



Looking Forward



2006 Annual Report
December 31, 2006
Markham, Ontario, Canada

2006 ANNUAL REPORT

We are pleased to present the 2006 Annual Report for the Corporation of the Town of Markham. Council and staff review Town services through our budget process to ensure that we are delivering value for municipal tax dollars. Fiscal stewardship remains one of our priorities, as we balance the need to deliver services to our changing population while minimizing tax increases.

Markham continues to build on its reputation as “Canada’s High-Tech Capital” and we are proud of our long-term commitment to the values that build a strong community. Our financial record is strong and we are well positioned to take on the challenges of the future.

On behalf of Council and staff, we present our 2006 Annual Report and thank all those who have contributed to our outstanding record of success.



Frank Scarpitti
Mayor



Dan Horchik
Councillor, Ward 6
Chair, Budget Committee
2006



Joseph Virgilio
Councillor, Ward 3
Chair, Finance Committee
2006

Finance and Administrative Committee 2006

Chair

Joseph Virgilio
Councillor, Ward 3

Members

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

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

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

Budget Committee 2006

Chair

Dan Horchik
Councillor, Ward 6

Members

Frank Scarpitti
Mayor, Ex Officio
Jim Jones
Deputy Mayor, Ex Officio
Tony Wong
Regional Councillor
Valerie Burke
Councillor, Ward 1

Erin Shapero
Councillor, Ward 2
John Webster
Councillor, Ward 5
Logan Kanapathi
Councillor, Ward 7



Canadian
Award for
Financial
Reporting

Presented to

**Corporation of the
Town of Markham, Ontario**

For its Annual
Financial Report
for the Year Ended
December 31, 2005

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



Thomas Khan
President

Jeffrey L. Easer
Executive Director



CONTENTS

Introduction

Mayor's Message	2
Members of Council	4
CAO's Message	6
Governance	7
Organizational Structure	7
Markham Profile	8
2006 Accomplishments	9
Looking Forward	10
Financial Policies	12
Commissioner's Report	13

Financial Statements

Auditors' Report	15
Consolidated Statement of Financial Position	16
Consolidated Statement of Financial Activities	17
Consolidated Statement of Changes in Financial Position	18
Notes to the Consolidated Financial Statements	19
Consolidated Schedule of Operating Fund Activities	28
Consolidated Schedule of Capital Fund Activities	29
Consolidated Schedule of Reserves and Reserve Funds Activities	30

Trust Funds

Auditors' Report	31
Statement of Financial Position and Statement of Financial Activities and Fund Balances	32
Notes to the Financial Statements	33

Statistical Information

Five-Year Review	34
Performance Measures Report Card	37

The theme of the 2006 Annual Report, Looking Forward, gives us the opportunity to preview Council's plans for the coming year against the backdrop of our accomplishments during the past term.

The 2006 Annual Report for Markham, Ontario, Canada has been prepared by the Office of the Chief Administrative Officer and the Corporate Services Commission.

MAYOR'S MESSAGE

The achievements of the past prepare us for the road ahead.

LOOKING BACK

The final term of Council, ending in December 2006, was full of many challenges and opportunities. We faced issues with our growth, gridlock and the environment, while responding to the changing needs of our growing population. Throughout these years, we met our challenges while remaining debt free. We are proud of our past accomplishments as we face the challenges of the future. Council is committed to the "value for money" concept as we strive to uphold our enviable standard of living, while delivering municipal services at a reasonable cost. I congratulate and thank all those on Council who served us so well during the 2003 – 2006 term. They showed an understanding and willingness to support each other, while looking out for the interests of those who live and work in the Town of Markham. I also want to thank our staff who work each day to make Markham one of the finest municipalities in Canada. I urge you to find out more about what we achieved in the past term, and what we intend to do in this one, by reading our Annual Report.

FINANCIAL

The Town of Markham approved the 2006 budget, totalling \$269 million. Financial pressures on the Operating Budget grew with the need for increased resources to maintain and replace our additional inventory of community centres, watermains, roads and sidewalks. In addition, the Operating Budget includes phasing-in of operating costs related to future facility openings such as the next fire station, community centre and library. The budget impacts of these pressures were partly offset by increases in revenue resulting in a property tax increase of 4.88 per cent from the 2005 rate.

The Capital Budget approved for the year focused on Council priorities including: infrastructure and transportation, creating a better quality of community, safe streets, environmental protection, and infrastructure for Markham Centre Downtown and maintaining water and sewer programs.

The fiscal health of our Town is sound and our prospects for the future are excellent.



HIGHLIGHTS

I would like to review some of the highlights of the 2004 – 2006 term.

- Completed Angus Glen Community Centre and Library by constructing a 6-lane, 25-metre long pool, dual pad arena, gymnasium and full-service community library.
- Created Powerstream, the fourth largest local electricity distribution company in Ontario, delivering power to more than 230,000 residential and business customers in Aurora, Vaughan, Richmond Hill and Markham.
- Expanded Markham's High-Tech and Life Sciences sectors to just under 1000 companies, employing more than 35,000 people.
- Completed construction of the seniors centre at Thornhill Community Centre.
- Launched Mission Green, Markham's strategy to reduce waste trucked to landfill by 70 per cent. This target is quickly being approached and, when it is, Markham will have the highest waste-diversion rate in North America.
- Completed the acquisition of Ontario Realty Corporation lands at Kennedy Road and Highway 407.
- Built the Rodick Road overpass. Upon completion, expanded Rodick Road will connect Woodbine Avenue from north of 16th Avenue to Riviera Drive and, ultimately, extend southwards to Esna Park Drive by 2010.
- Implemented one-number-to-call for municipal services at the Contact Centre, which answered more than 240,000 calls in 2006.
- Completed Enterprise Drive grade separation, with road construction from Warden Avenue to Rivis Road.
- Opened the Bur Oak Fire Station and the Riviera Fire Station.
- Completed 58 hectares of parks as part of Markham's greening initiatives to improve the quality of life in neighbourhoods across the Town.
- Implemented travel demand management initiatives, including Smart Commute, to help Town commuters discover alternatives to their single-occupant vehicles.

THE ROAD AHEAD

As we move forward, Council has set six priorities to guide our activities during this term.

GROWTH MANAGEMENT

Council will develop a consensus strategy to direct and manage growth including land use, environmental protection, agriculture, urban boundaries as well as economic and financial implications. All of this will be done in the context of an effective public consultation process.

TRANSPORTATION/TRANSIT

Growth and gridlock are interconnected issues and Council recognizes that sustainable growth requires an efficient transportation and transit system. The gas tax transfer to municipalities will help Markham and the Region of York upgrade and maintain our transportation/transit infrastructure so people and goods can be moved more efficiently.

Markham will continue to advocate for more investment in public transit, including subway and rapid transit lines.

ENVIRONMENT

Human activity is significantly altering our natural environment, affecting our air, land and water, producing a negative impact on our quality of life. There is an urgent need for a comprehensive strategy to allow us to achieve environmental sustainability and to demonstrate creative solutions in our constructed and natural environments.

RECREATION MASTER PLANS AND PUBLIC SAFETY

Council has identified a need to update our Master Plan for Parks, Recreation, Culture and Library to ensure that the services we are delivering in these areas are meeting the needs of our diverse, changing and growing population. There is also a need to address the issue of public safety.

SERVICE LEVELS

As our population expands and the Town changes, it is important that we keep in touch with the needs of our residents, providing them with the levels of services needed to protect the qualities of community that we all cherish. We want to close the gap between actual and expected levels of service and to ensure we are providing easier front-line service to our diverse community.

DIVERSITY

The strength of our future lies in managing the energy, determination and talents of the new immigrants who make Markham their home. Seventy per cent of new residents to York Region today are immigrants. They are highly educated, talented and entrepreneurial. The focus of Markham's diversity programs is to make them feel welcome, while helping them adapt to our community.

CONCLUSION

This new term will present many challenges to Council and staff as we align our efforts to accomplish the goals set out in our six priorities. I want to thank Council and staff for their dedication and urge them to stay the course on our road to an even better Markham. Our management principles are sound and our future prospects are excellent. I am pleased to present Markham's 2006 Annual Report.



Frank Scarpitti
Mayor
June 2007

We are planning our future based on a strong tradition of strategic planning and extensive consultation with the many stakeholders who want to make Markham the best community it can be.

ELECTED OFFICIALS



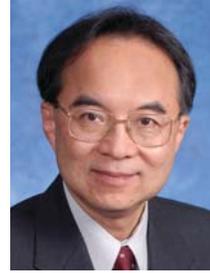
Frank Scarpitti
Mayor
905 475 4872
Fax: 905 479 7775
fscarpitti@markham.ca



Jim Jones
Deputy Mayor
Regional Councillor
905 479 7757
jjones@markham.ca



Jack Heath
Regional Councillor
905 415 7506
jheath@markham.ca



Tony Wong
Regional Councillor
905 415 7549
twong@markham.ca

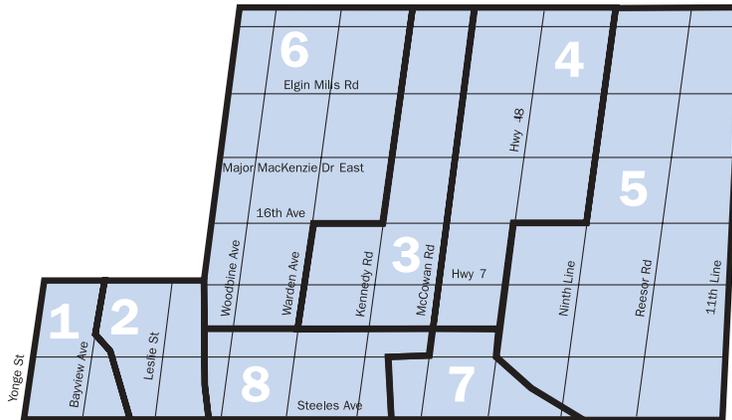


Gordon Landon
Regional Councillor
905 415 7534
glandon@markham.ca

TOWN COUNCILLORS & WARD MAP



Valerie Burke
Ward 1
905 479 7747
vburke@markham.ca



Alex Chiu
Ward 8
905 479 7752
achiu@markham.ca



Erin Shapero
Ward 2
905 479 7756
eshapero@markham.ca



Joseph Virgilio
Ward 3
905 479 7749
jvirgilio@markham.ca



Carolina Moretti
Ward 4
905 479 7751
cmoretti@markham.ca



John Webster
Ward 5
905 479 7750
jwebster@markham.ca

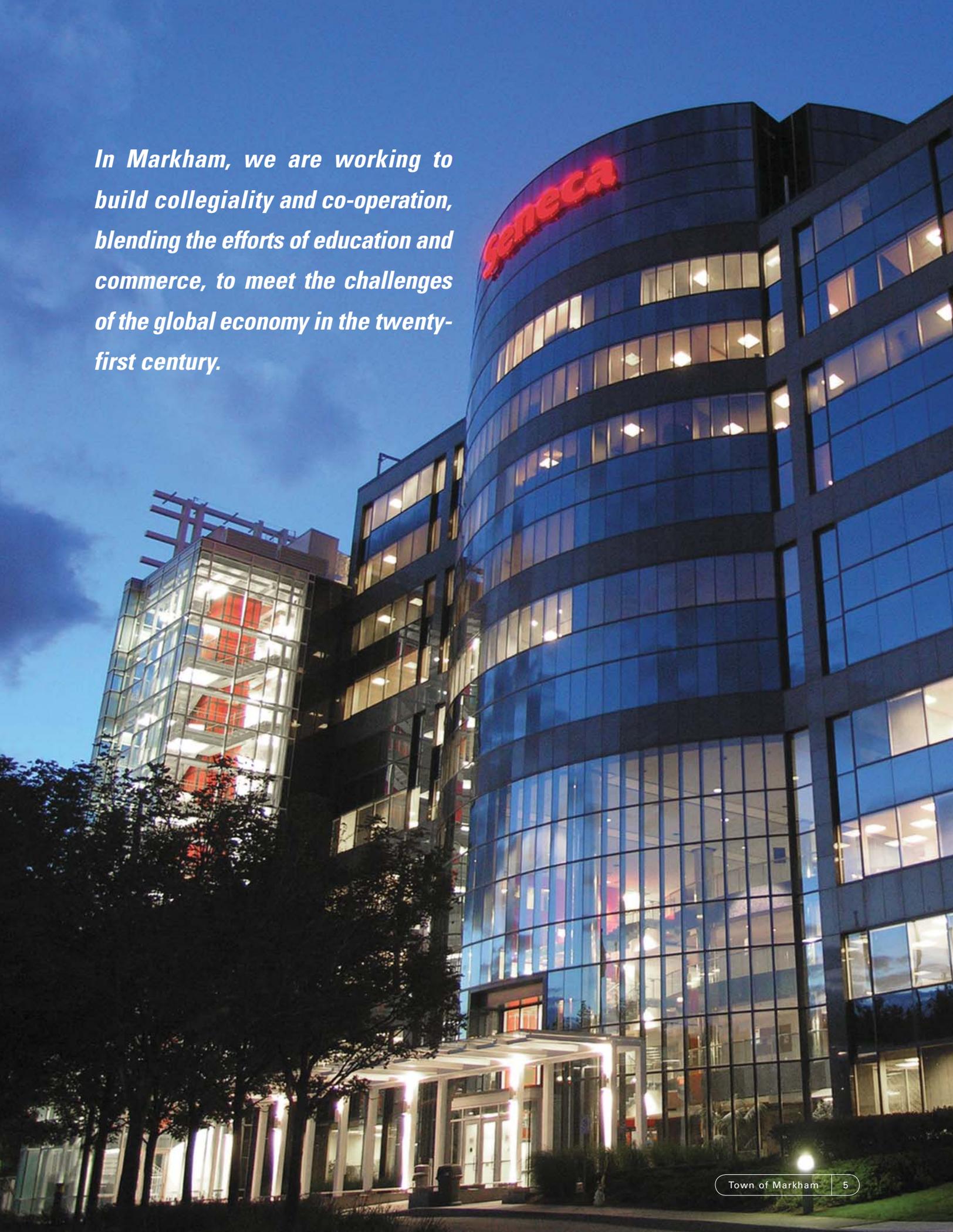


Dan Horchik
Ward 6
905 479 7758
dhorchik@markham.ca



Logan Kanapathi
Ward 7
905 479 7748
lkanapathi@markham.ca

In Markham, we are working to build collegiality and co-operation, blending the efforts of education and commerce, to meet the challenges of the global economy in the twenty-first century.



MESSAGE FROM THE CAO

Each year as I look back over key events and activities, I'm struck by how well our motto – Leading While Remembering – captures the essence of the Town. 2006 was no exception. It was a year in which we were recognized for leadership on a number of fronts, winning awards related to our application of technology, for sustained environmental excellence and for our demonstration of character values in our youth programs.

Environmental protection has long been a Town priority. Thanks to the hard work of staff and the enthusiastic support of residents, we are a recognized national leader in waste management, diverting 70% of our waste from landfill. We recently re-set the bar to 75% and I'm confident we'll reach that target in the months ahead.

One of Canada's fastest-growing municipalities, Markham's new developments reflect values of the past with a focus on creating truly liveable, environmentally sustainable neighbourhoods. In addition to our on-going protection and enhancement of the Rouge Park and other natural areas within the Town, we actively encourage Markham builders and developers to adopt LEED green building standards for energy and water conservation and to consider the environmental benefits of green roof projects.

In the fall of 2006, Town-owned Markham District Energy Inc. signed a long-term contract with the Ontario Power Authority to build a 5-megawatt heat and power facility at our Warden Avenue and Highway 407 Energy Centre. The facility will deliver cost-effective, efficient heating and cooling for new developments in Markham Centre, the Town's rapidly-emerging new downtown core.

Ensuring that Markham continues to provide an extraordinary quality of life for all residents is our overriding objective. Effectively managing growth-related issues such as traffic volume is essential. The Town actively supports York Region's transit initiatives and welcomes the Province's recent announcement of a \$17.5 billion investment in an integrated rapid transit plan for the Greater Toronto Area and Hamilton.



Encouraging safe driving is a key focus of our Safe Streets Strategy. The Strategy has combined education, enforcement and road engineering techniques to control speeding and aggressive driving.

Our recently launched bicycle paths, the first phase of a 400-kilometre network, encourage an alternative mode of transportation and provide an opportunity for the whole family to get out and enjoy a healthy recreation. In 2006, we continued to add new recreation programs and facilities to meet residents' needs and special interests. Renovations at the Thornhill Community Centre

included a new gymnasium and a therapeutic pool. Expanded Fitness Centre facilities and programs were part of both the Thornhill and Centennial Community Centre renovations. September "Try It" week was an opportunity for residents to sample forty-two of our recreation programs, introducing many of them to new ways to have fun and get fit. Some new recreation facilities to watch for in the months ahead are a new state-of-the-art bocce facility at Centennial; three new, lit, artificial turf soccer fields at Bill Crothers Secondary School in Markham Centre and; the Town's first cricket pitch to be built in Milliken.

Markham's reputation as a leader has its foundation on how well we build on the past to create new possibilities for the future. As our population grows and we welcome many new Canadians to the community, we are building on a long tradition. Immigrants who saw this as an ideal place to build new lives for themselves and their families founded Markham more than 200 years ago. It continues to be where newcomers will find a wealth of opportunity and a caring community

A handwritten signature in black ink, appearing to read "John Livey". The signature is stylized and fluid, with a large initial "J" and "L".

John Livey
Chief Administrative Officer
June, 2007

G O V E R N A N C E

COUNCIL

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

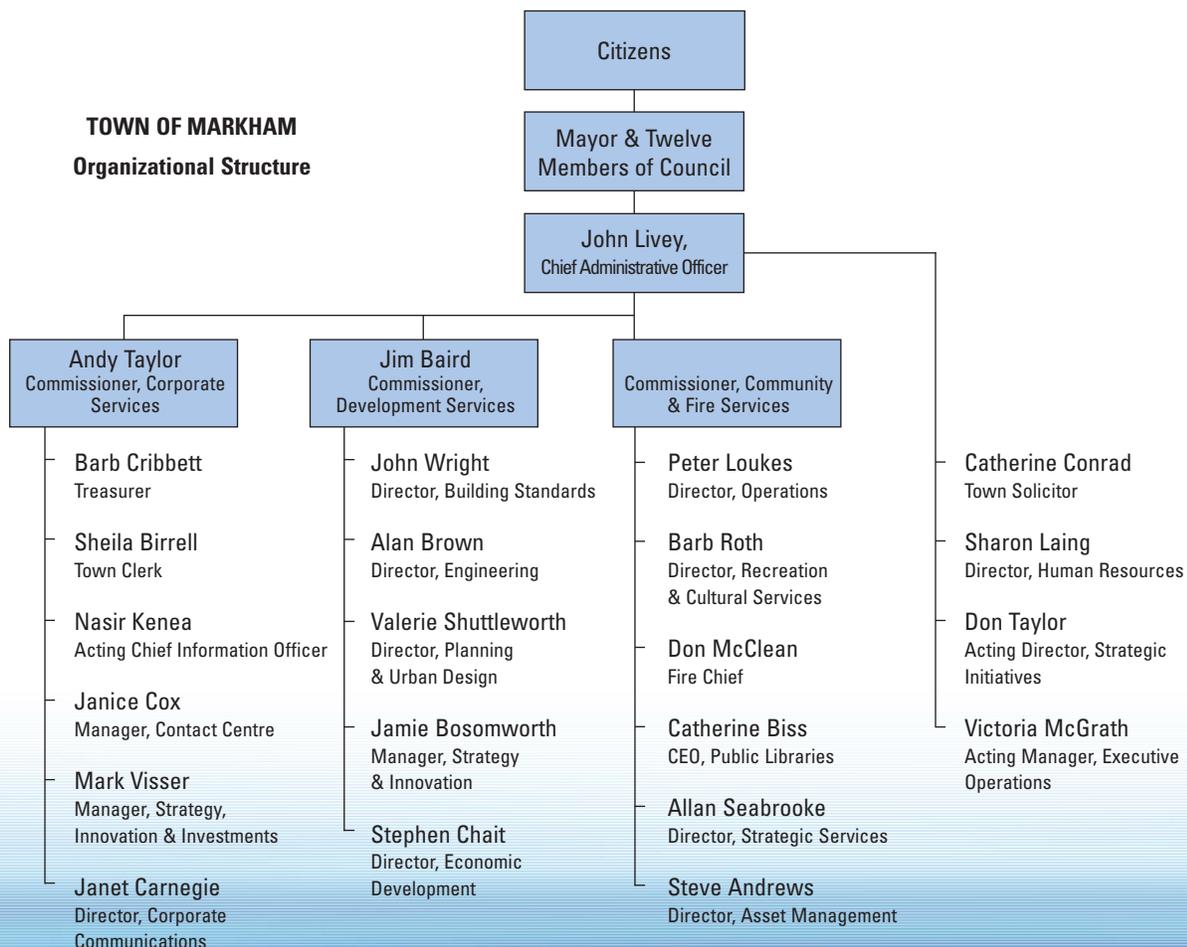
All Members of Council are elected for a four-year term and exercise their governance through the adoption of resolutions and By-laws. The key roles of Council are to: establish policies that define the strategic priorities of the Town; ensure that municipal services are provided in a cost-effective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

COMMITTEES

Council streamlined the committee structure in December 2004, reducing the number of committees reporting to Council from five to two: General Committee and Development Services Committee. Other sub-committees may be set up as needed and report to Council through one of the Standing Committees.

CHIEF ADMINISTRATIVE OFFICER

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



MARKHAM PROFILE

In 1971, the Regional Municipality of York was established. The first form of structured municipal government was established in 1850 when the Township of Markham was created. In November 1872, the Warden of York County signed the By-law of Incorporation which provided for the election of a Council for the Village of Markham. In 1971, the Regional Municipality of York was established.

The Town of Markham is the largest of nine municipalities that make up the Regional Municipality of York. York Region is due north of Toronto. This location also provides Canada's easiest access to more than 150 million customers in the United States.

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

The Mayor and four Regional Councillors represent Markham's interests town-wide and on York Regional Council. This level of municipal government deals with region-wide matters. York Region's responsibilities include planning approvals, regional roads, transit, water and wastewater treatment, recycling and solid waste disposal, police services, provincial offences administration, public health and welfare programs.

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

Markham has a land area of approximately 210 square kilometers. In 1976, the population was 56,000. During the past 35 years, the population has increased more than fourfold and stood at 280,000 in 2006. The community is one of the most diverse in the country, with more than 55 per cent of its population having origins in countries other than Canada. Through this change and growth, many of Markham's roots endure. Still rich in farmlands, it stands as Canada's pre-eminent high technology centre, known worldwide for innovative products and services. The municipality is surrounded by beautiful countryside.

Income levels are among the highest in Canada and those of employment age are more highly educated than average; 84 per cent have high school diplomas, 24 per cent have college diplomas, 36 per cent have university degrees. Providing jobs for residents

is just one part of what makes Markham a SMART community – with objectives that are specific, measurable, attainable, realistic and timely.

More than 930 technology and life science companies are already the driving force of commerce in 21st century Markham. The Town's leading employers include IBM, American Express, ATI Technologies, Liberty Health and Motorola. In 2006, more than 130,000 people were employed in the Town of Markham.

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

Council is developing a "greenprint" for Markham that will be a comprehensive strategy for sustainable growth, efficient public transit and a healthy working and living environment.

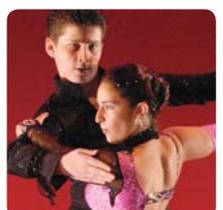
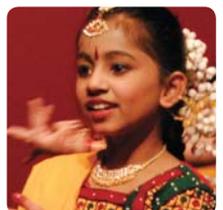
Markham celebrates its diversity. All ages are represented from Youth Week through to the Seniors Extravaganza and our Senior Citizens Light Tour.

People from many nations contribute to the cultural life of Markham and they are recognized through events such as the Chinese New Year, the Many Faces of Markham Concert and Black History Month.



2006 ACCOMPLISHMENTS

- Began project planning and policy work for the fundamental change in the way Ontario municipalities account for tangible assets in 2008/2009
- Updated Reserve/Reserve Fund Adequacy Study
- Completed financial analysis and funding plan for Markham District Energy 10-year Capital Plan
- Performed a detailed review of Development Charge Receivables from 1992 to 2006
- Increased pre-authorized tax payments by 9 per cent in 2006
- Initiated anti-idling enforcement program
- Oversaw internet voting for the 2006 municipal election
- Initiated a communications/education/enforcement plan for extended driveways
- Online payment of parking tickets doubled in 2006
- Answered more than 240,000 calls in the Contact Centre in an average of 23 seconds
- Processed more than \$5 million in revenue for recreation programs at the Contact Centre
- Developed a joint web portal solution in co-operation with the Region of York
- Initiated the design and construction process for almost 27.5 hectares of new parks
- Continued planning for the Royal Conservatory of Music, the National Research Laboratory and the National Sports Institute
- Finalized standardization of purchasing general terms and conditions
- Finalized a Memorandum of Understanding for the Varley-McKay Art Foundation
- Provided more than 2,800 hours of professional development training, almost 1,700 hours of health and safety training and initiated a leadership development program
- Conducted a current-state assessment of the Corporation as part of its diversity strategy
- Introduced Mission Green to high-rise multi-residential units in the form of an expanded recycling program that matches the single family home blue box program
- Increased the waste diversion rate to 70 per cent compared with 52 per cent in 2005
- Completed a waste management communications program consisting of a collection calendar, two newsletters, attendance at seven fairs and festivals
- Installed new technology to automate material handling, increase customer access to material and keep pace with increased customer borrowing at the Markham Public Libraries
- Developed an energy conservation/sustainability strategy for Town-owned buildings
- Initiated a night inspection program for fire prevention
- Purchased property in the Cathedral and Cornell areas for new fire stations
- Commenced the development of the third volume of the Markham History Book
- Performed life-cycle analysis of pavements, using conditions data, performance curves and other maintenance criteria
- Facilitated Green Roof initiatives, including Green Roof policy for community facilities, Green Roof/solar demonstration project and Green Roof symposium
- Completed a salt management plan
- Introduced turf maintenance standards Phase 2 & 3 on Town property
- Reviewed the tree preservation by-law
- Began Phase 2 of the Thornhill Community Centre expansion, totalling more than 21,000 square feet, and expanded the Centennial Community Centre by 50,500 square feet
- Attracted a record 2,400 participants to the Tony Roman Memorial Hockey Tournament
- Welcomed more than 5 million visitors collectively at the Town's 17 recreational facilities



LOOKING FORWARD

GROWTH

The Provincial Growth Plan was created in 2006, with conformity by municipalities required by July 2009. The Town of Markham has commended the Province for providing a long-term, comprehensive plan to guide Greater Golden Horseshoe municipalities in managing growth. The Town also has continued to express the view that the Plan will only be viable with significant and sustained provincial infrastructure funding and financial policy reforms. Council has requested that the Minister of Public Infrastructure Renewal provide a sustainable investment strategy in support of the Growth Plan.

Markham will develop a long-term vision of what the municipality should look like 25 years from now and beyond by engaging the public and various other stakeholders from the outset. "Made in Markham" options for growth, land use and transportation will be developed, along with identifying the financial tools needed to support them.



TRANSPORTATION/TRANSIT

Due to rapid growth, the Greater Toronto Area is experiencing traffic congestion, economic loss, environmental damage and reduced quality of life. There is a pressing need for a more efficient transportation infrastructure, including alternative modes of transportation. The issues are a lack of vision, co-operation among levels of government and funding.

The Town will work with the Region and other levels of government to address these issues. We will also work with them to improve our road network and to explore rapid transit options including extension of the Yonge Street subway to Highway 7, improved GO and VIVA services, supported by sufficient local bus service.



Markham is developing policies related to transit-oriented land use, live/work balance, as well as transit modes and corridors. The Town is also working with other levels of government to develop funding strategies that address its infrastructure needs.

ENVIRONMENT

This is a critical time to consider the economic, social and cultural factors of environmental sustainability. To this end, Markham is developing a "Greenprint" that will offer practical, short-and long-term plans and actions to improve the environment. Through a process of public consultation and in co-operation with all departments, the Town will factor environmental impacts into all levels of its decision-making.

Some actions are immediate. The Town has developed a Green Roof policy to ensure that all Town facilities are considered for installations. Staff has created a Green Fleet website to publicly monitor the ongoing benefits of greening its corporate fleet. The waste diversion rate has increased from 52 per cent in 2005 to 68 per cent in 2006, with the expectation of reaching more than 70 per cent with the addition of recycling to multi-unit residences. Mission Green, the Town's waste management program, will be expanded to all Town facilities.

The Town will encourage developers to construct new buildings to meet LEED and Energy Star standards. Council and staff are working to develop a comprehensive plan to address energy usage in Markham. Council is also committed to planting more trees in the next four years than have been planted in the past decade.

MASTER PLAN AND SAFE STREETS

Another Council priority is to update the Master Plan for Parks, Recreation, Culture and Library. There is also a need to address public safety.

The Master Plan will be developed in each step with the Growth Master Plan and be sensitive to the changing demographics in Markham. Data on what services are now used, how often and when will be factored into the Plan.

Council and staff are also working on a public safety framework that includes crime reduction programs in partnership with York Regional Police, social service agencies and York Region's school boards.

SERVICE LEVELS

A further priority of Council this term is to identify the levels at which the Town should deliver services and measure the actual levels at which they are being delivered to residents.

Staff will review the service delivery model, recognizing such factors as costs, human resources, union relations, environmental concerns and Markham's growing diverse population. Some of the areas for review include: snowplowing, grass cutting, pavement management, By-law enforcement, property standards and litter. Consideration will also be given to longer term issues such as the demographic, housing and transportation shifts that are occurring within the Town.

Council and staff are also exploring the viability of providing services in several languages including: one point contact, 211/311 postal technology, information for new residents and human contact on a 24 hour basis.

DIVERSITY

Markham is one of Canada's most culturally diverse communities and recognizes this as a strength and as an opportunity. A clear cultural diversity vision and strategy will strengthen our ability to promote inclusiveness among our residents. This is a Council commitment and focus.

We are committed to building a greater understanding of the diverse make-up of the community and are receptive to providing services and programs that meet varying needs, partnering with the community where possible. Internally, Town staff will develop a vision statement and implementation plan that includes employment practices, mentoring of new immigrants, an effective measurement program and a communications plan.

The Town of Markham will also reach out to the cultural communities in a variety of ways to increase their engagement in Town activities. Steps will be taken to raise the profile of the Markham Race Relations Committee and related committees as part of our diversity action plan.

***We want to meet the needs of
the present, without compromising the
ability of future generations
to meet their needs.***



FINANCIAL POLICIES

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

BASIS OF ACCOUNTING

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

RESERVE/RESERVE FUND POLICY

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

USE OF ONE-TIME REVENUES

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

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

USE OF ASSESSMENT GROWTH

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

USE OF PRIOR YEAR'S SURPLUS/DEFICIT

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

CAPITAL BUDGET

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

DEBT ISSUANCE

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

COMMISSIONER'S REPORT

I am pleased to present the 2006 Financial Report for The Town of Markham.

Our 2006 Annual Report gives us the opportunity to look back on the accomplishments of the past term, while previewing some of our plans for the road ahead.

One important road to the future is the development of a portal in co-operation with the Region of York. The portal, which is a web-based technology similar to a website, will serve as a single entry point for residents to access services, information and people at the Town of Markham. It facilitates the various business systems used to support municipal functions so that they are easily and seamlessly accessed from anywhere at anytime. When completed, this technology infrastructure also facilitates interaction of residents, employees and other government agencies with the Town.

Across Canada, the transformation to "government online" is being driven by consumer demand, rapidly evolving technological capabilities and increased government confidence in matters related to privacy and security. Markham is a leader in high-tech and knowledge-based industries – so, we want to provide leading-edge ways for our residents to get connected electronically with government services.

We'll continue to make our Town a leader in e-government services and to promote Markham as the best location in Canada to live and work in the electronic age.

Another road we are traveling is the road to sustainability. Sustainable development does not focus solely on environmental issues. More broadly, sustainable development includes three general policy areas: economic, environmental and social. We are approaching all three with such initiatives as our Economic Strategy 2007-2017; our Greenprint for Markham and our Growth Plan.

Markham is recognized as a leader in sustainability through our programs to protect our heritage, our natural environment, our planning based on a live/work model, our Mission Green program, our diversity initiatives and our emphasis on fiscal prudence. Sustainability is a guiding principle through which we hope to create a legacy for future generations as we travel the road ahead.



BUDGET

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

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

For the past six years, the Town submitted its Budget Presentation to the Government Finance Officers Association and each year was awarded the Distinguished Budget Presentation Award.

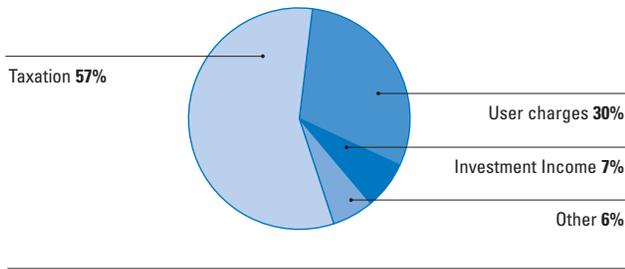
AUDIT COMMITTEE

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

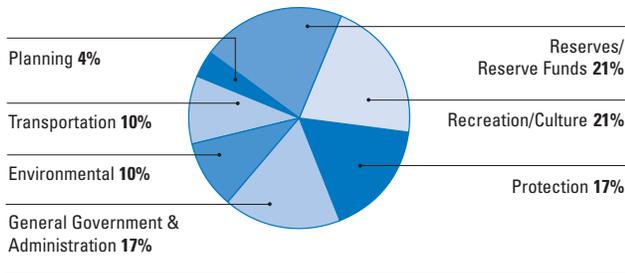
FINANCIAL STATEMENTS

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

2006 Revenue



2006 Expenditures



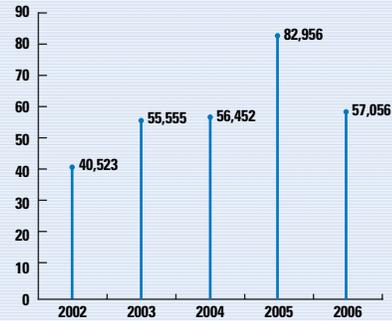
Markham prepares its financial statements in compliance with the accounting recommendations as set out in the Canadian Institute of Chartered Accountants PSAB Handbook. It requires the Town's financial statements to provide an accounting of the full nature and extent of the financial affairs and resources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

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

FINANCIAL HIGHLIGHTS

I would like to thank Barb Cribbett, Treasurer, and Raj Raman, Manager, for the impressive efforts our team made to put in place the financial reporting systems that enabled our external auditors to verify Markham's Financial Statements within 90 days of year-end. Municipalities account for expenditures by fund. Three funds historically make up the Town's Financial Statements: Operating Fund, Capital Fund and Reserves/ Reserve Funds. For 2006, these three funds totalled \$135.0M (2005 – \$125.8M). In addition, Markham's equity interest in the Markham Enterprises Corporation is part of its Fund Balances. For 2006, the equity in Markham Enterprises Corporation was \$174.5M (2005 – \$168.2M), bringing the total fund balances to \$309.5M. The following is a summary of each fund.

Capital Spending



All dollar amounts are in \$000

OPERATING FUND

Revenues from the current year's operations were \$164.6M (2005 – \$158.2M) while the current operating expenditures totalled \$129.6M (2005 – \$122.1M). The 2006 surplus was approximately \$3.8M.

CAPITAL FUND

Markham fully funds capital projects once approved by Council. As a result, the phasing and completion of the projects affect the Capital Fund balance. The Capital Fund balance of \$26.0M (2005 – \$23.2M) represents unexpended capital funding at year-end. Capital expenditures in 2006 totalled \$57.1M (2005 – \$83.0M) and included such projects as Phase 1 of Birchmount Road extension and Woodbine by-pass sanitary sewer and road construction.

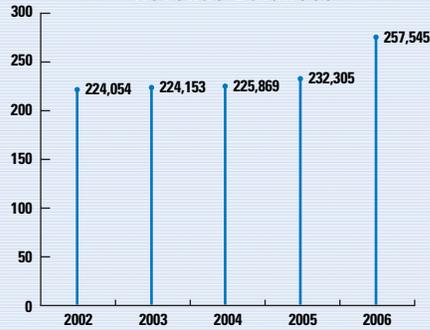
Changes to the Development Charges Act have eliminated funding for such items as parkland acquisition, information technology and administrative space. So, the requirement to fund significant growth-related costs through non-development charge sources will continue to create challenges for Markham, given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

To ensure Markham's existing infrastructure is maintained, the initial \$500,000 of tax revenue from new assessment each year is transferred to the Capital Fund. In 2006, \$17.2M (2005 – \$16.7M) was transferred to the Capital Fund from the tax rate.

RESERVES/RESERVE FUNDS AND DEFERRED REVENUE

As at December 31, 2006, the Reserves/Reserve Funds totalled \$105.2M (2005 – \$98.7M) and Deferred Revenue totalled \$152.4M (2005 – \$133.6 M). The Reserves and Reserve Funds have been established to fund future operating and capital expenditures, long-term liabilities, special projects and potential corporate tax-rate stabilization and working capital requirements. Development Charges revenue and developer contributions for

Reserves / Reserve Funds and Deferred Revenue Balances



All dollar amounts are in \$000

parkland are now reclassified as Deferred Revenue under Public Sector Accounting Board recommendations. They are no longer included within the Reserves and Reserve Funds.

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

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

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

In conclusion, we thank all staff for their co-operation and willingness to go the extra mile in servicing the Town of Markham. Taxpayers should feel that they are well served by Town staff and that the municipality is run with high respect for the principles of transparent and responsible government.

Andy Taylor, C.A.
Commissioner, Corporate Services
June, 2007

A U D I T O R S ' R E P O R T

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

We have audited the consolidated statement of financial position of The Corporation of The Town of Markham as at December 31, 2006 and the consolidated statement of financial activities and changes in financial position for the year then ended. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Town as at December 31, 2006 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

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

Chartered Accountants, Licensed Public Accountants
Toronto, Ontario
May 4, 2007

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2006

(All dollar amounts are in \$000)

	2006	2005
ASSETS		
FINANCIAL ASSETS		
Cash and cash equivalents (Note 4)	\$ 291,687	\$ 266,441
Taxes receivable (Note 7)	30,842	33,540
Unbilled user charges	5,191	5,306
Accounts receivable (Note 17)	20,654	14,446
Investment in Markham Enterprises Corporation (Note 18)	174,471	168,191
Other current assets	225	156
	523,070	488,080
LIABILITIES		
Accounts payable and accrued liabilities (Note 9)	53,459	53,569
Deferred revenues (Note 10)	152,367	133,598
Employee future benefits liabilities (Note 12)	12,781	11,361
	218,607	198,528
	\$ 304,463	\$ 289,552
NET FINANCIAL ASSETS		
MUNICIPAL POSITION		
FUND BALANCES		
Operating Fund (Note 14)	\$ 3,814	\$ 3,856
Capital Fund (Note 14)	25,997	23,198
Reserves and Reserve Funds (Note 14)	105,178	98,707
Equity in Markham Enterprises Corporation (Note 18)	174,471	168,191
FUND BALANCES	309,460	293,952
AMOUNTS TO BE RECOVERED (Note 6)		
From reserves and reserve funds on hand	(4,997)	(4,400)
	\$ 304,463	\$ 289,552

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

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

Year ended December 31, 2006
(All dollar amounts are in \$000)

	2006 <i>Budget</i>	2006 <i>Actual</i>	2005 <i>Actual</i>
Revenues			
Taxation	\$ 93,954	\$ 94,357	\$ 88,036
User charges (Note 11)	50,561	48,672	46,830
Grants	4,772	4,270	1,869
Contributions from developers	34,834	14,983	38,502
Investment income	11,672	16,100	13,279
Tax penalties	3,375	3,436	3,376
Other	10,579	12,303	9,603
TOTAL REVENUES	209,747	194,121	201,495
Expenditures			
Operating			
General government	29,725	27,191	25,419
Protection to persons and property	29,270	29,229	26,233
Transportation services	17,297	16,413	17,099
Environmental services	16,185	16,278	14,571
Recreation and cultural services	34,748	34,603	32,920
Planning and development	6,015	5,878	5,816
Other	27	622	519
Subtotal	133,267	130,214	122,577
Capital			
General government	10,784	5,279	13,401
Protection to persons and property	3,201	1,303	2,839
Transportation services	42,802	18,530	34,791
Environmental services	7,652	7,328	6,923
Recreation and cultural services	6,340	18,579	22,292
Planning and development	2,775	6,037	2,710
Subtotal	73,554	57,056	82,956
TOTAL EXPENDITURES	206,821	187,270	205,533
	2,926	6,851	(4,038)
Equity pick up in Markham Enterprises Corporation (Note 18)	–	8,060	5,866
INCREASE IN NET FINANCIAL ASSETS	2,926	14,911	1,828
INCREASE IN AMOUNTS TO BE RECOVERED	–	597	1,482
CHANGE IN FUND BALANCE	\$ 2,926	\$ 15,508	\$ 3,310

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

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

<i>Year ended December 31, 2006</i> <i>(All dollar amounts are in \$000)</i>	2006	2005
OPERATING ACTIVITIES		
Increase in Net Financial Assets	\$ 14,911	\$ 1,828
Subtotal	14,911	1,828
Uses		
Increase in taxes receivable	–	(5,464)
Increase in accounts receivable	(6,208)	(889)
Increase in unbilled user charges	–	(146)
Increase in other current assets	(69)	–
Decrease in accounts payable and accrued liabilities	(110)	–
Decrease in deferred revenue	–	(1,757)
Subtotal	(6,387)	(8,256)
Sources		
Decrease in unbilled user charges	115	–
Decrease in taxes receivables	2,698	–
Decrease in other current assets	–	76
Increase in accounts payable and accrued liabilities	–	3,673
Increase in deferred revenue	18,769	–
Increase in employee benefits liabilities	1,420	1,233
Subtotal	23,002	4,982
Net Increase/(decrease) from operating activities	31,526	(1,446)
INVESTING ACTIVITIES		
Dividend from Markham Enterprises Corporation	1,780	–
Equity pick up in Markham Enterprises Corporation	(8,060)	(5,866)
Net Increase/(decrease) from investing activities	(6,280)	(5,866)
NET CHANGE IN CASH AND CASH EQUIVALENTS	25,246	(7,312)
OPENING CASH AND CASH EQUIVALENTS	266,441	273,753
CLOSING CASH AND CASH EQUIVALENTS	\$ 291,687	\$ 266,441

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2006
(All dollar amounts are in \$000)

1. SIGNIFICANT ACCOUNTING POLICIES

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

REPORTING ENTITY

These consolidated financial statements reflect the assets, liabilities, revenues and expenditures of the operating fund, capital fund, reserves and reserve funds of the reporting entity. The reporting entity is comprised of all organizations, local boards and committees accountable for the administration of their financial affairs and resources, to the Town, and which are owned or controlled by the Town, including the following:

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

All material inter-entity transactions and balances are eliminated on consolidation.

INVESTMENT IN MARKHAM ENTERPRISES CORPORATION

Markham Enterprises Corporation and its subsidiaries are accounted for on a modified equity basis, consistent with the generally accepted accounting principles as recommended by PSAB for government business enterprises. Under the modified equity basis of accounting, the business enterprise's accounting principles are not adjusted to conform to those of the Town, and inter-organizational transactions and balances are not eliminated. The Town recognizes its equity interest in the annual income or loss of Markham Enterprises Corporation in its statement of financial activities with a corresponding increase or decrease in its investment asset account. Any dividends that the Town may receive from Markham Enterprises Corporation will be reflected as reductions in the investment asset account.

ACCOUNTING FOR REGION AND SCHOOL BOARD TRANSACTIONS

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

TRUST FUNDS

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

BASIS OF ACCOUNTING

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

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

TANGIBLE CAPITAL ASSETS

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

GOVERNMENT TRANSFERS

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

DEFERRED REVENUE

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

TAXATION AND RELATED REVENUES

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

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

EMPLOYEE FUTURE BENEFITS

The Town accounts for its participation in the Ontario Municipal Employee Retirement System (OMERS), a multi-employer public sector pension fund, as a defined contribution plan. Vacation entitlements are accrued for as entitlements are earned. Sick leave benefits are accrued where they are vested and subject to pay out when an employee leaves the Town's employ. Other post-employment benefits are accrued in accordance with the projected benefit method pro-rated on service and management's best estimate of salary escalation and retirement ages of employees. The discount rate used to determine the accrued benefit obligation was determined by reference to market interest rates at the measurement date on high quality debt instruments with cash flows that match the timing and amount of expected benefit payments.

INVESTMENT INCOME

Investment income earned on surplus operating fund, capital fund, reserves and reserve funds (other than obligatory reserve funds) is reported as revenue in the period earned. Investment income earned on obligatory reserve funds, such as development charges, is added to the fund balance and forms part of the respective deferred revenue balance.

USE OF ESTIMATES

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

BUDGET FIGURES

The approved operating and capital budgets for 2006 are reflected on the Consolidated Schedules of Operating Fund Activities, Capital Fund Activities and Financial Activities. The budgets established for the capital fund operations are on a project-oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable with the current year actual amounts. As well, the municipality does not budget for activity within Reserve Funds, with the exception being those transactions which affect either the operating or capital funds.

2. OPERATIONS OF SCHOOL BOARDS AND THE REGION OF YORK

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

	2006			2005
	School Boards	Region of York	Total	Total
Taxation	\$ 164,774	\$ 170,082	\$ 334,856	\$ 324,758
Payment in lieu of taxes	223	1,015	\$1,238	1,360
Supplementary taxes	4,528	4,167	\$8,695	9,867
Amount requisitioned and transferred	\$ 169,525	\$ 175,264	\$ 344,789	\$ 335,985

3. TRUST FUNDS

Trust funds administered by the municipality for the benefit of others amounting to \$ 1,551 (2005 – \$1,609) have not been included in the "Consolidated Statement of Financial Position" nor have their operations been included in the "Consolidated Statement of Financial Activities". The trust funds have been reported separately on the "Trust Funds Statement of Financial Position" and "Trust Funds Statement of Financial Activities and Fund Balances".

4. CASH AND CASH EQUIVALENTS

	<u>2006</u>	<u>2005</u>
Cash (bank indebtedness)	\$ 5,330	\$ 5,284
Investments	286,357	261,157
	\$ 291,687	\$ 266,441

Investments, which are reported at cost for money market and face value for bonds, had a market value of \$ 286,797 (2005 – \$262,298) at the end of the year. Investments consist of authorized investments pursuant to the provisions of the Municipal Act and include short-term instruments of various financial institutions, Government bonds, and Treasury Bills. For the year 2006, the average rate of return earned was 4.40% (2005 – 3.99%).

5. PENSION AGREEMENTS

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

The amount contributed to OMERS for 2006 was \$4,758 (2005 – \$3,942).

6. AMOUNTS TO BE RECOVERED

	<u>2006</u>	<u>2005</u>
Sick Leave	\$ 4,383	\$ 3,854
Workplace Safety and Insurance Board (WSIB)	614	546
	\$ 4,997	\$ 4,400

7. TAXES RECEIVABLE

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

	<u>2006</u>	<u>2005</u>
Current year	\$ 20,480	\$ 23,052
Arrears previous years	12,243	13,601
	32,723	36,653
Less Allowance	(1,881)	(3,113)
	\$ 30,842	\$ 33,540

MPAC continues to refine the assessed property values established in 2003 in the Town and across the Province. These values were used by the Town to compute the 2006 property tax bills. However, the property tax revenue and tax receivables of the Town are subject to measurement uncertainty as a number of submitted appeals have yet to be heard. Additionally, the Province enacted legislation that permits taxpayers and/or municipalities to file tax appeals retroactive to 1998, many of which have not yet been finalized. This additional financial uncertainty continues the need for the allowance established for tax appeals in the amount of \$1,881 (2005 – \$3,113). The provision is required due to a number of different types of tax adjustments, including frozen assessment listing ("FAL") appeals, new construction retroactive appeals, and commercial vacancy rebates. Any supplementary billings adjustments made necessary by the determination of such changes will be recognized in the fiscal year they occur and the effect shared with the regional government and school boards as appropriate.

7. TAXES RECEIVABLE (continued)

As part of its 2004 budget, the Ontario Government implemented new provisions through Bill 83 that permitted Ontario municipalities to expand capping provisions for the multi – residential, commercial and industrial classes beginning with the 2005 tax year. The Region of York adopted these new tax policies and the effect is to limit annual assessment – related tax increases to 10% over the previous year tax level or 5% of previous year full Current Value Assessment (“CVA”) taxes. The effect of these policies is to move properties to full CVA taxes sooner. The adjustments caused by this legislation may also impact the amounts of rebates which the municipality must issue to certain charitable organizations and the interest and penalties the municipality can collect on arrears of taxes where it is subsequently determined that such amounts have been overstated. These policies continued in Region of York in 2006.

This program is administered by the Region of York on behalf of the area municipalities, and therefore, there is no impact on the “Consolidated Statement of Financial Activities”.

8. CLASSIFICATION OF EXPENDITURES BY OBJECT

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

	<u>2006</u>	<u>2005</u>
Salaries, wages and employee benefits	\$ 85,459	\$ 78,825
Operating materials and supplies	23,999	21,692
Contracted services	19,249	20,359
Rents and financial expenses	1,305	1,521
External transfers to others	202	180
Tangible capital assets	57,056	82,956
Total expenditures by object	\$ 187,270	\$ 205,533

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities include financial obligations to outside organizations and individuals as a result of transactions and events on or before the end of the accounting period. They are the result of contracts, agreements and legislation in force at the end of the accounting period that require the Town of Markham to pay for goods and services acquired or provided prior to the accounting date. A breakdown of the accounts payable and accrued liabilities is as follows:

	<u>2006</u>	<u>2005</u>
Trade accounts payable	\$ 28,441	\$ 25,525
Payable to other governments	15,020	14,458
Payroll liabilities	3,185	3,014
Accrued liabilities	6,813	10,572
	\$ 53,459	\$ 53,569

10. DEFERRED REVENUE

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

	<u>2006</u>	<u>2005</u>
Obligatory Reserve Funds		
Development charges	\$ 139,439	\$ 121,583
Parkland	7,421	6,625
Other	2,345	2,224
Deferred revenue – general	3,162	3,166
	\$ 152,367	\$ 133,598

11. USER CHARGES

	2006	2005
Water and sewer billings to ratepayers	\$ 45,908	\$ 43,733
Region of York requisitions	(31,951)	(30,632)
Town Share	13,957	13,101
Building permits	6,339	10,354
Parking violations	1,732	1,345
Facility rentals	5,199	4,851
Recreational programs	6,597	6,148
Parks construction and maintenance	261	248
Cultural services	1,403	1,609
Engineering fees	3,825	1,539
Planning processing fees	3,985	2,438
Compliance letters/certificates	239	230
Other user charges	5,135	4,967
	\$ 48,672	\$ 46,830

12. EMPLOYEE FUTURE BENEFITS LIABILITIES

	2006	2005
Vacation Pay – Town	\$ 2,067	\$ 2,010
Vacation Pay – Library	74	73
Employee future benefits	5,643	4,878
Vested sick leave benefits	4,383	3,854
Workplace Safety & Insurance Board	614	546
	\$ 12,781	\$ 11,361

EMPLOYEE FUTURE BENEFITS

Employee Future Benefits are health and dental benefits that the Town of Markham pays on behalf of its current and retired employees. The Town recognizes these post-retirement costs as they are earned during the employee's tenure of service. The benefit liability at December 31, 2006 is \$5,643 (2005 – \$4,878). The liability recorded by the Town has been determined by an actuarial study completed December 2006.

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

	2006			2005	
	WSIB	Vested Sick Leave	Employee Future Benefits	Total	Total
Accrued benefit liability, beginning of year	\$ 546	\$ 3,854	\$ 4,878	\$ 9,278	\$ 8,402
Service cost	152	207	369	728	564
Interest cost	34	286	484	804	596
Benefit payments	(118)	(4)	(258)	(380)	(342)
Amortization of actuarial loss (gain)	–	40	170	210	58
Accrued benefit liability, end of year	\$ 614	\$ 4,383	\$ 5,643	\$ 10,640	\$ 9,278

12. EMPLOYEE FUTURE BENEFITS LIABILITIES *(continued)*

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

	WSIB	Sick Leave	Early Retirement
Expected inflation rate	0.00%	N/A	N/A
Expected level of salary increases	3.00%	3.50%	N/A
Interest discount rate	6.00%	6.25%	6.25%

VESTED SICK LEAVE BENEFITS

Under the sick leave benefit plan, which is available only to the Town's firefighters, employees can accumulate unused sick leave and may become entitled to a cash payment when they leave the municipality's employment. The liability for these accumulated days, to the extent that they have vested and could be taken in cash by an employee on termination, amounted to approximately \$4,383 (2005 – \$3,854). The accrued benefit liability and the net periodic benefit cost were determined by an actuarial valuation updated December 2006.

WORKPLACE SAFETY & INSURANCE OBLIGATIONS

Effective January 1, 1999, the Corporation of the Town of Markham became a Schedule II employer under the Workplace Safety and Insurance Act and follows a policy of self insurance for all its employees. The Town remits payments to the Workplace Safety & Insurance Board ("WSIB") required to fund disability payments. The estimated future liability relating to WSIB amounted to \$614 (2005 – \$546) and was determined by an actuarial evaluation completed December 2004 and updated December 2006. A Workplace Safety and Insurance Reserve Fund, funded by annual contributions from the Operating Fund, has also been established to protect against any unknown future liability.

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

13. COMPARATIVE FIGURES

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

14. MUNICIPAL FUND BALANCES AT THE END OF THE YEAR

(a) Operating fund balance

	<u>2006</u>	<u>2005</u>
Available for reduction of future taxation		
Town	\$ 3,746	\$ 3,810
Library	55	14
Business Improvement Areas	13	32
	\$ 3,814	\$ 3,856

(b) Capital fund balance

	<u>2006</u>	<u>2005</u>
Funds available for the acquisition of tangible capital assets	\$ 25,997	\$ 23,198

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

(c) Reserves and Reserve Funds

	2006	2005
Reserves set aside for specific purposes by Council:		
Waste management process	\$ 26	\$ 25
Waterworks purposes	7,719	6,390
Firefighters sick leave benefits	4,383	3,854
Corporate rate stabilization	12,539	13,515
Facility Ramp Up	–	18
Partnership	15	15
Long Term Disability Benefit	4,523	3,118
Development Fee	255	–
Election Rebate	220	–
Building Fee	2,218	2,627
Total reserves	\$ 31,898	\$ 29,562
Reserve Funds set aside for specific purposes by Council:		
Theatre	\$ 345	\$ 282
Museum	48	70
Heritage	482	458
Environmental Land Acquisition	4,298	3,649
Environmental Sustainability Fund	51	132
Library	2,195	1,602
Workplace Safety & Insurance Board	2,503	2,405
Life Cycle Replacement & Capital	58,631	56,560
Land Acquisition	1,031	510
10% Non-DC Growth	3,696	3,477
Total reserve funds	\$ 73,280	\$ 69,145
Total Reserves and Reserve Funds	\$ 105,178	\$ 98,707

15. LEASE OBLIGATIONS

(a) As at December 31, 2006, the Town is committed to minimum annual operating lease payments for premises and equipment as follows:

2007	\$ 191
2008	139
2009	92
2010	87
2011	87
	<u>\$ 596</u>

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

16. CONTINGENCY

UNSETTLED LEGAL CLAIMS AND POTENTIAL OTHER CLAIMS

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

MARKHAM ENTERPRISES CORPORATION

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

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

17. ACCOUNTS RECEIVABLE – POWERSTREAM INTEREST

Included in Accounts Receivable is \$952 being the 5.58% per annum interest due for the period October to December 2006 on promissory notes issued by PowerStream. Council has approved the deferral of this payment and future quarterly interest payments due up to September 2008 for a period of 5 years from September 2008. The Town will receive full repayment of the accumulated interest due on October 31, 2013.

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

18. INVESTMENT IN MARKHAM ENTERPRISES CORPORATION

The Town of Markham incorporated corporations under the laws of the Province of Ontario. Markham Enterprises Corporation (Previously Markham Energy Corporation) is wholly owned by the Town of Markham. Markham Enterprises Corporation owns 100% of Markham District Energy Inc. and 43% (2005 – 43%) of PowerStream Inc.

In accordance with the June 1, 2004 shareholders' agreement, Markham Enterprises Corporation exercised its option to purchase from treasury, an additional 2% of all the issued and outstanding shares after giving effect to the exercise of such an option. An additional 35.0877 common shares were purchased in 2005 for cash consideration of \$6,800. At year end, of the total 1,035.0877 common shares issued, by PowerStream Inc., 445.0877 (2005 – 445.0877) common shares were registered under Markham Enterprises Corporation.

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

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

The following consolidated financial statements of Markham Enterprises Corporation include the financial information of its subsidiaries Markham District Energy Inc., and PowerStream Inc. for the period from January 1, 2006 to December 31, 2006.

	<u>2006</u>	<u>2005</u>
Assets		
Current	\$ 62,806	\$ 75,291
Capital	199,905	183,111
Goodwill	14,185	14,185
Other	6,879	7,572
Total Assets	\$ 283,775	\$ 280,159
Liabilities		
Current	\$ 48,565	\$ 52,354
Other	15,339	15,014
Long Term	45,400	44,600
Total Liabilities	\$ 109,304	\$ 111,968
Shareholders' Equity		
Common Shares	\$ 66,727	\$ 66,727
Promissory Notes Payable	80,508	79,624
Retained Earnings and contributed surplus	27,236	21,840
Total Shareholders' Equity	174,471	168,191
Total Liabilities and Shareholders' Equity	\$ 283,775	\$ 280,159
Results of Operations		
Revenues	\$ 257,392	\$ 261,140
Operating expenses	250,167	255,699
Net Income	\$ 7,225	\$ 5,441
Adjustment due to proportionate share increase in PowerStream	—	3,349
Proportionate share of increase in notes payable in PowerStream	884	—
Proportionate share of dividend payment from retained earning in PowerStream	(49)	(2,924)
Equity Pick up in Markham Enterprises Corporation	\$ 8,060	\$ 5,866
Dividend paid to Town of Markham	(1,780)	—
Change in equity in Markham Enterprises Corporation	\$ 6,280	\$ 5,866

19. SUBSEQUENT EVENTS

On May 4, 2007, Bill 122, the Workplace Safety and Insurance Amendment Act (Presumptions for Firefighters), 2007, received Royal Assent. The Act provides for the eligibility of firefighters, and fire investigators, to receive compensation when they were deemed to have been subjected to certain illnesses and/or injuries sustained since January 1, 1960. The Act presumes that certain conditions, illnesses or injuries were work-related unless it can be demonstrated that the condition, illness or injury was result of a non-work related incident, or was hereditary.

As a Schedule 2 employer under the Workplace Safety and Insurance Board Act, the Town self insures itself against claims made under the provisions of this Act. As the Town provides fire protection services, certain current and former employees of the Town may be eligible to receive awards under the amended Act. At this point in time, it is not practical to determine what exposure, if any, the Town has as a result of the amended Act coming in to force, and consequently, no amount has been provided for in these financial statements.

CONSOLIDATED SCHEDULE OF OPERATING FUND ACTIVITIES – SCHEDULE 1

Year ended December 31, 2006
(All dollar amounts are in \$000)

	2006 <i>Budget</i>	2006 <i>Actual</i>	2005 <i>Actual</i>
REVENUES			
Taxation – all classes	\$ 93,954	\$ 94,357	\$ 88,036
User charges (Note 11)	50,561	48,672	46,830
Grants	848	1,200	1,410
Investment income	11,672	11,738	11,762
Tax penalties	3,375	3,436	3,376
Other	5,483	5,231	6,816
Total Revenues	165,893	164,634	158,230
EXPENDITURES			
General government	29,725	27,191	25,419
Protection to persons and property	29,270	29,229	26,233
Transportation services	17,297	16,413	17,099
Environmental services	16,185	16,278	14,571
Recreation and cultural services	34,748	34,603	32,920
Planning and development	6,015	5,878	5,816
Other	27	25	22
Total Expenditures	133,267	129,617	122,080
NET REVENUES	32,626	35,017	36,150
FINANCING AND TRANSFERS			
Transfer to Reserves and Reserve Funds	(32,626)	(35,059)	(45,843)
Net financing and transfers	(32,626)	(35,059)	(45,843)
CHANGE IN OPERATING FUND	–	(42)	(9,693)
SURPLUS, BEGINNING OF YEAR	–	3,856	13,549
SURPLUS, END OF YEAR	\$ –	\$ 3,814	\$ 3,856

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

CONSOLIDATED SCHEDULE OF CAPITAL FUND ACTIVITIES – SCHEDULE 2

Year ended December 31, 2006
(All dollar amounts are in \$000)

	2006 <i>Budget</i>	2006 <i>Actual</i>	2005 <i>Actual</i>
REVENUES			
Government of Canada grants	\$ 3,544	\$ 1,987	\$ 25
Province of Ontario grants	380	1,083	434
Contributions from developers	3,029	1,707	1,117
Developers revenue earned	31,805	13,276	37,385
Other	5,096	7,072	2,787
Total Revenues	43,854	25,125	41,748
EXPENDITURES			
General government	10,784	5,279	13,401
Protection to persons and property	3,201	1,303	2,839
Transportation services	42,802	18,530	34,791
Environmental services	7,652	7,328	6,923
Recreation and cultural services	6,340	18,579	22,292
Planning and development	2,775	6,037	2,710
Total Expenditures	73,554	57,056	82,956
NET EXPENDITURES	(29,700)	(31,931)	(41,208)
FINANCING AND TRANSFERS			
Transfer from Reserves and Reserve Funds	29,700	34,730	40,152
Net financing and transfers	29,700	34,730	40,152
CHANGE IN CAPITAL FUND	–	2,799	(1,056)
OPENING CAPITAL FUND	–	23,198	24,254
CLOSING CAPITAL FUND	\$ –	\$ 25,997	\$ 23,198

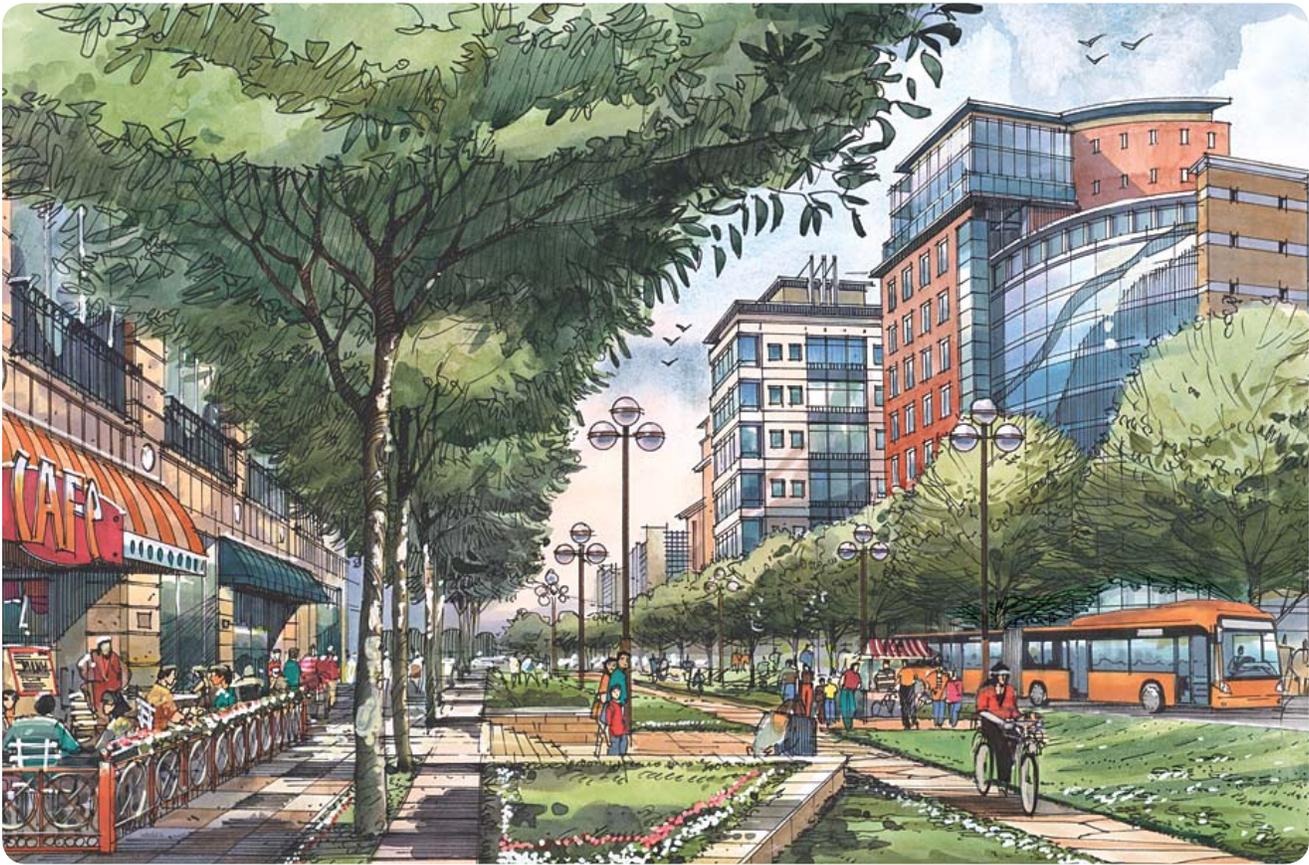
The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED SCHEDULE OF RESERVES AND RESERVE FUNDS ACTIVITIES – SCHEDULE 3

Year ended December 31, 2006
 (All dollar amounts are in \$000)

	2006	2005
REVENUES		
Investment income	\$ 4,362	\$ 1,517
Total Revenues	4,362	1,517
FINANCING/NET TRANSFERS FROM (TO) OTHER FUNDS		
Dividend from Markham Enterprises Corporation	1,780	–
Transfer from Operating Funds	35,059	45,843
Transfer to Capital Funds	(34,730)	(40,152)
Total Net Transfers	2,109	5,691
CHANGE IN RESERVES AND RESERVE FUNDS	6,471	7,208
OPENING BALANCE	98,707	91,499
ENDING BALANCE	\$ 105,178	\$ 98,707

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



AUDITORS' REPORT

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

We have audited the trust funds statement of financial position of The Corporation of The Town of Markham (the "Town") as at December 31, 2006 and the trust funds statement of financial activities and changes in fund balance for the year then ended. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the funds held in trust by the Town as at December 31, 2006 and the results of its operations for the year then ended in accordance with the accounting principles disclosed in Note 1 to the financial statements.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

Toronto, Ontario

May 4, 2007

TRUST FUNDS

Statement of Financial Position

Year Ended December 31, 2006

	2006								2005
	Morgan Park Trust	Varley- McKay Trust	Markham Conservation Committee Trust	Elections Surplus Trust	Cemetery Trust	Older Adults in Action Trust	Markham History Res & Pub Trust	Total	Total
Bank balance	\$ 55,051	\$ 1,423,944	\$ 13,134	\$ -	\$ 111,288	\$ 6,990	65,924	\$ 1,676,331	\$ 1,674,444
Payable to Varley-McKay Foundation	-	(125,140)	-	-	-	-	-	(125,140)	(65,743)
Fund balance	\$ 55,051	\$ 1,298,804	\$ 13,134	\$ -	\$ 111,288	\$ 6,990	\$ 65,924	\$ 1,551,191	\$ 1,608,701

Statement of Financial Activities and Fund Balances

Year ended December 31, 2006

Fund balance, beginning of year	\$ 52,837	\$ 1,298,804	\$ 13,371	\$ 67,359	\$ 104,858	\$ 6,709	64,763	\$ 1,608,701	\$ 1,559,549
Receipts									
Interest Earned	2,214	59,397	544	1,218	4,404	281	1,161	69,219	66,650
Sale of plots	-	-	-	-	6,430	-	-	6,430	3,400
Deposit from Candidates	-	-	-	-	-	-	-	-	41,341
	55,051	1,358,201	13,915	68,577	115,692	6,990	65,924	1,684,350	1,670,940
Expenditures	-	-	(781)	(68,577)	(4,404)	-	-	(73,762)	(3,417)
Distributable to Foundation	-	(59,397)	-	-	-	-	-	(59,397)	(58,822)
Fund balance, end of year	\$ 55,051	\$ 1,298,804	\$ 13,134	\$ -	\$ 111,288	\$ 6,990	\$ 65,924	\$ 1,551,191	\$ 1,608,701

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

TRUST FUNDS

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2006

1. SIGNIFICANT ACCOUNTING POLICIES

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

BASIS OF ACCOUNTING

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

2. TRUST FUNDS

MORGAN PARK TRUST

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

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

VARLEY-MCKAY ART FOUNDATION TRUST FUND

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

MARKHAM CONSERVATION COMMITTEE TRUST FUND

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

ELECTION – CANDIDATES SURPLUS FUNDS TRUST ACCOUNT

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

CEMETERY TRUST FUNDS

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

OLDER ADULTS IN ACTION TRUST FUND

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

MARKHAM HISTORY – RESEARCH AND PUBLICATION TRUST FUND

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

FIVE-YEAR REVIEW (UNAUDITED)

	2006	2005	2004	2003	2002
REVENUE FUND OPERATIONS					
	<i>(All dollar amounts are in \$000)</i>				
<i>Expenditures by function</i>					
General Government	\$ 27,191	\$ 25,419	\$ 25,873	\$ 23,335	\$ 19,786
Protection to Persons & Property	29,229	26,233	22,789	22,233	21,246
Transportation Services	16,413	17,099	15,711	15,144	14,322
Environmental Services	16,278	14,571	11,826	10,771	15,149
Recreation and Cultural Services	34,603	32,920	28,813	26,297	25,430
Planning and Development	5,878	5,816	5,620	5,143	5,085
Other	25	22	21	27	19
Financing Repayment & Transfers	35,059	45,843	31,402	32,294	27,593
	\$ 164,676	\$ 167,923	\$ 142,055	\$ 135,244	\$ 128,630
<i>Revenues by Source</i>					
Taxation (includes Supplementary & Payments In Lieu)	\$ 94,357	\$ 88,036	\$ 81,846	\$ 74,638	\$ 71,521
Province of Ontario – Grants/Subsidies	1,200	1,410	1,393	820	2,468
Other Grants – for example, Canada	0	0	0	0	0
Fees and service charges	48,672	46,830	39,783	37,177	37,996
Investment Income	11,738	11,762	11,775	11,536	10,490
Other Revenue	8,667	10,192	17,980	9,492	7,413
	\$ 164,634	\$ 158,230	\$ 152,777	\$ 133,663	\$ 129,888
Accumulated Net Revenue at the end of the year	\$ (42)	\$ (9,693)	\$ 10,722	\$ (1,581)	\$ 1,258
Surplus, Beginning of Year	3,856	13,549	2,827	4,408	3,150
Surplus, End of Year	\$ 3,814	\$ 3,856	\$ 13,549	\$ 2,827	\$ 4,408
Reference: Consolidated Schedule of Operating Fund Activities					
CAPITAL OPERATIONS					
<i>Capital Expenditures</i>	\$ 57,056	\$ 82,956	\$ 56,452	\$ 55,555	\$ 40,523
<i>Financing by Source</i>					
Transfers from Own Funds	\$ 34,730	\$ 40,152	\$ 22,839	\$ 21,799	\$ 17,098
Grants/Subsidies – Federal/Provincial	3,070	459	1,799	883	0
Other	22,055	41,289	32,850	43,835	15,194
	\$ 59,855	\$ 81,900	\$ 57,488	\$ 66,517	\$ 32,292
Change in Capital Fund	\$ 2,799	\$ (1,056)	\$ 1,036	\$ 10,962	\$ (8,231)
Opening Capital Fund	23,198	24,254	23,218	12,256	20,487
Closing Capital Fund	\$ 25,997	\$ 23,198	\$ 24,254	\$ 23,218	\$ 12,256
Reference: Consolidated Schedule of Capital Activities					
RESERVES AND RESERVE FUNDS					
Reserves	\$ 31,898	\$ 29,562	\$ 83,603	\$ 75,744	\$ 69,068
Reserve Funds – Discretionary Only	\$ 73,280	\$ 69,145	\$ 6,911	\$ 6,338	\$ 2,525
Deferred Revenue	\$ 152,367	\$ 133,598	\$ 135,355	\$ 142,071	\$ 152,461
	\$ 257,545	\$ 232,305	\$ 225,869	\$ 224,153	\$ 224,054
NET LONG TERM DEBT					
<i>Net Long-term Liabilities</i>					
Town of Markham Purposes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Annual Debt Limit prescribed by Province	\$ 44,171	\$ 39,691	\$ 37,382	\$ 34,543	\$ 34,305
Per Capita	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Percentage of taxable assessment	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
<i>Annual charges for net long-term liabilities</i>					
Principal & Interest – Town of Markham Purposes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
As a percentage of Revenue Fund Expenditures	0.00%	0.00%	0.00%	0.00%	0.00%
Per Capita	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

FIVE-YEAR REVIEW (UNAUDITED)

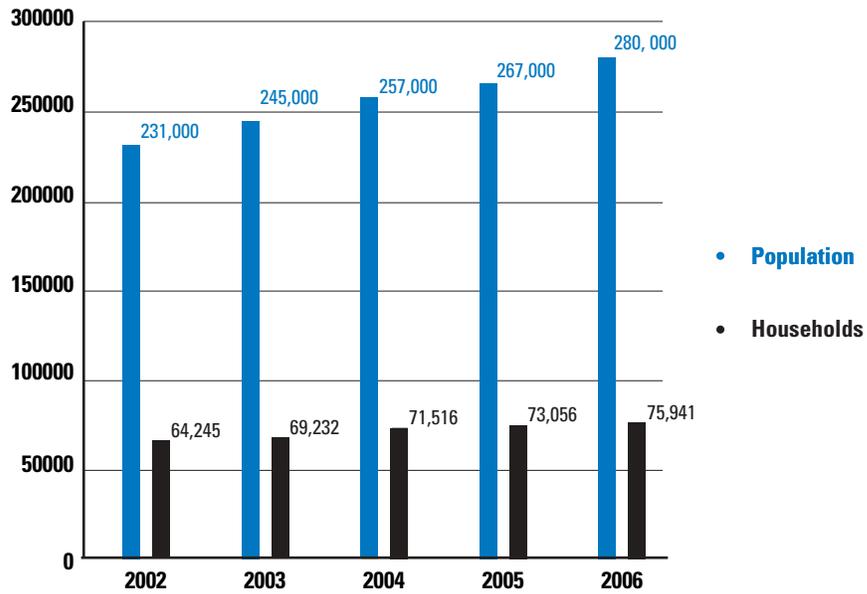
	2006	2005	2004	2003	2002
CONSOLIDATED EXPENDITURES					
<i>Expenditures by object</i>					
<i>(All dollar amounts are in \$000)</i>					
Salaries, wages & employee benefits	\$ 85,459	\$ 78,825	\$ 71,514	\$ 64,320	\$ 58,603
Operating materials and supplies	23,999	21,692	20,022	19,695	20,122
Contracted services	19,249	20,359	17,922	17,103	18,961
Rents and financial expenses	1,305	1,521	1,345	1,932	3,722
External transfers to others	202	180	169	79	0
Tangible capital assets	57,056	82,956	56,452	55,555	40,523
Debt service	0	0	0	0	55
Total expenditure by object	\$ 187,270	\$ 205,533	\$ 167,424	\$ 158,684	\$ 141,986
TAXABLE ASSESSMENT					
Residential, multi-residential and farm	\$ 28,659,827	\$ 25,314,458	\$ 23,740,831	\$ 19,830,413	\$ 16,870,154
Commercial – all classes	5,032,293	4,437,343	4,424,242	4,173,784	3,665,810
Industrial – all classes	942,125	805,232	766,641	761,200	637,947
Pipeline & Managed Forests	108,212	103,239	105,019	102,158	93,929
	\$ 34,742,457	\$ 30,660,272	\$ 29,036,733	\$ 24,867,555	\$ 21,267,840
Commercial, industrial and business as a percentage of taxable assessment	17.20%	17.10%	17.88%	19.85%	20.24%
PROPERTY TAXATION					
<i>Tax Rates/Mill Rates (Note 1)</i>					
<i>Residential</i>					
Town of Markham	0.250717%	0.261018%	0.251221%	0.276434%	0.309437%
Region of York	0.473336	0.510942	0.485717	0.525619	0.557186
School Boards (Public and Separate)	0.264000	0.296000	0.296000	0.335000	0.373000
	0.988053%	1.067960%	1.032938%	1.137053%	1.239623%
<i>Multi-residential</i>					
Town of Markham	0.250717%	0.261018%	0.251221%	0.276434%	0.402268%
Region of York	0.473336	0.510942	0.485717	0.525619	0.724341
School Boards (Public and Separate)	0.264000	0.296000	0.296000	0.335000	0.373000
	0.988053%	1.067960%	1.032938%	1.137053%	1.499609%
<i>Commercial – Full Rate</i>					
Town of Markham	0.302616%	0.315049%	0.303224%	0.304077%	0.340381%
Region of York	0.571316	0.616707	0.586260	0.578181	0.612904
School Boards (Public and Separate)	1.492897	1.683154	1.683154	1.758765	2.002016
	2.366829%	2.614910%	2.572638%	2.641023%	2.955301%
Commercial – Vacant units, excess land % of Full Rate	70%	70%	70%	70%	70%
<i>Industrial – Full Rate</i>					
Town of Markham	0.344410%	0.358561%	0.345103%	0.359364%	0.402268%
Region of York	0.650221	0.701881	0.667229	0.683305	0.724341
School Boards (Public and Separate)	1.871896	1.878960	1.871896	2.033891	2.503122
	2.866527%	2.939402%	2.884228%	3.076560%	3.629731%
Industrial – Vacant units, excess land – Percentage of Full Rate	65%	65%	65%	65%	65%
<i>Taxes Levied</i>					
Town of Markham	94,357	\$ 88,036	\$ 81,846	\$ 74,638	\$ 71,521
Region of York	175,264	169,175	154,846	138,594	125,834
School Boards (Public and Separate)	169,525	166,810	166,884	155,992	152,122
	439,146	\$ 424,021	\$ 403,576	\$ 369,224	\$ 349,477
Property Tax Collected	\$ 408,304	\$ 390,481	\$ 375,500	\$ 348,229	\$ 329,236
Total Tax Arrears (Taxes Receivable)	\$ 30,842	\$ 33,540	\$ 28,076	\$ 20,995	\$ 20,241
Per capita	\$ 110.19	\$ 109.37	\$ 109.25	\$ 89.34	\$ 87.62
Percentage of current levy	7.02%	7.91%	6.96%	5.69%	5.79%

Note:

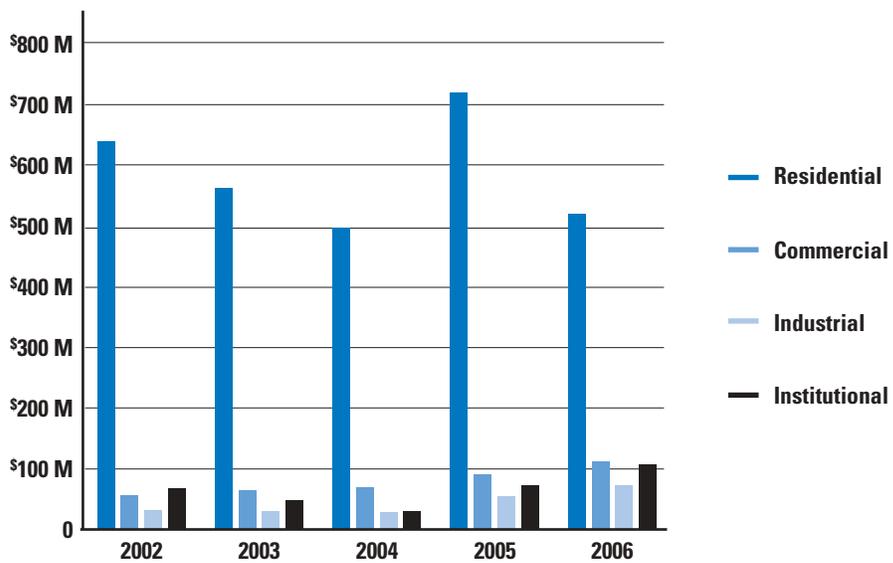
(1) Average Residential Tax bill for 2006 and 2005 was based on Current Value Assessment of \$403,000 for 2006 and \$358,000 for 2005

FIVE - YEAR REVIEW

Number of Households and Population



Value of Construction



PERFORMANCE MEASURES REPORT CARD

Year ended December 31, 2006

Measure	2006 Result
Local Government	
Operating costs for governance and corporate management as a percentage of total municipal operating costs	7.30%
Fire	
Operating costs for fire services per \$1,000 of assessment	\$ 0.71
Roads	
Operating costs for paved (hard top) roads per lane kilometer	\$ 600.76
Operating costs for unpaved (loose top) roads per lane kilometer	\$ 5,524.67
Operating costs for winter control maintenance of roadways per lane kilometer maintained in winter	\$ 2,385.26
Percentage of paved lane kilometers where the condition is rated as good to very good	60.00%
Percentage of winter events where the response met or exceeded locally determined road maintenance standards	100.00%
Wastewater (Sewage)	
Operating costs for collection of wastewater per kilometre of wastewater main	\$ 3,636.83
Operating costs for the treatment and disposal of wastewater per megalitre	\$ 480.66
Operating costs for collection, treatment and disposal of wastewater per megalitre (Integrated)	\$ 567.59
Number of wastewater main backups per 100 kilometers of wastewater main in the year	0.895
Percentage of wastewater estimated to have by-passed treatment	N/A
Water	
Operating costs for the treatment of drinking water per megalitre	\$ 495.90
Operating costs for the distribution of drinking water per kilometre of water distribution pipe	\$ 11,050.80
Operating costs for the treatment and distribution of drinking water per megalitre (Integrated)	\$ 806.30
Number of water main breaks per 100 kilometers of water distribution pipe in a year	2.61
Weighted number of days when a boil water advisory issued by the Medical Officer of Health, applicable to a municipal water supply	0.000
Solid Waste Management (Garbage)	
Operating costs for solid waste collection per tonne	\$ 27.32
Operating costs for solid waste disposal per tonne	\$ -
Operating costs for solid waste diversion (recycling) per tonne	\$ 96.35
Average operating costs for solid waste management per tonne (Integrated)	\$ 94.66
Number of days per year when a Ministry of Environment compliance order for remediation concerning an air or groundwater standard was in effect for a municipally owned Solid Waste Facility	0.00
Management facility	
Total number of solid waste management facilities owned by Municipality	0.00
Number of complaints received in a year concerning the collection of garbage and recycled materials per 1,000 households	70.81
Percentage of residential solid waste diverted for recycling	69.60%
Parks and Recreation	
Operating costs for parks per person	23.40
Operating costs for recreation programs per person	19.28
Operating costs for recreation facilities per person	44.99
Operating costs for parks, recreation programs and recreation facilities per person	87.67
Hectares of open space per 1,000 persons (municipally owned)	2.87
Total kilometres of trails per 1,000 persons	0.100
Total hours for special events	150,535
Total hours for registered programs	996,724
Total hours for drop-in programs	31,513
Total hours for permitted programs	3,866,725
Total participant hours	4,894,962
Total participant hours for recreation programs (registered, drop-in and permitted programs) per 1,000 persons	17,488.253
Square metres of indoor recreation facilities (municipally owned)	90,036
Square metres of outdoor recreation facility space with controlled access and electrical or mechanical functions (municipally owned)	27,572
Total square metres recreation facility space (municipally owned)	117,608
Square metres of indoor recreation facilities per 1,000 persons (municipally owned)	321.672
Square metres of outdoor recreation facility space with controlled access per 1,000 persons (municipally owned)	98.507
Library Services	
Operating costs for library services per person	34.55
Operating costs for library services per use	1.04
Total library uses for municipality only	9,302,426
Total population	279,900
Library uses per person	33.235
Electronic library uses as a percentage of total library uses	23.00%
Non-electronic library uses as a percentage of total library uses	77.00%
Land-Use Planning	
Percentage of new lots, blocks and/or units with final approval which are located within settlement areas	100.00%
Percentage of land designated for agricultural purposes which was not re-designated for other uses during the reporting year	100.00%
Percentage of land designated for agricultural purposes which was not re-designated for other uses relative to the base year of 2000	88.00%

CORPORATE GOALS

Environmental Focus

To protect, enhance and restore the Town's natural features and green spaces as part of a vital and healthy ecosystem.

Fiscal Stewardship

To ensure that resources are managed responsibly and taxpayers are receiving the best value for their money.

Infrastructure Management

To build, renew and strategically manage the Town's infrastructure to meet the demands and expectations of a growing community.

Managed Growth

To provide the framework for the timely delivery of well-planned new communities that are phased and coordinated with the provision of infrastructure.

Quality Community

To recognize, promote and strengthen the sense of community and multiculturalism, while appealing to all ages and stages of life by providing high quality services.

Economic Development

To establish, promote and support Markham as the best location for diverse high-tech and related businesses.

Organizational Excellence

To achieve excellence in managing and delivering quality services through quality people.



Please contact: **Mayor Frank Scarpitti** Town of Markham Tel: 905 475 4872
101 Town Centre Boulevard, Markham, Ontario L3R 9W3 Fax: 905 479 7775
E-mail: fscarpitti@markham.ca Website: www.markham.ca