, 2015



Executive Director/CEO

EXCELLENCE CANADA
improving performance, recognizing excellence | améliorer le rendement, reconnaître l'excellence
FOUNDING PARTNER | PARTENAIRE FONDATEUR

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

- Customer Satisfaction;
- Operational Excellence;
- Staff Engagement; and
- Financial Performance.

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

Council

Council, consisting of a Mayor, four Regional Councillors and eight Ward Councillors, governs Markham. Members of Council are elected for a four-year term; the Mayor, Deputy Mayor and Regional Councillors are elected at large, while Ward Councillors are elected in specific geographic areas.

Council exercises its authority through the adoption of resolutions and bylaws. Council members represent the public and consider the well-being and interests of the city, define the strategic priorities of Markham, determine the services the City of Markham provides and see that they are delivered in a cost-effective manner. They also ensure administrative and controllership policies, practices and procedures are in place. Council members are subject to The *Municipal Act, 2001*, The *Municipal Conflict of Interest Act* and other provincial legislation and City policies.

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

Chief Administrative Officer

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

Committees

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

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

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

Council and Standing Committee meetings are open to the public and live streamed. For audio links, meeting times and agendas, visit markham.ca.

To encourage dialogue between elected officials and the community, Council members are available to residents and other stakeholders. Public meetings and consultations, deputations and the City Contact Centre provide additional avenues for stakeholders to provide input and feedback.

Governance Framework

Markham Council and its Members are subject to Ontario government legislation and the City's own policies. These include The *Municipal Act, 2001*, amended in 2007 to include "Accountability and Transparency" requirements; The *Public Sector and MPP Accountability and Transparency Act*, passed by the Province in 2014; The *Municipal Statute Law Act*; and Markham's Accountability and Transparency Policy.

Accountability and Transparency

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

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



Awards & Recognition in 2016





A Message from Mayor Frank Scarpitti greenMarkham: A Healthier Community

Markham's Sustainability

The City of Markham, its residents and businesses all enjoyed a remarkable year of success in 2016 as we continued to work aggressively on the goals set out in our strategic plan, *Building Markham's Future Together*.

Our City's leadership in building a safe and sustainable community was underscored by our new initiatives and expanded programs, including:

- Installing the first municipally owned level 3 fast charger for electric vehicles,
- Implementing textile recycling, our new waste diversion initiative, which will keep textiles out of landfill,
- Becoming designated as a monarch butterfly-friendly city and the associated opening of a milkweed nursery at the Milne Dam Conservation Park,
- Extension of our multi-purpose trail and bicycle pathways, and
- Opening 12 new City parks.



Markham's Diverse Community

Already Canada's most diverse community, we continued to foster that diversity with the ongoing construction of our Aaniin Community Centre & Library at Middlefield Road and 14th Avenue. The facility's name, pronounced "ah-nee," means "welcome" or "hello" in Ojibway. It was chosen to welcome our many diverse communities, celebrate Canada's 150th anniversary and honour First Nations people.

Set to open this fall, the 122,000-square-foot, fully accessible LEED Gold facility is located on more than 13 acres. It features swimming pools, a fitness centre with an indoor walking/running track, a triple gymnasium, a library, Youth Room, Older Adult Room and testing kitchen.

Another initiative that will encourage diversity and understanding was the signing of a Cultural Collaboration agreement with Eabametoong First Nation, an Ojibway First Nation located 360 kilometres north of Thunder Bay. The agreement will promote social, cultural and economic collaboration in conjunction with Canada 150 celebrations, while promoting goodwill and stimulating public awareness.

Markham's Fiscal Record

Markham also took steps to ensure our vital public infrastructure – our roads, bridges, sewers, water mains and recreational facilities – are capable of providing reliable service both now and in the future.

Within a fiscally prudent budget that maintained our record of having the lowest cumulative property tax increase for the past nine years in the Greater Toronto and Hamilton Area, Council provided a 0.5 per cent tax increase in 2017 for infrastructure investment to maintain and repair City assets.

We also completed our *Corporate Asset Management Plan*, which establishes a framework to manage the City's existing and future infrastructure. Our ongoing annual investment and prudent capital spending continues to ensure the full replacement of the City's infrastructure for the next 25 years, based on known revenue inflows and expenditure outflows.

Completion of the PowerStream Merger

Markham Council was pleased to announce that on January 31, 2017 PowerStream merged with Enersource in Mississauga and Horizon Utilities in Hamilton, to become Alectra Inc. Alectra completed the acquisition of Hydro One Brampton on February 28, 2017.

The merger creates one of the largest municipally owned electrical utilities in Canada, serving nearly one million customers in the GTA. Over time, merger efficiencies will result in lower costs to customers, improved customer service, better system reliability and more robust emergency response capabilities.

Markham 150 and Canada 150

Markham has already hosted a number of exciting Canada 150 events and has organized a spectacular roster of activities for the summer and fall of 2017. For up-to-date information, you can visit markham.ca/canada150. Some highlights include:

- Markham's largest-ever Canada Day on July 1, with plans to attract 25,000 people. Events include a Citizenship ceremony, a free Seniors Lunch, a Peoples Parade, stage entertainment and fireworks.
- Markham Expo 150 – a signature one-day festival on September 10, 2017 at the Markham Civic Centre celebrating Canada 150.
- Events throughout the year, including the unveiling of a statue of Markham founder William Berczy, the Markham-Milliken Children's Festival, Applefest at the Markham Museum, and also at the Museum a new display called Growing Innovation: Markham's Agricultural History.

Other infrastructure projects will leave a Canada 150 legacy for future generations: the rehabilitation of the John Daniels Park Gateway and of our Veterans Square and Cenotaph, the Stiver Mill landscape revitalization and improvements to the Thornhill Community Centre & Library, including a tribute to the community's founder, Benjamin Thorne.

As always, I want to thank our Council, our local residents, the business community and City staff for their commitment to making Markham an amazing place to invest, live, work and raise a family.

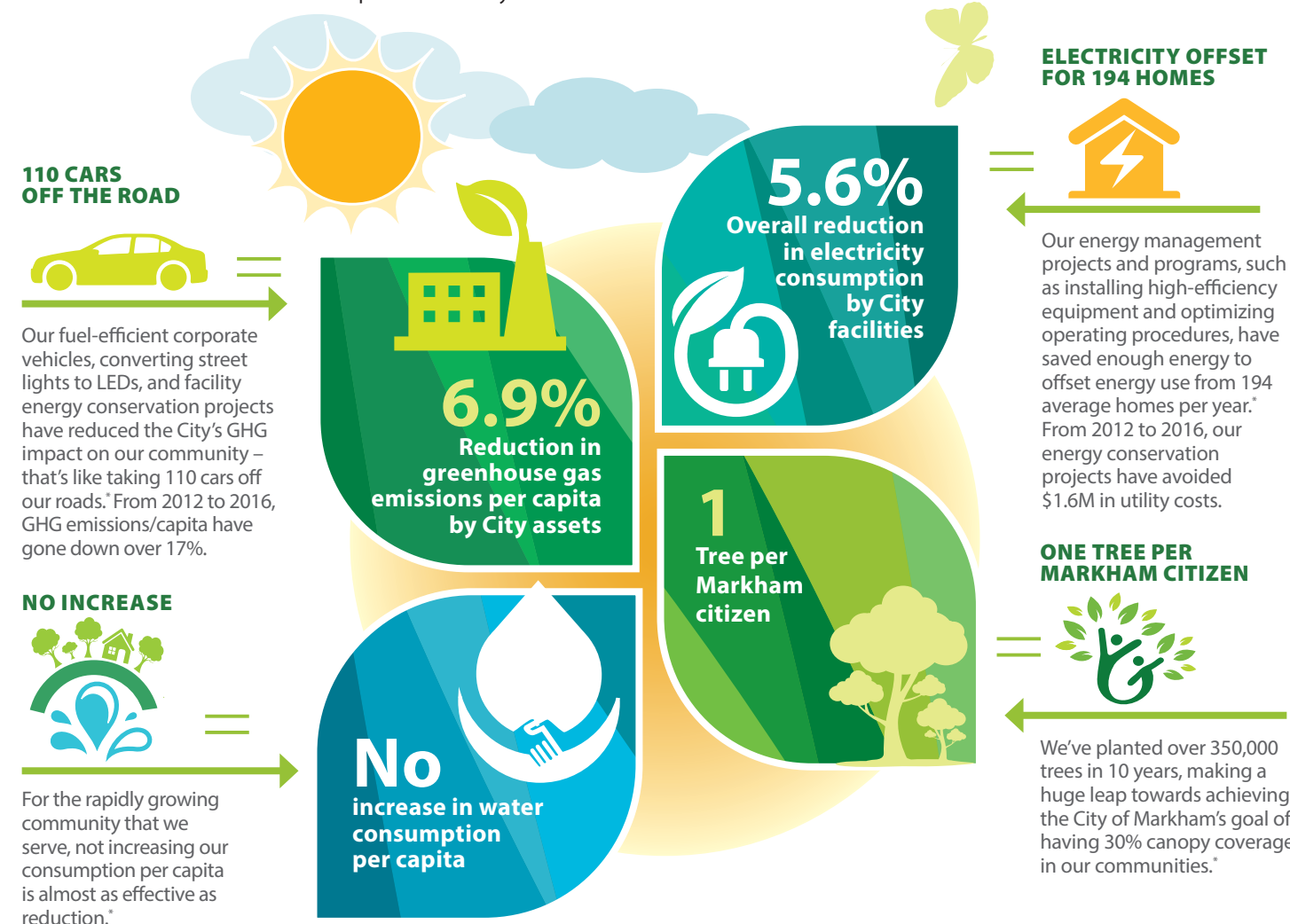
Frank Scarpitti

Frank Scarpitti, Mayor
April, 2017

Markham's Sustainability Report

green MARKHAM Leading the Way as a Sustainable City

Sustainability has been important to the City of Markham for over 10 years and is integrated into all our strategic planning and how we do business. We call this *greenMarkham*. We ensure continued success by measuring and reporting on our key corporate sustainability indicators, such as our greenhouse gas (GHG) emissions reductions, our reductions in corporate energy and water use and the improvements we have made to our green spaces. Our various sustainability projects across our organization, along with outreach to our community, help Markham achieve lasting sustainable successes and make Markham a leader in municipal sustainability.



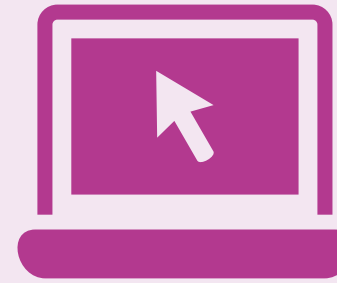
Exceptional Services by Exceptional People



Our Goal

We will foster a safe and healthy work environment, embrace an organizational culture and adopt management systems that empower and inspire our employees to be champions of excellent service delivery and innovative practices.

- 3,500 customers signed up for Property Tax eBilling in 2016
- 2,103 online building inspection requests processed
- 3,912 online zoning search requests processed



Water on Wheels trailer offered cold, clean water to over 16,000 residents at 25 Markham events



- 4,949,260 library materials borrowed in 2016
- Over 130,000 theatre guests in 2016
- 636 objects in the Varley Art Gallery collection
- 78,618 objects in the Markham Museum collection
- 63,972 recreation program registrations processed

2,200 km of roads maintained



Customer Satisfaction Surveys:
79.1% overall approval rating

In keeping with the first goal of its strategic plan, *Building Markham's Future Together*, Markham is constantly seeking ways to improve its municipal services. In 2016, the City began implementing its *Customer Experience Strategy*, which built on our commitment to customer service. The Strategy will ensure customers receive welcoming, prompt and consistent assistance from City staff across all our locations. We are exploring opportunities to increase awareness of City service standards, improve communication to residents and business owners and reduce time to resolve customer inquiries.

It's clear that Markham residents are ready for the digital age.

Part of providing exceptional service is ensuring that residents and businesses understand how municipal services work for them. Many of our public outreach and education programs help achieve this, including *Love Your Hydrant*, *Water on Wheels (WOW)* and *Get to Know H₂O*.

- When Markham's Fire Department responds to an emergency call, seconds count – any delay can result in tragedy. The City's *Love Your Hydrant* campaign tells residents about ways they can help.
 - ▶ Keep 1.2 meters around the hydrant clear of snow, grass, shrubs, flowers and objects, and
 - ▶ Report damage, tampering or unauthorized use right away.
- *WOW* is a portable water trailer that attends community events and festivals. Waterworks staff accompany the trailer to provide information about Markham's water and waste water systems. In 2016, *WOW* provided cold, clean water to over 16,000 residents and visitors.
- The *Get to Know H₂O* program offers interactive community presentations on various topics, including:
 - ▶ Where our water comes from,
 - ▶ How water gets to your home and workplace,
 - ▶ How the City ensures drinking water quality,
 - ▶ What you can and cannot pour or flush down drains,

- ▶ How to protect our drinking water source, and
- ▶ How to be water efficient in and outside of the home and workplace.

Using technology to better serve residents and businesses is a key component of Markham's strategy, and through *Access Markham*, the City now provides more than 70 online service options.

- The City's Property Tax eBilling service is a convenient and easy way for residents to review their property tax bills and provides 24/7 online access to current and past property tax account details and bill payment options. The goal is for 8.0 per cent of all Markham property owners to utilize the property tax eBilling service by 2019. With 46.3 per cent of the goal achieved as of Dec 31st, 2016, over 3,400 property owners in Markham now enjoy the benefits which property tax eBilling service provides.
- The Property Tax eBilling service not only improves service to taxpayers, but also supports Markham's environmental strategy by reducing the use of paper.
- Technology helps Markham streamline building and development activities. In 2016, the City received 2,103 online inspection requests, 3,912 online zoning search requests and closed over 350 dormant permits.

It's clear that Markham residents are ready for the digital age: 80 per cent are using personal computers and similar devices in their homes, and 30 per cent of Canadians say they would prefer to access government services electronically.

In response, Markham Council approved its *Digital Markham* strategy, focusing on four key priorities:

- Serving and engaging the community,
- Creating a digital differentiator for business,
- Leveraging the City as a platform, and
- Encouraging a digital workforce.

Engaged, Diverse & Thriving City



Our Goal

We will have an inclusive City where every person has a role in building a livable, caring and interconnected community and enable a strong economy and effectively manage change while respecting our community's history, meeting current requirements and anticipating future needs.



Hosted and supported 253 events and cultural celebrations in 2016



- Canada's most ethnically diverse city
- Celebrated 10-year anniversary of sister city partnership with Wuhan, China
- Developed a cultural collaboration with Eabametoong First Nation



- Launched the Cat Adoption & Education Centre
- In 2016, 228 cat adoptions, 7,175 visitors and 845 volunteer hours

- 8.3M community centre visits in 2016
- Implemented *Markham in Motion* program offering 50+ youth programs



- 10,400 companies with a workforce of 167,500



Completed renovation of two fire stations to recognize the growing gender diversity



Markham Public Library launched *1,000 Books Before Kindergarten* to promote early childhood literacy in Markham

Markham is proud to be known as the most diverse city in Canada; indeed, one of the four goals in its strategic plan, *Building Markham's Future Together*, is to foster an "Engaged, Diverse and Thriving City." To support this goal in 2016, the City undertook many activities, which included:

Promoting a more engaged citizenry by:

- Making it easier for citizens to engage in the civic life of the City by live streaming its Council and Standing Committee meetings;
- Unveiling two new permanent public art projects – Quarry, in historic Unionville, and the Pride of Canada Carousel, in Downtown Markham – as part of the City's ongoing commitment to enhance public space with art;
- Opening the Cat Adoption and Education Centre (CAEC), within a recreation community centre. It was the first centre of its kind in the GTHA and the first municipally funded cat adoption storefront in Ontario. The centre recorded 845 volunteer hours, hosted 7,175 visitors and facilitated 228 cat adoptions, exceeding its target by 15 per cent, all while promoting responsible pet ownership; and
- Managing the first full year of operation of the Corporate Volunteer Database, generating 142,695 volunteer hours city wide.

- Signed a cultural collaboration agreement with Eabametoong First Nation, also known as Fort Hope, an Ojibway First Nation located 360 km north of Thunder Bay. The agreement will promote social, cultural and economic collaboration in conjunction with Canada 150 celebrations.

Cultivating a thriving city, Markham:

- Launched, through the Markham Public Library, the *1,000 Books Before Kindergarten* program, designed to achieve early literacy education for every child in the city. Some 1.7 million children's books were checked out last year;
- Hosted more than 106 events at the Markham Pan Am Centre, including 88 sport events at the international, regional, national, provincial and local levels for various sports, resulting in the Centre being booked for 42 out of 52 weekends in 2016; and
- Organized the annual Markham Sports Day, designed to increase awareness of sport and recreation, which attracted over 700 participants for the one-day event at the Markham Pan Am Centre.

Markham is thriving economically. For example, General Motors has announced that it will open a new research facility in Markham, with plans to hire 700 software engineers to work on automotive innovation, including autonomous vehicle technology.

There was further progress during 2016 towards establishing the Markham Campus of York University. The university received confirmation of funding from the province to start the design process, scheduled for the summer of 2017. The City expects that a site plan application will be submitted by the end of 2017, with construction to begin in 2018 and the new campus opening its doors in the fall of 2021.

Markham in Motion helps youth master physical literacy and fundamental sport skills.

Encouraging diversity, the City:

- Completed renovations of Fire Station #91 (Bayview Ave.) and Fire Station #97 (Markham Main St.) to recognize the growing gender diversity of our Fire and Emergency Services team, which as of 2016 included 32 female members;
- Provided opportunities for youth of all ages and abilities in our recreation programs to participate in physical activities, by leveraging a provincial grant of almost \$100,000 to help implement the *Markham in Motion* (MiM) program. MiM helps youth master physical literacy and fundamental sport skills. More than 50,000 youth and over 5,000 parents learned more about physical literacy as a result of initiatives under the *Markham in Motion* program; and

Safe & Sustainable Community



Our Goal

We will protect the public and respect the natural and built environments through excellence in sustainable community planning, infrastructure management and programs.



Launched the *Textile Recycling Program* with 53 donation containers installed across Markham



25% of total housing is medium / high density – providing a range of housing options that are supported by public transit



Completed two of four Rouge Valley Trail phases with 6 km of trail installed

Completed 3 km of storm sewer upgrades and installed over 180 manholes, catch basins and super catch basins as part of the *Markham Flood Control Program*



1.83 MW solar fleet on 9 facilities, generating \$300,000 per year



- Opened 12 parks across Markham, totaling 35 acres
- Opened Canada's 1st milkweed nursery at Milne Dam Conservation Park



In 2008, Markham began developing its *Greenprint Community Sustainability Plan*, which now describes how the City will achieve its strategic goal of creating “Safe and Sustainable” communities. The plan focuses on three goals: becoming a “net zero” community, promoting public safety and respecting the natural environment.

One new program that addresses all three goals is Markham's innovative *Textile Recycling Program*, outlined in the *Best of the Best Roadmap to 80% Diversion* strategy. As of April 2017, the City banned textiles from curbside collection and in 2016 opened 53 – soon to be 75 – textile donation bins across the City, providing residents with a safe, convenient way to dispose of unwanted textiles. The program – the first of its kind in North America – is expected to divert 1,000 tonnes of textile waste from landfill. This will increase Markham's already leading curbside diversion rate from 81 to 85 per cent.

The solar photovoltaic fleet is one of the largest municipally hosted systems in Canada.

The *Textile Recycling Program* was initiated at minimal cost to the City and is an excellent example of collaboration with community organizations: the Salvation Army and Diabetes Canada collect material from the donation bins, sort out usable clothing for sale through the Salvation Army's Thrift Stores or Value Village, and send the remainder to recycling in Canada or overseas.

In July, Markham celebrated completion of the first phase of its multi-year *Flood Control Program* in West Thornhill. To date, \$20.73 million has been invested in addressing areas of the city with the highest needs for flood control, thereby making a significant impact on the community. Complementing the overall *Flood Control Program* were the following:

- Upgrading three kilometres of storm sewers,
- Replacing more than four kilometres of cast iron water mains, and
- Installing over 180 manholes, catch basins and super catch basins.

Other ways Markham is building a safe and sustainable city include:

- Approving development applications to build safe and sustainable communities that reflect Council's vision through the *Official Plan* policies on environmental protection, urban design, sustainability, municipal services, transportation and public safety,
- Completing all legislated emergency preparedness requirements, including four hours of staff training per year, an annual emergency exercise, an *Emergency Plan* update and ongoing community outreach,
- Becoming a friendlier place for monarch butterflies and other pollinators by opening, in partnership with the David Suzuki Foundation, Canada's first milkweed nursery at the Milne Dam Conservation Park in October. The nursery, with 800 milkweed plants, is just one aspect of a program to protect pollinators, which account for 75 per cent of the world's food crops,
- Continuing to work toward the goals established in the *Fire Master Plan* to provide a consistent response to emergencies,
- Continuing work on the Rouge Valley Trail, with the completion of an additional six kilometres of multi-use pathways. The two (of four) phases run from Carleton Road and Main Street in Unionville to Drakefield Road, and from Tuclor Lane to 14th Avenue,
- Opening 12 new parks, totalling 35 acres, across Markham,
- Installing the first municipally owned level 3 fast charger for electric vehicles at the Markham Civic Centre, and
- Extending the *Trees for Tomorrow* program, which has far exceeded the goals set for it in 2006. The City has planted more than 350,000 new trees – one for each person in Markham – in the past 10 years.

To further promote sustainability, Markham has committed itself to using renewable energy resources in its facilities. In 2016, the City added to its solar photovoltaic fleet with a new installation at the Markham Pan Am Centre. This makes it one of the largest municipal fleets in Canada with nine installations producing almost 1.9 megawatts of electric power and generating over \$300,000 in revenue annually to benefit Markham taxpayers.

Stewardship of Money & Resources



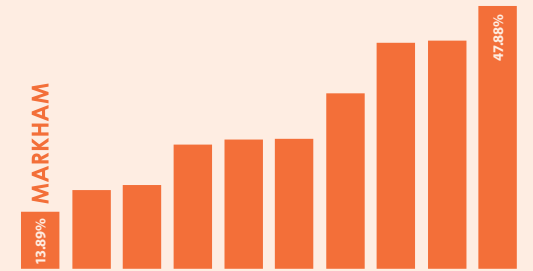
Our Goal

We will demonstrate sound, transparent and responsible financial and resource management to mitigate risks while ensuring efficient and effective service delivery.

Auditor General completed the Property Tax Revenue Audit



Received \$1.8M in external funding grants to support Markham's celebration of Canada 150



Maintained the lowest tax rate increase among GTA municipalities



Investment in key projects (2015-2019):

- \$74.9M – Design and construction of 106 hectares of new parkland
- \$20.73M – Flood Control Program, to date
- \$13.1M – Emerald Ash Borer Management Plan
- \$65.8M - Aaniin Community Centre & Library



- Completed Phase 1 of Corporate Asset Management Plan
- Markham has \$7.9B in assets

Getting the best value for every taxpayer's dollar while providing excellent levels of service is a responsibility that both Council and staff take very seriously. In fact, the fourth goal of *Building Markham's Future Together* focuses on "Stewardship of Money and Resources."

To achieve this goal, the City is always seeking ways to make the best possible use of its resources while being fiscally responsible. That, in turn, means finding better ways to deliver necessary services, making use of other sources of funds and partnering with other levels of government.

Markham's nine-year cumulative tax rate increase is the lowest among 27 Greater Toronto Area municipalities.

A key indicator of the City's success in meeting this goal came last December, when Markham Council approved the City's 2017 budget and a tax rate increase of 3.46 per cent. Based on published reports on 2017 municipal tax rate increases, Markham's nine-year cumulative tax rate increase of 13.89 per cent or 1.54 per cent per year is the lowest among 27 Greater Toronto Area municipalities. Much of this can be attributed to the continued implementation of the City's *Excellence through Efficiency and Effectiveness* (E3) program. E3 has saved more than \$24 million since it was implemented in 2009, avoiding a 20 per cent tax increase.

The tax increase includes 0.5 per cent investment for maintaining Markham's infrastructure – the approximately \$7.9 billion worth of roads, bridges, water mains, sewers and other physical assets owned by the City. Caring for such critical infrastructure is an important aspect of good stewardship of resources, and we will continue to ensure there are enough funds in our life cycle reserve to repair and replace those assets for the next 25 years, based on projected inflows and outflows of funds.

While Markham is proud of its record for fiscal prudence, it is equally proud of its ability to use its resources wisely. While keeping tax rate increases low, Markham is investing:

- In the rollout of 53 new textile donation bins and *Textile Recycling Program* at no cost to Markham. Effective April 17, 2017 textiles are banned from curbside collection pickup,

- \$10.12 million in 2016, for continuation of work on the *Flood Control Program* in the West Thornhill area,
- \$1.42 million for investment in the *York Region Lake to Lake Cycling Route and Walking Trail*,
- \$12.31 million for the *Expedited Park Development Program* for 16 new City parks totaling 92.8 acres of parkland, and
- \$5.62 million for the full implementation of the *Whistle Cessation Program*.

To further ensure effective planning, in 2016 Council approved the *Corporate Asset Management Plan*, a requirement of the Province. While Markham's physical infrastructure is in generally good condition, it will need to be replaced over time. By adopting the *Corporate Asset Management Plan*, the City can:

- Analyze the risks to critical infrastructure across the city,
- Set priorities for infrastructure investments that will reduce risk, maximize benefits and provide the desired level of service,
- Make informed decisions about the operation, maintenance, renewal and replacement of its physical assets, and
- Ensure that Markham residents and businesses enjoy more efficient and effective service delivery.

Markham continues to make good use of funding available from other levels of government. For example, in 2016 the City received two Canada 150 grants from the federal government: \$950,000 towards the cost of rehabilitating the Veterans Square and Cenotaph in Historic Markham Village and more than \$133,500 toward the renovation of the main entrance to the Thornhill Community Centre & Library, to which the City will be adding a Benjamin Thorne Tribute.

Finally, Markham, along with 14 other communities across the GTA, worked towards the successful merger of several local utilities. The Ontario Energy Board approved the plan to create the new company last December, which became Alectra in 2017. The launch of Alectra is a win-win for both electricity ratepayers and for municipalities, like Markham, in communities across the region. Alectra will be an improved company that is better positioned to serve customers who will also benefit from savings on electricity rates.

2016 Financial Statements Review

(All dollar amounts are in \$000, unless otherwise noted)

The Corporation of the City of Markham is pleased to present the 2016 Consolidated Financial Statements. The Consolidated Financial Statements are the responsibility of Management and have been prepared in accordance with the *Municipal Act, 2001* based on the reporting standards set by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants. The consolidated statements include the financial results of the City of Markham, the Markham Public Library Board, Community Boards and Business Improvement Areas (BIAs), as well as the City's wholly owned investment in Markham Enterprises Corporation (MEC), including MEC's shares in PowerStream Holdings Inc. of 34.185 per cent and in Markham District Energy Inc. (MDE) of 100 per cent.

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

The Budget Committee, 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 their property tax dollars. Budget guidelines and priorities are set early in the process and budget requests are submitted to the Commissioners and CAO for rigorous review, resulting in a budget recommendation for the Budget Sub-Committee and Council.

The City continues to strive for its financial performance and strategies to address growth and increased demand for services through Excellence through Efficiency & Effectiveness (E3) initiatives. Without E3 there would have been a need for a property tax increase of approximately 20 per cent. The increase would have been paid out year after year by Markham taxpayers on a cumulative basis.

The E3 program has generated over \$24.4 million of revenue enhancements and expenditure reductions since 2008.

1. Highlights

Annual (Current Year) Surplus

The Annual Surplus is shown on the Statement of Operations and Accumulated Surplus, and is the mathematical result of total revenues for the year less total expenses. The current year surplus is \$51,746, a decrease of \$56,274 from the surplus reported for 2015, and represents a favourable difference of \$36,626 when compared to the 2016 budget.

Although the net budget vs. actual variance was favourable in 2016, there are significant plus & minus differences when comparing at the 'Revenues' or 'Expenses' levels. That is, the Revenues variance to budget was favourable by \$55,644 while Expenses were unfavourable by \$19,018.

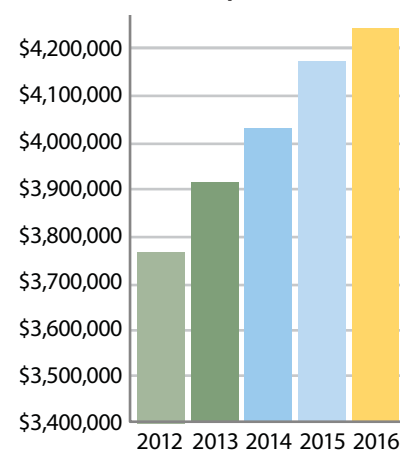
Annual (Current Year) Surplus (Continued)

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

- Contributions from Developers consist mostly of assets that have been constructed by Developers, and are transferred & recorded in City financials at the time the City accepts responsibility for the maintenance of the municipal services. These include assets such as roads, sidewalks storm sewers, etc. This usually occurs within a minimum of three to four years from registration of a subdivision agreement, although it may be longer depending on the development. Contributed land is recorded earlier in the process at the time of plan registration. The value of contributed assets differs from year to year, based on the number of plans registered, timing of subdivision assumptions and the infrastructure constructed within each subdivision in any given year. These factors make it extremely difficult to predict (or budget) for these revenues.
- Deferred Revenues Earned refers to monies that were received & set aside in prior years but were used for their intended purpose (earned), within the current year. During the year \$26,950 was earned, having been used to construct assets such as the South East Community Centre, and infrastructure. Again, the annual progress of the projects (spending of deferred revenues) is very difficult to predict.

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

Accumulated Surplus



The Accumulated Surplus is derived by adding the current year Annual Surplus to the Accumulated Surplus of the prior year. The 2016 Accumulated Surplus of \$4,239,248 includes the total operating surplus, the City's equity in MEC, investment in tangible capital assets as well as reserve and reserve fund balances. As illustrated in the table, the Accumulated Surplus has grown by an average of \$108,872 per year over the past five years.

Markham's Accumulated Surplus has grown by 9.3% over the past 5 years, an average of \$108,872 per year.

Reserves & Reserve Funds

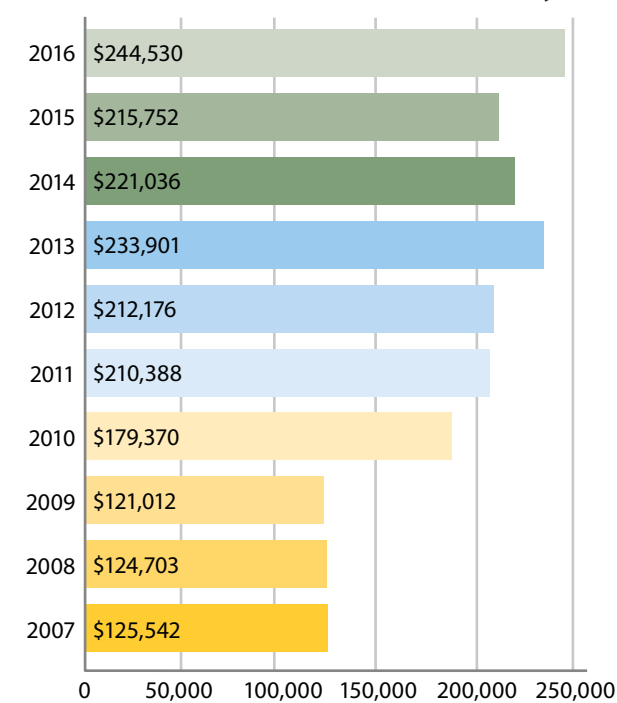
Reserves and Reserve Funds represent the means by which the City tracks monies set aside by Council for specific future purposes. The inflows into these funds are from the operating budget and the outflows are generally to fund capital and other projects as directed by Council.

The Reserves and Reserve Funds totalled \$175,673 at the end of 2016 (\$244,530 excluding the Land Acquisition Reserve Fund). Markham's Reserves and Reserve Funds (excluding the Land Acquisition Reserve Fund) have seen an overall increase of 94.8 per cent from 2007 to 2016.

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

Reserves and Reserve Funds have increased by 94.8% since 2007.

Ten-Year Reserve and Reserve Fund History



Reserves & Reserve Funds (Continued)

Although all Municipalities report on reserves and reserve funds, not all choose to fully fund the balances. The City's total of the Cash & Cash Equivalents exceeds the amount that Council has directed be held in reserve.

A. Total Cash & Cash Equivalents	361,195
Reserves	132,326
Reserve funds	43,347
Deferred reserve funds (Development charges, parkland & gas tax)	98,621
B. Total Reserves & Reserve Funds & Deferred Revenue funds	274,294
A. Less B.	86,901

Reserves and Reserve Funds are fully funded.

Investment in Markham Enterprises Corporation (MEC)

Markham Enterprises Corporation is a holding company that is wholly owned by the City. MEC in turn owns 100 per cent of Markham District Energy Inc. (MDE) and 34.185 per cent of PowerStream Holdings Inc. The City's investment in MEC continues to grow each year as shown in the below table. The total investment each year is found by starting with the January 1 opening equity, adding the equity pick up (MEC net income) plus the change in share capital from the current year, and finally, by reducing the total by the amount of dividend paid to the City in the current year.

	2016	2015	2014
Equity in MEC, January 1, 2016	\$ 252,852	\$ 245,836	\$ 233,349
Equity pick-up for the year	10,406	9,791	5,442
Increase (decrease) in share capital	(2,273)	4,980	12,208
Dividend paid by MEC to City	(7,444)	(7,755)	(5,162)
Equity in MEC December 31, 2015	\$ 253,541	\$ 252,852	\$ 245,837

Investment in Markham Enterprises Corporation has grown 8.7% over the last 3 years and by 17.9% over the last 5 years.

2. Financial Statement Discussion

Statement of Financial Position (Balance Sheet)

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

Financial Assets

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

- The City ended the year with financial assets totaling \$715,696, an increase of \$46,371 (6.9 per cent) over 2015.
 - Cash inflows from growth and development increased in 2016 while outflows, particularly related to capital works, were on par with 2015 levels. This resulted in an overall increase of \$42,022 in cash and cash equivalents.
 - Property Tax receivables are amounts owing from property owners as at December 31st, 2016 and include the City's portion, the Regional portion and the Provincial portion for education. Property tax receivables totaled \$27,505 at the end of 2016, which represents 4.3 per cent of the total property taxes levied for the year compared to 4.7 per cent at the end of 2015.
 - General accounts receivable totaled \$64,601 at the end of 2016, an increase of \$5,053 over 2015. This was mainly due to 2016 interest on investments owed to the City but not yet received.
 - Investment in MEC increased by \$689 to a total of \$253,541, an increase in equity and surplus from MEC operations.

Financial Liabilities

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

- Financial liabilities were \$313,220, an increase of \$73,993 compared to 2015. The change was mainly related to an increase in accounts payable and accrued liabilities, and increase in deferred revenues.
 - The accounts payable and accrued liabilities were \$142,158, a \$33,533 increase over 2015. These are amounts owed but not yet paid to vendors for operational or capital works activities.
 - Deferred revenues are considered liabilities until the funds are spent or used for their intended purpose. The major deferred revenues include development charges, parkland cash in-lieu, Federal Gas Tax grants and Section 37 funds. The deferred revenues total of \$127,296 includes increases in funds received from developers of \$3.7 million and funds for parks development of \$30.1 million.
 - Employee future benefits include liabilities set aside based on an actuarial valuation for vested sick leave benefits for fire-fighters, long-term disability (LTD) benefits, Workplace Safety and Insurance Board (WSIB) obligations, and post-retirement benefits. The City has set aside funds in specific purpose reserves and reserve funds, for the financing of these anticipated future costs. These liabilities totaled \$30,848, an increase of \$1,898 over 2015.
 - Long-term liabilities totaled \$12,918, a decrease of \$659 from 2015 due to repayment of loans to the Canada Mortgage and Housing Corporation (CMHC) and the Federation of Canadian Municipalities (FCM).

Non-Financial Assets

Non-financial assets are assets with a physical, rather than cash value such as land and property. It includes tangible capital assets (TCA), inventories (e.g. salt and sand) and prepaid expenses. The net book value of TCA is the gross asset cost, plus acquisitions, minus disposals and accumulated amortization and other adjustments.

- Non-financial assets totaled \$3,836,772, an increase of \$79,368 over 2015. The change was mainly due to the addition of TCA, such as land, parks, pathways and waterworks infrastructure.

Finance Senior Management Team

From left to right:

- Mark Visser, Senior Manager, Financial Strategy and Investments
- Kishor Soneji, Senior Accountant
- Sandra Skelcher, Manager, Financial Reporting and Payroll
- Andrea Tang, Senior Manager, Financial Planning
- Alex Moore, Senior Manager, Purchasing and Accounts Payable
- Joel Lustig, Treasurer
- Shane Manson, Senior Manager, Revenues and Property Taxation



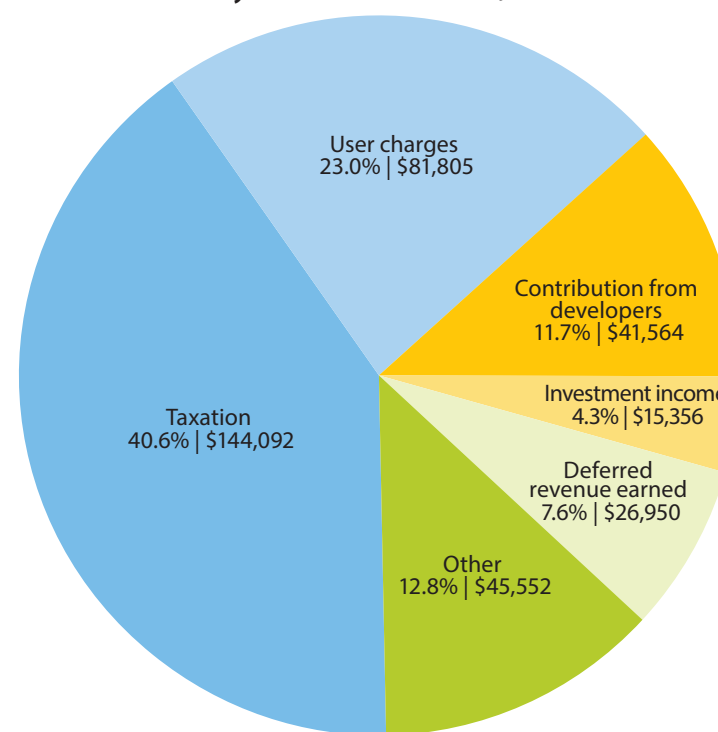
Statement of Operations and Accumulated Surplus (Income Statement)

Revenues by Source

Total revenues in 2016 were \$355,319, a decrease of \$52,061 from 2015.

- In 2016, 40.6 per cent of total revenues came from property taxes. 2016 Property Tax revenues were \$5,352 higher than 2015:
 - 55 per cent as a result of new growth/development in Markham, and
 - 45 per cent as a result of property tax rate increase.
- Deferred revenue earned and contributions from developers totalled \$68,514 or 19.3 per cent of the 2016 revenues. There was a decrease of \$63,497 when compared to 2015 due to:
 - The 'earning' or 'use' of deferred revenues for construction projects was \$24,724 lower than in 2015.
 - Donated or 'contributed assets' from developers were \$38,752 lower in 2015.
- User Charges were \$81,805, 23.0 per cent of the total revenues in 2016. The main contributors to the \$8,157 increase over 2015 were:
 - Engineering and Planning fees of \$4,884.
 - Building permit fees of \$3,232.
- Government transfers are funds received from upper tier governments, i.e., grants from the provincial and federal governments. The grants received and used for their intended purpose in 2016 totalled \$13,407 or 3.8 per cent of the total revenues for the year.

2016 Revenues by Source – Total: \$355,319

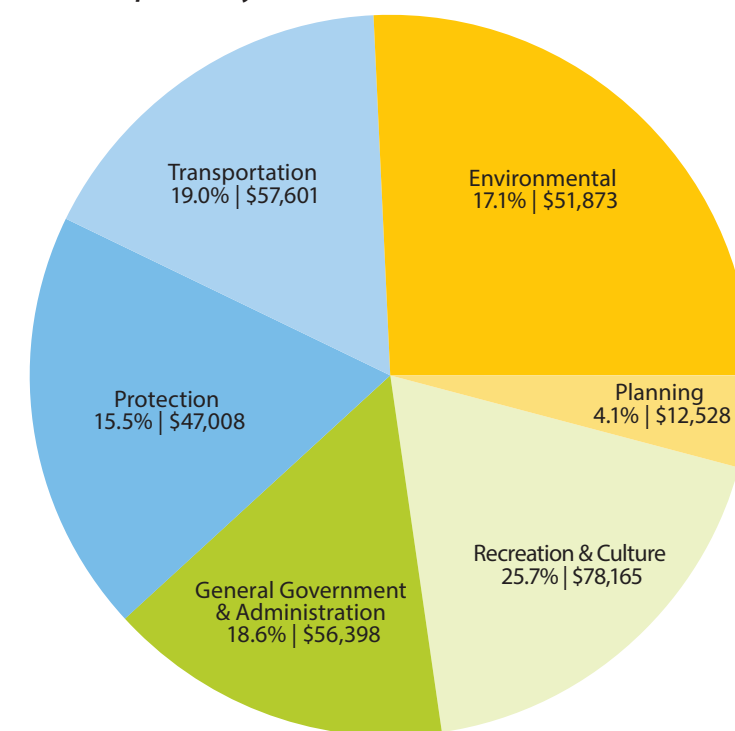


Expenses by Function

Total expenses in 2016 were \$303,573, an increase of \$4,213 over 2015. Expenses are presented by the various functional groups of the City. For example, General Government includes the administrative and shared services expenses of the City, and Protection to persons and property includes Fire and Emergency Services and Building Standards.

- The overall change in expenses includes a combination of increases in amortization of assets and salaries and benefits, offset by a decrease in winter maintenance costs resulting from the milder winter weather in 2016.
- The Annual Surplus for the year (total revenues less total expenses) was \$51,746, a decrease of \$56,274 from 2015.

2016 Expenses by Function – Total: \$303,573



3. Reporting and Accountability

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

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

Trinela Cane, Commissioner, Corporate Services
April 25, 2017

Financial Policies

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

Basis of Accounting

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

Reserves/Reserve Funds Policy

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

Use of Assessment Growth

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

Use of Prior Year's Surplus/Deficit

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

Capital Budget Control Policy

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

Investment Policy

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

Development Charges Credit Policy

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

Purchasing Policy Under Bylaw 2004-341

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

Expenditure Control Policy

The purpose of this policy is to establish internal controls over the authorization of expenses. This procedure is subject to the limitations and guidelines established by Markham's Purchasing Bylaw #2004-341.

Payment Acceptance Policy

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

Independent Auditors' Report



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Vaughan, ON L4K 0J3
Canada
Tel 416-228-7000
Fax 416-228-7123

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of the Corporation of the City of Markham ("the City"), which comprise the consolidated statement of financial position as at December 31, 2016, the consolidated statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the City's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation of the City of Markham as at December 31, 2016, and its consolidated results of operations and accumulated surplus, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants, Licensed Public Accountants

April 25, 2017
Vaughan, Canada

KPMG LLP, is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.

Consolidated Statement of Financial Position

December 31, 2016, with comparative figures for 2015

(All dollar amounts are in \$000)

	2016	2015
FINANCIAL ASSETS		
Cash and cash equivalents (Note 4)	\$ 361,195	\$ 319,173
Property taxes receivable (Note 7)	27,505	28,894
Unbilled user charges	8,364	7,786
Accounts receivable (Note 18)	64,601	59,548
Investment in Markham Enterprises Corporation (Note 19)	253,541	252,852
Other current assets	490	1,072
	715,696	669,325
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities (Note 9)	142,158	108,625
Deferred revenues (Note 10)	127,296	88,075
Employee future benefits liabilities (Note 12)	30,848	28,950
Long-term liabilities (Note 6)	12,918	13,577
	313,220	239,227
NET FINANCIAL ASSETS	\$ 402,476	\$ 430,098
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 13)	3,834,145	3,754,464
Inventories of supplies	1,265	1,287
Inventories of land - heritage estates	94	94
Prepaid expenses	1,268	1,559
	3,836,772	3,757,404
ACCUMULATED SURPLUS (Note 15)	\$ 4,239,248	\$ 4,187,502

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

Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2016, with comparative figures for 2015

(All dollar amounts are in \$000)

	2016 Budget	2016 Actual	2015 Actual
REVENUES			
Property taxes	\$ \$143,903	\$ \$144,092	\$ 138,739
User charges (Note 11)	78,080	81,805	73,648
Government transfers (Note 14)	1,596	13,407	12,667
Contributions from developers and others	-	41,564	80,316
Investment income	15,034	15,356	16,071
Tax penalties	3,800	4,177	3,426
Gain (Loss) on sale of tangible capital assets	-	656	(101)
Deferred revenue earned	52,133	26,950	51,695
Equity pick-up from Markham Enterprises Corporation (Note 19)	-	10,406	9,791
Other	5,129	16,906	21,128
Total Revenues	299,675	355,319	407,380
EXPENSES			
General government	52,162	56,349	54,750
Protection to persons and property	46,296	47,008	43,780
Transportation services	57,897	57,601	57,154
Environmental services	45,850	51,873	52,996
Recreation and cultural services	73,365	78,165	79,395
Planning and development services	8,947	12,528	11,243
Other	38	49	42
Total Expenses	284,555	303,573	299,360
ANNUAL SURPLUS	15,120	51,746	108,020
ACCUMULATED SURPLUS, BEGINNING OF YEAR	4,187,502	4,187,502	4,079,482
ACCUMULATED SURPLUS, END OF YEAR (Note 15)	\$ 4,202,622	\$ 4,239,248	\$ 4,187,502

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

Consolidated Statement of Change in Net Financial Assets

Year ended December 31, 2016, with comparative figures for 2015
(All dollar amounts are in \$000)

	2016 Budget	2016 Actual	2015 Actual
ANNUAL SURPLUS	\$ 15,120	\$ 51,746	\$ 108,020
Acquisition of tangible capital assets including capital work in progress	(95,243)	(151,146)	(178,276)
Amortization of tangible capital assets	-	70,345	68,775
Disposal/Write-down of tangible capital assets	-	1,120	336
	(80,123)	(27,935)	(1,145)
Acquisition of inventories of supplies	-	(1,265)	(1,287)
Acquisition prepaid expenses	-	(1,268)	(1,559)
Consumption of inventories of supplies	-	1,287	1,259
Use of prepaid expenses	-	1,559	1,581
CHANGE IN NET FINANCIAL ASSETS	(80,123)	(27,622)	(1,151)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	430,098	430,098	431,249
NET FINANCIAL ASSETS, END OF YEAR	\$ 349,975	\$ 402,476	\$ 430,098

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

Consolidated Statement of Cash Flows

Year ended December 31, 2016, with comparative figures for 2015
(All dollar amounts are in \$000)

	2016	2015
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Annual surplus	\$ 51,746	\$ 108,020
Add (Deduct) items not involving cash		
Amortization of tangible capital assets	70,345	68,775
Disposal of tangible capital assets	1,120	336
Change in employee future benefits and other liabilities	1,898	(737)
Property taxes receivable	1,389	317
Equity pick-up in Markham Enterprises Corporation	(10,406)	(9,791)
Change in non-cash assets and liabilities		
Accounts receivable	(5,053)	7,899
Unbilled user charges	(578)	2,686
Other current assets	582	859
Accounts payable and accrued liabilities	33,533	13,324
Long term liabilities	(659)	(636)
Deferred revenue	39,221	(6,386)
Inventories of supplies	22	(28)
Prepaid expenses	291	22
Net change in cash from operating activities	183,451	184,660
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(151,146)	(178,276)
Net change in cash from capital activities	(151,146)	(178,276)
INVESTING ACTIVITIES		
Dividend from Markham Enterprises Corporation	7,444	7,755
Increase (Decrease) in share capital of Markham Enterprises Corporation	2,273	(4,980)
Net change in cash from investing activities	9,717	2,775
NET CHANGE IN CASH AND CASH EQUIVALENTS	42,022	9,159
OPENING CASH AND CASH EQUIVALENTS	319,173	310,014
CLOSING CASH AND CASH EQUIVALENTS	\$ 361,195	\$ 319,173
SUPPLEMENTARY INFORMATION:		
Interest paid	\$ 460	\$ 483
Interest received	\$ 7,413	\$ 7,490

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

Notes to the Consolidated Financial Statements

Year ended December 31, 2016, with comparative figures for 2015
(All dollar amounts are in \$000)

1. Significant Accounting Policies

The consolidated financial statements of The Corporation of The City of Markham (the City) are prepared by management in accordance with Canadian public sector accounting standards, as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA Canada). Significant accounting policies adopted by the City are as follows:

Reporting Entity

These consolidated financial statements reflect the assets, liabilities, revenues and expenses of the reporting entity. The reporting entity is comprised of all organizations, local boards and committees accountable for the administration of their financial affairs and resources, to the City, and which are owned or controlled by the City, including the following:

- City of Markham Public Library Board
- Old Markham Village Business Improvement Area
- Unionville Business Improvement Area

Inter-entity transactions and balances are eliminated on consolidation.

Investment in Markham Enterprises Corporation

Markham Enterprises Corporation (MEC) and its subsidiaries are accounted for on a modified equity basis, consistent with the Canadian public sector accounting standards as recommended by PSAB for government business enterprises. Under the modified equity basis of accounting, the business enterprise's accounting principles are not adjusted to conform to those of the City, and inter-organizational transactions and balances are not eliminated. The City recognizes its equity interest in the annual income or loss of MEC in its consolidated statement of operations and accumulated surplus with a corresponding increase or decrease in its investment asset account. Any dividends that the City may receive from MEC are reflected as reductions in the investment asset account.

Accounting for Region and School Board Transactions

The property taxes, other revenues, expenses, assets and liabilities with respect to the operations of the Regional Municipality of York (the Region) and the York Region District School Boards (School Boards) are not reflected in the municipal fund balances of these financial statements.

Trust Funds

Trust funds and their related operations administered by the municipality are not consolidated, but are reported separately on the "Trust Funds Statement of Financial Position" and the "Trust Funds Statement of Operations and Fund Balances".

Basis of Accounting

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

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

Government Transfers

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

The City adopted PS 3410, Government Transfers that establishes the recognition, measurement and disclosure requirements for government transfers. It provides specific revenue recognition criteria for transferring government and recipient government.

Deferred Revenue

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

Property Taxes and Related Revenues

Property tax billings are prepared by the City based on assessment rolls compiled by the Municipal Property Assessment Corporation (MPAC). Property tax rates are established annually by City Council, incorporating amounts to be raised for local services and amounts that the City is required to collect on behalf of the Region and School Boards for education purposes. Realty taxes are billed based on the assessment rolls provided by MPAC.

A normal part of the assessment process is the issuance of supplementary assessment rolls that provide updated information with respect to changes in property assessment. Once a supplementary assessment roll is received, the City determines the property taxes applicable and issues supplementary tax bills. Assessments and the related property taxes are subject to appeal. Any supplementary billing adjustments made necessary by the determination of such changes will be recognized in the fiscal year they are determined and the impact shared with the Region and School Boards as appropriate.

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

The City adopted PS 3510, Property Tax Revenues that addresses recognition and reporting of property tax revenue. This establishes recognition of revenue when they meet the definition of an asset, and are authorized by a legislature or Council when the taxable event occurs.

Employee Future Benefits

The City accounts for its participation in the Ontario Municipal Employee Retirement System (OMERS), a multi-employer public sector pension fund, as a defined benefit plan. Vacation entitlements are accrued for as entitlements are earned. Sick leave benefits are accrued where they are vested and subject to pay out when an employee leaves the City's employment. Other employees future benefits are accrued in accordance with the projected benefit method prorated on service and management's best estimate of salary escalation and retirement ages of employees. Actuarial valuations, where necessary for accounting purposes, are performed triennially. The discount rate used to determine the accrued benefit obligation was determined by reference to market interest rates

at the measurement date on high quality debt instruments with cash flows that match the timing and amount of expected benefit payments. Unamortized actuarial gains or losses are amortized on a straight-line basis over the expected average remaining service life of the related employees groups. Unamortized actuarial gains/losses for event-triggered liabilities, such as those determined as claims related to Workers Safety and Insurance Board (WSIB) are amortized over the average expected period during which the benefits will be paid. The cost of plan amendments is accounted for in the period they are adopted.

Management, on approval from City Council, has set aside funds specifically for the financing of future costs.

Investment Income

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

Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(a) Tangible Capital Assets

Tangible capital assets are recorded at cost which includes amounts that are directly attributed to acquisition, construction, development or betterment of the asset. The cost, less residual value of the tangible capital assets, excluding land, are amortized on a straight line basis over their estimated useful lives as follows:

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

Amortization is prorated to six months in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

(b) Contributions of Tangible Capital Assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue. Tangible capital assets conveyed from developers are recorded at the estimated engineering value at time of registration.

(c) Works of Art and Cultural and Historic Assets

Works of art and cultural and historic assets are not recorded as assets in these financial statements.

(d) Interest Capitalization

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

(e) Inventories of Supplies

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

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenditures during the period. Actual results could differ from these estimates.

Budget Figures

The approved operating and capital budgets for 2016 are reflected on the Consolidated Statement of Operations and Accumulated Surplus and on the Consolidated Statement of Change in Net Financial Assets. The Capital budget is on a project-oriented basis, the costs of which may be carried but over one or more years and, therefore, may not be comparable with the current year actual amounts.

Segment Disclosure

The City adopted PSAB Standard 2700 for Segment Disclosures. A segment is defined as a distinguishable activity or group of activities of a government for which it is appropriate to separately report financial information to achieve the objectives of the standard. The City has provided definitions of the segments used and presented financial information in segmented format in Note 8.

Reporting for Contaminated Sites

The City adopted PSAB Standard PS 3260 Liability for Contaminated Sites effective January 1, 2015. Under PS 3260, contaminated sites are defined as the result of contamination being introduced in air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. This standard relates to sites that are not in productive use and sites in productive use where an unexpected event resulted in contamination. The City adopted this standard on a prospective basis. The adoption of this standard was inconsequential to the 2016 consolidated financial statements.

Contaminated sites are defined as the result of contamination being introduced that exceeds an environmental standard. A liability for remediation of contaminated sites is recognized, net of any expected recoveries, when all of the following criteria are met.

- an environmental standard exists
- contamination exceeds the environmental standard
- the organization is directly responsible or accepts responsibility for the liability
- future economic benefits will be given up, and
- a reasonable estimate of the liability can be made.

2. Operations of School Boards and the Region of York

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

	School Board	Region of York	2016 Total	2015 Total
Property taxes	\$ 212,070	\$ 275,985	\$ 488,055	\$ 467,012
Payment in lieu of taxes	245	797	1,042	881
Supplementary taxes	2,880	4,939	7,819	11,616
Amount requisitioned and transferred	\$ 215,195	\$ 281,721	\$ 496,916	\$ 479,509

3. Trust Funds

Trust funds administered by the City for the benefit of others amounting to \$2,344 (2015 - \$2,316) have not been included in the "Consolidated Statement of Financial Position" nor have their operations been included in the "Consolidated Statement of Operations and Accumulated Surplus". The trust funds have been reported separately on the "Trust Funds Statement of Financial Position" and "Trust Funds Statement of Financial Activities and Fund Balances".

4. Cash and Cash Equivalents

	2016	2015
Cash	\$ 147,759	\$ 116,226
Investments	213,436	202,947
	\$ 361,195	\$ 319,173

Investments consist of authorized investments pursuant to the provisions of the Municipal Act and include short-term instruments of various financial institutions, government bonds, and Treasury Bills. Investments, which are reported at cost for money market and face value for bonds, had a market value of \$221,949 (2015 - \$227,254) at the end of the year. For the year 2016, the average rate of return earned was 3.00% (2015 - 3.62%). Cash balance includes investments in the amount of \$60,971 (2015 - \$15,000) which has a maturity date of less than three months.

5. Pension Agreements

The City makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of its employees. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of credited service and average earnings. Employees contribute between 9.0% and 15.9% of their salary and the City matches the employee contribution.

Total OMERS contributions amounted to \$20,842 (2015 - \$20,546) of which \$10,421 (2015 - \$10,273) represented the City's portion and \$10,421 (2015 - \$10,273) represented employees portion.

Since OMERS is a multi-employer pension plan, the City does not recognize any share of the pension plan deficit of \$6.98 billion as of 2015 based on the fair market value of the Plan's assets, as this is a joint responsibility of all Ontario municipalities and their employees.

6. Long Term Liabilities

On July 1, 2010 and April 14, 2014, the City received a loan of \$12,000 from Canada Mortgage Housing Corporation (CMHC) and a \$4,000 low-interest loan from Federation of Canadian Municipalities (FCM) respectively through the Region. As a lower tier municipality, the City does not have the ability to borrow long-term funds, and as such the borrowing was done through the Region. The loan received on July 1, 2010 was used to fund the purchase of the Markham District Energy Birchmount plant. The plant was subsequently leased back to Markham District Energy (MDE), a 100% subsidiary of MEC. The loan received on April 14, 2014 was used to fund the cost of Cornell Community Centre.

The loan of \$12,000 is to be amortized over a period of 20 years, at an interest rate of 4.04%. An annual payment to the Region of \$886 consists of principal and interest. The first payment was due July 1, 2011. The loan of \$4,000 is to be amortized over a period of 20 years, at an interest rate of 2%. An annual payment to Region of \$244 consists of principal and interest. The first payment was due October 4, 2014.

7. Property Taxes Receivable

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

	2016	2015
Current year	\$ 20,211	\$ 19,628
Arrears previous years	8,295	10,267
	28,506	29,895
Less: Allowance for uncollectible taxes	(1,001)	(1,001)
	\$ 27,505	\$ 28,894

The Municipal Property Assessment Corporation (MPAC) is responsible for the valuation of the current value assessment (CVA) of all properties in Ontario. MPAC determines the CVA for all properties and provides it annually to municipalities in the form of an Assessment Roll, which municipalities use to calculate property taxes for each individual property. The Province of Ontario introduced a four-year property assessment cycle in 2009, which included a mandatory phase-in of reassessment increases for all properties. The Province chose to repeat the four-year assessment cycle and therefore, for the 2013 through 2016 tax years, all properties are assessed and taxed based on their CVA as of the valuation date of January 1st, 2012. The 2016 taxation year marks the fourth and final year of the current phase-in cycle. The City of Markham's property tax revenue and property tax receivables rely on the stability of the assessment roll, which is subject to annual assessment appeals that create an amount of uncertainty related to the amount of property tax receivables. This financial uncertainty continues to illustrate the requirement of the provision allowance, which was established in the amount of \$1,001 (2015 - \$1,001). Further, as a result of an initiative by the Chair of the Assessment Review Board (ARB), a commitment was made by the ARB to address the regular and systemic backlog of all property assessment appeals, which resulted in a significant increase in the property tax adjustments for the 2015 and 2016 taxation years.

There is no impact on the "Consolidated Statement of Operations and Accumulated Surplus".

8. Segmented Information

The City is a diverse municipal government that provides a wide range of services to its citizens. For management reporting purposes, the City's operations and activities are organized functionally based on services provided. The segmented information with a brief description of the service area is as follows:

General Government:

General government service area includes the Office of Mayor and Members of Council, Chief Administrative Officer, Human Resources, Legal, Legislative Services, Financial Services, Corporate Communications and Community Engagement, Sustainability and Asset Management Office, and Information Technology Services. The departments are responsible for general governance and corporate management.

Protection to Persons and Property:

Protection service area includes Fire and Emergency Services and Building Standards. The departments are responsible to perform fire prevention and protection, fire alarm, building services and other auxiliary services.

Transportation Services:

Transportation service area includes Roads, Parking Control and Asset Management. The departments are responsible for road maintenance, hard top and loose-top maintenance, winter patrol, salt, sanding, snow removal, street lighting and administration of facilities and parking.

Environmental Services:

Environmental service area includes Environmental Services, Waterworks and Waste Management. The departments are responsible for the administration of the sanitary and storm sewer system, distribution of water, and the administration of garbage collection and garbage recycling.

Recreation and Cultural Services:

The recreation and cultural service area includes Parks, Recreation Services, Culture Services and Markham Public Libraries. The departments are responsible for providing and facilitating the development and maintenance of high quality parks, recreation services and cultural services, and administration of libraries.

Planning and Development Services:

Planning and development services area includes Planning and Urban Design and Engineering. The departments are responsible for administration of land use plans and policies for sustainable development of the City.

Other:

The Legislative Services department is responsible for administration of cemetery maintenance and morgues.

	General Government	Protection to Persons and Property	Transportation Services	Environmental Services	Recreation and Cultural Services	Other	2016	2015
REVENUES	\$	\$	\$	\$	\$	\$	\$	\$
Property taxes, grants in lieu, assessments	641,008	-	-	-	-	-	641,008	618,248
Collection for other authorities	(496,916)	-	-	-	-	-	(496,916)	(479,509)
Property taxes for City purposes	144,092	-	-	-	-	-	144,092	138,739
User charges	3,349	10,553	9,315	29,222	22,555	6,776	81,805	73,648
Government transfers	11,243	-	-	1,365	620	179	13,407	12,667
Contribution from developers and others	41,564	-	-	-	-	-	41,564	80,316
Investment income	15,356	-	-	-	-	-	15,356	16,071
Tax penalties	4,177	-	-	-	-	-	4,177	3,426
Gain on sale of tangible assets	656	-	-	-	-	-	656	(101)
Deferred revenue earned	26,950	-	-	-	-	-	26,950	51,695
Equity pick up from Markham Enterprises Corporation	10,406	-	-	-	-	-	10,406	9,791
Others	14,285	503	483	845	748	39	16,906	21,128
Total Revenues	272,078	11,056	9,798	31,432	23,923	6,994	355,319	407,380
EXPENSES								
Salaries, wages and employee benefits	32,017	42,530	12,656	8,112	39,470	7,678	142,463	138,475
Operating materials and supplies	11,143	1,151	5,020	5,737	12,926	2,469	38,495	37,963
Contracted services	10,393	1,678	12,105	13,205	9,827	1,855	49,063	50,964
Rents and financial expenses	(1,547)	91	172	2,518	674	526	2,434	2,333
External transfers to others	313	-	-	-	-	-	313	366
Long-term debt charges	460	-	-	-	-	-	460	484
Amortization of tangible capital assets	3,570	1,558	27,648	22,301	15,268	-	70,345	68,775
Total Expenses	56,349	47,008	57,601	51,873	78,165	12,528	303,573	299,360
Annual Surplus / (Deficit)	215,729	(35,952)	(47,803)	(20,441)	(54,242)	(5,534)	51,746	108,020

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 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:

	2016	2015
Trade accounts payable	\$ 51,845	\$ 48,276
Payable to other governments	62,394	37,086
Payroll liabilities	12,864	8,061
Accrued liabilities	15,055	15,202
	\$ 142,158	\$ 108,625

10. Deferred Revenue and Deposits

Deferred revenue represents user charges and fees which have been collected but for which the related services have yet to be performed. These amounts will be recognized as revenues in the fiscal year the services are performed. The following is the current status of the deferred revenues:

	2016	2015
Development charges	\$ 66,039	\$ 69,501
Parkland cash-in-lieu	28,542	(1,528)
Federal Gas Tax	4,040	6,016
Section 37 funds	3,417	2,915
	102,038	76,904
Deferred revenue and deposits	25,258	11,171
	\$ 127,296	\$ 88,075

11. User Charges

	2016	2015
Water and sewer billing to ratepayers	\$ 111,708	\$ 100,926
Region of York requisitions	(83,594)	(75,185)
City share	28,114	25,741
Building permits	9,237	6,005
Culture venues	3,305	2,734
Engineering	3,558	3,832
Facility rentals	7,935	8,084
Licenses	1,592	1,529
Landscaping	1,626	1,860
Parking violations	3,146	2,575
Planning	9,324	4,440
Recreation programs	11,096	10,660
Other	2,872	6,188
	\$ 81,805	\$ 73,648

12. Employee Future Benefits Liabilities

	2016	2015
Long-term disability	\$ 5,998	\$ 4,438
Post-retirement benefits	13,015	12,868
Vacation pay - City	2,564	2,581
Vacation pay - Library	105	131
Vested sick leave benefits	6,340	6,448
Workplace Safety & Insurance Board	2,826	2,484
	\$ 30,848	\$ 28,950

Workplace Safety & Insurance Obligations (WSIB)

Effective January 1, 1999, the Corporation of the City of Markham became a Schedule II employer under the Workplace Safety and Insurance Act and follows a policy of self insurance for all its employees. The City remits payments to the WSIB as required to fund disability payments. The estimated future liability relating to WSIB amounted to \$2,826 (2015 - \$2,484) and was determined by an actuarial valuation. A Workplace Safety and Insurance Reserve Fund, funded by annual contributions from the Operating Fund, have been established to protect against any unknown future liability. The accrued benefit liability and the net benefit cost for the fiscal year were determined by an actuarial valuation for December 2016.

Vested Sick Leave Benefits

Under the sick leave benefit plan, which is available only to the City's Firefighters, employees can accumulate unused sick leave and may become entitled to a cash payment when they leave the City's employment. The liability for these accumulated days, to the extent that they have vested and could be taken in cash by an employee on termination, amounted to approximately \$6,340 (2015 - \$6,448). The accrued benefit liability and the net benefit cost for the fiscal year were determined by an actuarial valuation updated December 2013.

Post-Retirement Benefits

The City provides for post-retirement benefits (extended health and dental benefits) to eligible retiring employees to age 65. The City recognizes these post-retirement costs as they are earned during the employee's tenure of service. The benefit liability at December 31, 2016 is \$13,015 (2015 - \$12,868). The accrued benefit liability and the net benefit cost for the fiscal year were determined by an actuarial valuation updated December 2015.

Long-Term Disability (LTD)

The City provides long-term disability benefits to eligible employees. At the year end, the accrued liability of \$5,998 (2015 - \$4,438) represents the actuarial valuation of benefits to be paid on the history of claims with employees. The City has established a long-term disability reserve to reduce future impact of these obligations. The accrued benefit liability and the net benefit cost for the fiscal year were determined by an actuarial valuation for December, 2015.

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

	Vested Sick Leave		Post-Retirement Benefits		LTD	2016	2015
	WSIB	Leave	Benefits	LTD			
Accrued benefit liability, beginning of year	\$2,484	\$6,448	\$12,868	\$4,438	\$26,238	\$26,911	
Service cost	252	422	433	472	1,579	1,702	
Interest cost	150	287	500	176	1,113	1,340	
Benefit payments	(334)	(844)	(683)	(546)	(2,407)	(2,138)	
Amortization of actuarial loss (gain)	274	27	(103)	1,458	1,656	(1,577)	
Accrued benefit liability, end of year	\$2,826	\$6,340	\$13,015	\$5,998	\$28,179	\$26,238	

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

	WSIB	Vested Sick Leave	Post-Retirement Benefits	LTD
Expected inflation rate	0.00%	N/A	N/A	N/A
Expected level of salary increase	3.00%	3.00%	N/A	N/A
Interest discount rate	4.75%	4.50%	4.50%	4.00%

13. Tangible Capital Assets

	Cost			Accumulated Amortization				Net Book Value	
	Balance at Jan 1, 2016	Additions	Disposals	Balance at Jan 1, 2016	Additions	Disposals	Balance at Dec 31, 2016	Balance at Dec 31, 2016	Balance at Dec 31, 2015
Land	1,774,628	66,095	(830)	1,839,893	-	-	-	1,839,893	1,774,628
Buildings	345,274	1,879	(515)	346,638	99,188	8,360	(225)	107,323	239,315
Equipment	28,926	2,668	(2,537)	29,057	13,913	3,224	(2,537)	14,600	14,457
Furniture & fixtures	7,610	91	(186)	7,515	4,238	563	(186)	4,615	2,900
Infrastructure	1,285,613	35,533	(13,032)	1,308,114	415,378	34,184	(13,032)	436,530	871,584
Library furniture & fixtures	2,738	133	(221)	2,650	1,495	247	(221)	1,521	1,129
Library media collection	17,000	1,643	(1,819)	16,824	9,048	2,165	(1,819)	9,394	7,430
Parks & pathways	73,753	7,222	(3,938)	77,037	31,419	4,244	(3,938)	31,725	45,312
Vehicles	15,909	1,492	(1,918)	15,483	7,116	1,747	(1,918)	6,945	8,538
Waterworks equipment	1,266	48	(10)	1,304	623	140	(10)	753	551
Waterworks infrastructure	998,113	13,938	(738)	1,011,313	298,228	15,338	(738)	312,828	698,485
Waterworks vehicles	1,348	363	(393)	1,318	998	133	(393)	738	580
Total	4,552,178	131,105	(26,137)	4,657,146	881,644	70,345	(25,017)	926,972	3,730,174
Capital work in progress	83,930	20,041		103,971					103,971
Grand Total	4,636,108	151,146	(26,137)	4,761,117	881,644	70,345	(25,017)	926,972	3,834,145

a) Capital Work in Progress

Assets under construction having a value of \$103,971 (2015 - \$83,930) have not been amortized. Amortization of these assets will commence when the asset is put into service.

b) Contributed Tangible Capital Assets

Contributed tangible capital assets have been recognized at fair market value at the date of contribution. The value of contribution assets received during the year is \$41,592 (2015 - \$74,494) comprised of land in the amount of \$35,008 (2015 - \$17,598), roads infrastructure in the amount of \$4,219 (2015 - \$44,292) and water and wastewater infrastructure in the amount of \$2,365 (2015 - \$12,604).

c) Tangible Capital Assets Disclosed at Nominal Values

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

d) Works of Art and Historical Treasures

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

14. Government Transfers

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

	2016	2015
Provincial Grant:		
Transportation services	\$ -	\$ 551
Environmental services	1,364	1,180
Recreation and cultural services	620	496
Planning and development services	179	207
Provincial Total	\$ 2,163	\$ 2,434
Federal Grant:		
General government	\$ 11,244	\$ 10,055
Recreation and cultural services	-	178
Federal Total	\$ 11,244	\$ 10,233
Total	\$ 13,407	\$ 12,667

15. Accumulated Surplus

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

	2016	2015
City operating fund surplus including library, community boards, and business improvement areas	\$ 4,210	\$ 2,813
Equity in Markham Enterprises Corporation	253,541	252,852
Invested in tangible capital assets and other	\$ 3,805,824	\$ 3,740,809
	\$ 4,063,575	\$ 3,996,474
Reserves set aside for specific purposes by Council:		
Anti-whistling	318	318
Berczy landscape feature	203	203
Building fee	11,734	10,676
Capital gains	3,680	3,680
Corporate rate stabilization	19,783	14,132
Development fee	(9,612)	(9,861)
Election expenses	710	410
Election rebates	(3)	(156)
Facility ramp-up	15,809	12,389
Firefighters sick leave benefits	6,340	6,436
Insurance	3,316	3,316
Long-term disability benefits	19,151	17,637
Partnership	16	16
Waste management	28	28
Waterworks	60,853	54,114
Total reserves	\$ 132,326	\$ 113,338
Reserve funds set aside for specific purposes by Council:		
Cemetery expenses	114	112
Emerald Ash Borer program	(4,134)	(1,963)
Environmental land acquisition	9,130	8,789
Environmental sustainability fund	132	133
Heritage	384	398
Land acquisition	(68,857)	(24,724)
Library infrastructure	6,011	5,927
Life cycle replacement and capital	73,217	62,773
Museum	60	59
Non-DC growth	8,699	10,242
Post-retirement benefits	13,590	13,255
Public art acquisition	1,038	483
Stormwater fee	(736)	(2,069)
Theatre	688	668
Trees for Tomorrow program	35	143
Workplace Safety & Insurance Board (WSIB)	3,365	3,077
WSIB excess compensation	611	387
Total reserves fund	\$ 43,347	\$ 77,690
Total	\$ 4,239,248	\$ 4,187,502

16. Lease Obligations

As at December 31, 2016, the City is committed to minimum annual operating lease payments for premises and equipment as follows:

2017	\$ 99
2018	65
2019	27
2020	28
2021	30
2022 and over	23
Total	\$ 272

17. Contingency

Unsettled legal claims and potential other claims

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

18. Accounts Receivable – PowerStream Interest

Included in Accounts Receivable is \$7,584 (2015 - \$7,584) being interest at 5.58% per annum due for the period October 2006 to September 2008 on promissory notes issued by PowerStream. City 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 City received deferral request from PowerStream for another five years at the interest rate of 4.03% per annum which was approved by City Council in May 2013.

The City receives from PowerStream secondary interest on the deferred interest payments from April 2007 up to October 2013 at 5.58% and at 4.03% thereafter until October 2018.

19. Investment in Markham Enterprises Corporation

The City of Markham incorporated corporations under the laws of the Province of Ontario. Markham Enterprises Corporation (previously Markham Energy Corporation) is wholly owned by the City of Markham. Markham Enterprises Corporation owns Markham District Energy Inc. (MDE) and 34.185% of PowerStream Holdings Inc. (2015 – 34.185%).

The PowerStream Holding Inc.'s authorized share capital is made up of an unlimited number of common shares, and an unlimited number of Class A non-voting common shares, all of which are without nominal or par value.

Of the total 119,013 (2015 – 119,013) common shares issued by PowerStream Holdings Inc., 53,931 (2015 - 53,931) common shares are registered under Vaughan Holdings Inc., 40,684 (2015 -40,684) common shares are registered under Markham Enterprises Corporation and 24,398 (2015 - 24,398) common shares are registered under Barrie Hydro Holdings Inc.

Of the total 99,997 (2015 – 99,997) Class A common shares issued by PowerStream Holdings Inc., 45,313 (2015 – 45,313) Class A common shares are registered under Vaughan Holdings Inc., 34,184 (2015 – 34,184) Class A common shares are registered under Markham Enterprises Corporation and 20,500 (2015 – 20,500) Class A common shares are registered under Barrie Hydro Holdings Inc.

The following consolidated financial statements of Markham Enterprises Corporation include the financial information of its subsidiaries Markham District Energy Inc., and PowerStream Holdings Inc. for the period from January 1, 2016 to December 31, 2016.

	2016	2015
Assets		
Current	\$ 111,475	\$ 96,915
Capital	533,894	511,126
Goodwill	15,234	14,565
Other	29,906	29,297
Total Assets	\$ 690,509	\$ 651,903
Liabilities		
Current	145,470	123,199
Other	129,022	117,150
Long-term	162,476	158,702
Total Liabilities	\$ 436,968	\$ 399,051
Shareholders' Equity		
Common shares	100,987	103,260
Promissory notes payable	79,164	79,164
Retained earnings and contributed surplus	73,390	70,428
Total Shareholders' Equity	\$ 253,541	\$ 252,852
Total Liabilities and Shareholders' Equity	\$ 690,509	\$ 651,903
Results of Operations		
Revenues	\$ 487,305	\$ 438,115
Operating expenses	476,899	428,324
Net Income	\$ 10,406	\$ 9,791
Equity pick up in Markham Enterprises Corporation	\$ 10,406	\$ 9,791
Increase/(Decrease) in share capital	(2,273)	4,980
Dividend	(7,444)	(7,755)
Net change in equity in Markham Enterprises Corporation	\$ 689	\$ 7,016

20. Comparative Figures

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

21. Subsequent Event

On February 1, 2017, PowerStream amalgamated with Horizon Holdings Inc. and Enersource Holdings Inc. to form Alectra Utilities Inc. The previous shareholders of PowerStream, City of Vaughan, City of Markham and City of Barrie own 46% of Alectra Utilities Inc. This amalgamation was undertaken to improve the reliability of power quality and increase the investment in innovation and technology which is expected to result in savings for customers through efficiencies realized.

On February 28, 2017, Alectra Utilities Inc. purchased Hydro One Brampton Networks for a purchase price of \$607 million, plus closing adjustments.

The accounting and valuation for the amalgamation and purchase is still being finalized, therefore disclosures around the amount of the purchase price and purchased assets and liabilities cannot be determined.

The City, through Markham Enterprises Corporation (MEC), now owns 15.7% of the amalgamated entity.

On March 10, 2017, the City entered into an arrangement to provide \$41.2M of loan guarantees to MEC.

Independent Auditors' Report



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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Trust Funds of The Corporation of the City of Markham, which comprise the statement of financial position as at December 31, 2016, the statement of financial activities and fund balances, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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 comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Trust Funds of The Corporation of the City of Markham as at December 31, 2016, and its statement of financial activities and fund balances for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants, Licensed Public Accountants

April 25, 2017
 Vaughan, Canada

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The Corporation of the City of Markham

Trust Funds & Notes to the Financial Statements

December 31, 2015

STATEMENT OF FINANCIAL POSITION

Dec. 31, 2016 with comparative figures for 2015

	Morgan Park Trust	Varley-McKay Trust	Markham Environmental Advisory Committee Trust	Cemetery Trust	Older Adults In Action Trust	Markham History Research & Publication Trust	Total	Total
							2016	2015
Cash	\$77,619	\$1,302,132	\$4,716	\$860,266	\$9,852	\$92,312	\$2,346,897	\$2,319,437
Payable to Varley-McKay Foundation	-	(3,328)	-	-	-	-	(3,328)	(3,820)
Fund balance	\$77,619	\$1,298,804	\$4,716	\$860,266	\$9,852	\$92,312	\$2,343,569	\$2,315,617

STATEMENT OF FINANCIAL ACTIVITIES AND FUND BALANCES

Year ended Dec. 31, 2016 with comparative figures for 2015

Receipts								
Interest earned	2,391	41,200	176	26,411	305	2,820	73,303	80,367
Sale of plots	-	-	-	23,767	-	-	23,767	14,760
	2,391	41,200	176	50,178	305	2,820	97,070	95,127
Expenses								
Distributed to Foundation	-	(41,200)	(1,507)	(26,411)	-	-	(27,918)	(31,606)
	-	(41,200)	(1,507)	(26,411)	-	-	(69,118)	(77,306)
Excess/(Shortfall) of receipts over expenses	2,391	-	(1,331)	23,767	305	2,820	27,952	17,821
Fund balance, beginning of year	\$75,228	\$1,298,804	\$6,047	\$836,499	\$9,547	\$89,492	\$2,315,617	\$2,297,796
Fund balance, end of year	\$77,619	\$1,298,804	\$4,716	\$860,266	\$9,852	\$92,312	\$2,343,569	\$2,315,617

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

1. Significant Accounting Policies

The Trust Funds financial statements of The Corporation of The City 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 Fund

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

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 Environmental Advisory Committee Trust Fund

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

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 Markham cemeteries. 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)

(All dollar amounts are in \$000)

	2016	2015	2014	2013	2012
OPERATIONS					
Expenses by Function					
General government	\$ 56,349	\$ 54,750	\$ 51,194	\$ 36,570	\$ 52,287
Protection to persons and property	47,008	43,780	43,095	42,774	41,564
Transportation services	57,601	57,154	58,530	60,975	51,774
Environmental services	51,873	52,996	47,568	49,279	47,832
Recreation and cultural services	78,165	79,395	68,650	65,163	58,287
Planning and development services	12,528	11,243	10,929	8,985	9,701
Other	49	42	48	43	47
	\$ 303,573	\$ 299,360	\$ 280,014	\$ 263,789	\$ 261,492
Revenues by Source					
Property taxes	\$ 144,092	\$ 138,739	\$ 132,788	\$ 125,660	\$ 122,270
User charges	81,805	73,648	67,884	67,790	70,268
Government transfers	13,407	12,667	17,188	11,702	10,757
Contribution from developers and others	41,564	80,316	62,615	64,239	141,414
Investment income	15,356	16,071	20,427	20,740	15,697
Deferred revenue earned	26,950	51,695	46,670	69,151	55,508
Equity pick up in Markham Enterprises Corporation	10,406	9,791	5,442	7,648	9,977
Other	21,739	24,453	13,908	12,442	16,244
	\$ 355,319	\$ 407,380	\$ 366,922	\$ 379,372	\$ 442,135
Surplus					
Surplus for the year	\$ 51,746	\$ 108,020	\$ 86,908	\$ 115,583	\$ 180,643
Surplus, beginning of year	4,187,502	4,079,482	3,992,574	3,876,991	3,696,348
Surplus, end of year	\$ 4,239,248	\$ 4,187,502	\$ 4,079,482	\$ 3,992,574	\$ 3,876,991

Reference: consolidated statement of operations and accumulated surplus

RESERVES AND RESERVE FUNDS

Reserves	\$ 132,326	\$ 113,338	\$ 109,977	\$ 109,276	\$ 96,930
Reserve funds	43,347	77,690	86,133	128,843	119,161
	\$ 175,673	\$ 191,028	\$ 196,110	\$ 238,119	\$ 216,091

	2016	2015	2014	2013	2012
NET FINANCIAL ASSETS					
Financial Assets					
Cash and cash equivalents	\$ 361,195	\$ 319,173	\$ 310,014	\$ 338,633	\$ 370,550
Property taxes receivable	27,505	28,894	29,211	30,429	39,150
Unbilled user charges	8,364	7,786	10,472	9,953	9,870
Accounts receivable	64,601	59,548	67,447	57,036	55,633
Investment in Markham Enterprises Corporation	253,541	252,852	245,836	233,349	227,736
Other current assets	490	1,072	1,931	2,736	3,067
Total financial assets	\$ 715,696	\$ 669,325	\$ 664,911	\$ 672,136	\$ 706,006
Financial Liabilities					
Accounts payable and accrued liabilities	\$ 142,158	\$ 108,625	\$ 95,301	\$ 82,292	\$ 107,616
Deferred revenues	127,296	88,075	94,461	117,304	151,227
Employee future benefits liabilities	30,848	28,950	29,687	27,978	26,205
Long-term liabilities	12,918	13,577	14,213	10,747	11,181
Total financial liabilities	\$ 313,220	\$ 239,227	\$ 233,662	\$ 238,321	\$ 296,229
	\$ 402,476	\$ 430,098	\$ 431,249	\$ 433,815	\$ 409,777
NET FINANCIAL ASSETS					
NET LONG-TERM DEBT					
Net long-term liabilities – City of Markham purposes	\$ 12,918	\$ 13,577	\$ 14,213	\$ 10,747	\$ 11,181
Annual debt repayment limit prescribed by province	\$ 78,689	\$ 75,349	\$ 70,274	\$ 69,250	\$ 65,013
Per capita	\$ 0.04	\$ 0.04	\$ 0.04	\$ 0.03	\$ 0.03
Percentage of taxable assessment	0.0186%	0.0211%	0.0240%	0.0198%	0.0226%
Annual Charges for Net Long-Term Liabilities					
Principal and interest – City of Markham purposes	\$ 1,130	\$ 1,130	\$ 1,130	\$ 886	\$ 886
As a percentage of revenue fund expenditures	0.32%	0.28%	0.31%	0.23%	0.20%
Per capita	\$ 0.003	\$ 0.003	\$ 0.003	\$ 0.003	\$ 0.003
Consolidated Expenses by Object					
Salaries, wages & employee benefits	\$ 142,463	\$ 138,475	\$ 125,247	\$ 114,832	\$ 120,111
Operating materials and supplies	38,495	37,963	39,014	35,015	37,309
Contracted services	49,063	50,964	46,761	47,768	43,798
Rents and financial expenses	2,894	2,817	2,946	2,897	965
External transfers to others	313	366	289	239	256
Amortization - tangible capital assets	70,345	68,775	65,757	63,038	59,053
	\$ 303,573	\$ 299,360	\$ 280,014	\$ 263,789	\$ 261,492

The Corporation of the City of Markham
Five-Year Review (Unaudited)

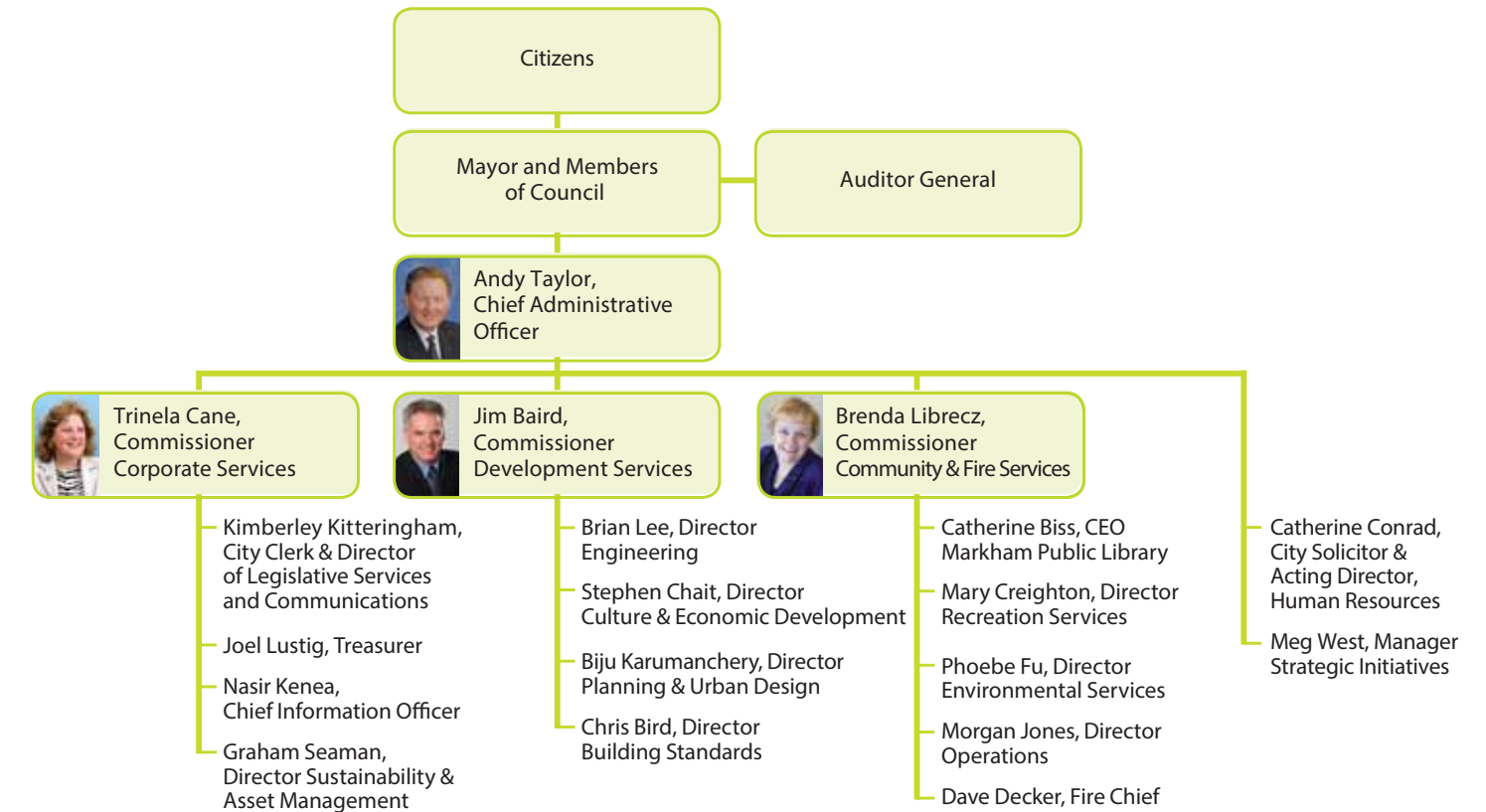
(All dollar amounts are in \$000)

	2016	2015	2014	2013	2012	
TAXABLE ASSESSMENT						
Residential, multi-residential and farm	\$58,584,043	\$54,012,128	\$49,266,499	\$44,844,305	\$40,455,022	
Commercial - all classes	9,555,390	9,045,291	8,573,193	8,170,344	7,806,727	
Industrial - all classes	1,246,720	1,244,116	1,234,547	1,228,192	1,206,825	
Pipeline and managed forests	69,904	68,382	63,342	59,294	55,533	
	\$69,456,057	\$64,369,917	\$59,137,581	\$54,302,135	\$49,524,107	
Commercial, industrial and business as a percentage of taxable assessment	15.55%	15.98%	16.58%	17.31%	18.20%	
PROPERTY TAXATION						
Tax Rates/Mill Rates (Refer Note 1)						
	%	%	%	%	%	
Residential	City of Markham	0.197612	0.204311	0.211775	0.219600	0.231600
	Region of York	0.397157	0.406421	0.416733	0.434762	0.452889
	School Boards (Public and Separate)	0.188000	0.195000	0.203000	0.212000	0.221000
		0.782769	0.805732	0.831508	0.866362	0.905489
Multi-residential	City of Markham	0.197612	0.204311	0.211775	0.219600	0.231600
	Region of York	0.397157	0.406421	0.416733	0.434762	0.452889
	School Boards (Public and Separate)	0.188000	0.195000	0.203000	0.212000	0.221000
		0.782769	0.805732	0.831508	0.866362	0.905489
Commercial - full rate	City of Markham	0.220772	0.228257	0.236595	0.245340	0.258740
	Region of York	0.443704	0.454054	0.465575	0.485716	0.505968
	School Boards (Public and Separate)	1.008874	1.019142	1.055636	1.094012	1.129617
		1.673350	1.701453	1.757806	1.825068	1.894325
Commercial - vacant units, excess land - percentage of full rate	70	70	70	70	70	
Industrial - full rate	City of Markham	0.259346	0.268138	0.277934	0.288210	0.303950
	Region of York	0.521229	0.533387	0.546921	0.570582	0.594372
	School Boards (Public and Separate)	1.180000	1.190000	1.220000	1.260000	1.301035
		1.960575	1.991525	2.044855	2.118792	2.199357
Industrial - vacant units, excess land - percentage of full rate	65	65	65	65	65	
Taxes Levied						
City of Markham	\$143,646	\$138,739	\$132,788	\$125,660	\$122,270	
Region of York	281,721	268,907	252,977	242,463	231,852	
School Boards (Public and Separate)	215,195	210,602	200,467	196,284	193,725	
	\$640,562	\$618,248	\$586,232	\$564,407	\$547,847	
Total Tax Arrears (Taxes Receivable)						
Per capita	\$77.72	\$82.56	\$85.40	\$91.41	\$120.91	
Percentage of current levy	4.29%	4.67%	4.98%	5.39%	7.15%	

Note: Average Residential Tax Bill for 2016 was based on Current Value Assessment \$637,000

Organizational Structure

(As of April 2017)



Markham's Executive Leadership Team: (left to right) Meg West, Trinela Cane, Brenda Librecz, Andy Taylor, Jim Baird and Catherine Conrad



Markham information in many languages
905.477.5530

Information Markham en plusieurs langues
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اطلاعات مارکھام به زبانهای مختلف
அநேக மொழிகளில் மார்க்கம் செய்தி
بہت ساری زبانوں میں مارکھم کی معلومات

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