



# Town of Newmarket

## Agenda

### Audit Committee

Date: Tuesday, June 18, 2019  
Time: 9:00 AM  
Location: Cane Room  
Municipal Offices  
395 Mulock Drive  
Newmarket, ON L3Y 4X7

#### Pages

#### 1. Additions and Corrections to the Agenda

#### 2. Declarations of Pecuniary Interest

#### 3. Approval of Minutes

3.1 Audit Committee Meeting Minutes of September 12, 2018 1

#### 4. Items

##### 4.1 Review of 2018 Financial Statements

**Note:** Mike Mayes, Town Treasurer will be in attendance to address the Committee on this matter.

4.2 Report to the Audit Committee by the External Auditor 5

##### 4.3 Town of Newmarket Consolidated Financial Statements

4.3.1 Town of Newmarket Consolidated Financial Statements Report 43

4.3.2 Town of Newmarket Main Street District Business Improvement Area Financial Statements 75

4.3.3 Town of Newmarket Trust Fund Financial Statements 83

4.3.4 Financial Statement Discussion and Analysis (FSD&A) 93

#### 5. New Business

6. Closed Session (if required)
7. Adjournment



# Town of Newmarket

## Minutes

### Audit Committee

Date: Wednesday, September 12, 2018  
 Time: 1:30 PM  
 Location: Council Chambers  
           Municipal Offices  
           395 Mulock Drive  
           Newmarket, ON L3Y 4X7

Members Present: Cristine Prattas, Chair  
                       Terrance Alderson  
                       Councillor Bisanz  
                       Michael Tambosso  
                       Mayor Van Bynen

Members Absent: Councillor Hempen

Staff Present: E. Armchuk, Commissioner, Corporate Services  
                   M. Mayes, Director of Financial Services/Treasurer  
                   D. Schellenberg, Manager of Finance & Accounting  
                   A. Walkom, Council/Committee Coordinator

Guests: Paula Jesty, Deloitte Canada  
           Pina Colavecchia, Deloitte Canada

#### 1. **Additions and Corrections to the Agenda**

Michael Tambosso requested that the Auditor's management letter be added to the agenda.

Moved by: Councillor Bisanz

Seconded by: Michael Tambosso

1. That the agenda be approved as amended.

**Carried**

## **2. Declarations of Pecuniary Interest**

None.

## **3. Approval of Minutes**

### **3.1 Audit Committee Meeting Minutes of June 7, 2018**

Moved by: Terrance Alderson

Seconded by: Michael Tambosso

1. That the Audit Committee meeting minutes of June 7, 2018 be approved

**Carried**

### **3.2 Audit Committee (Closed Session) Meeting Minutes of June 7, 2018**

Moved by: Michael Tambosso

Seconded by: Terrance Alderson

1. That the Audit Committee (Closed Session) meeting minutes of June 7, 2018 be approved.

**Carried**

## **4. Items**

### **4.1 2018 Audit service plan**

Pina Colavecchia of Deloitte Canada presented the 2018 Audit services plan to the Committee. The presentation included an overview of the audit scope, which she advised has not changed. She advised that materiality levels were consistent with the prior year.

The Committee discussed the transition to the new Council after the election and how this would affect the Audit Committee. E. Armchuk advised that no staff recommendations regarding the Audit Committee had been made at this point and that this would come after the new Council determines its strategic priorities.

The Committee discussed the Town's IT security in relation to recent security breaches at other municipalities.

#### **4.2 Confirmation of Change to the Master Services Agreement**

Pina Colavecchia advised that the change to the master services agreement is the result of new auditor reporting requirements.

Moved by: Michael Tambosso

Seconded by: Councillor Bisanz

1. That the Confirmation of Change to the Master Services Agreement be received.

**Carried**

#### **4.3 Management Letter**

M. Mayes provided the responses to the Deloitte management letter and provided an overview of the main points in the letter. He advised that management does not contest the comments in the letter. The Committee discussed the internal audit which is ongoing and requested that its results be presented to the Committee.

The Committee discussed the IT production system and inquired if the production controls in place are sufficient. The issue was identified as potentially significant. E. Armchuk advised that staff would report back to the Committee on the issue, as an organizational review of IT Services has been conducted.

Moved by: Mayor Van Bynen

Seconded by: Terrance Alderson

1. That the Audit Committee request the Town of Newmarket present the results of its internal audit to the Committee.

**Carried**

### **5. New Business**

Michael Tambosso inquired about the Trust Fund financial statements for 2018. M. Mayes advised that he would be meeting with the Museum Board regarding their Trust Fund.

**6. Closed Session (if required)**

None.

**7. Adjournment**

Moved by: Michael Tambosso

Seconded by: Councillor Bisanz

1. That the Audit Committee Meeting adjourn at 2:57 PM.

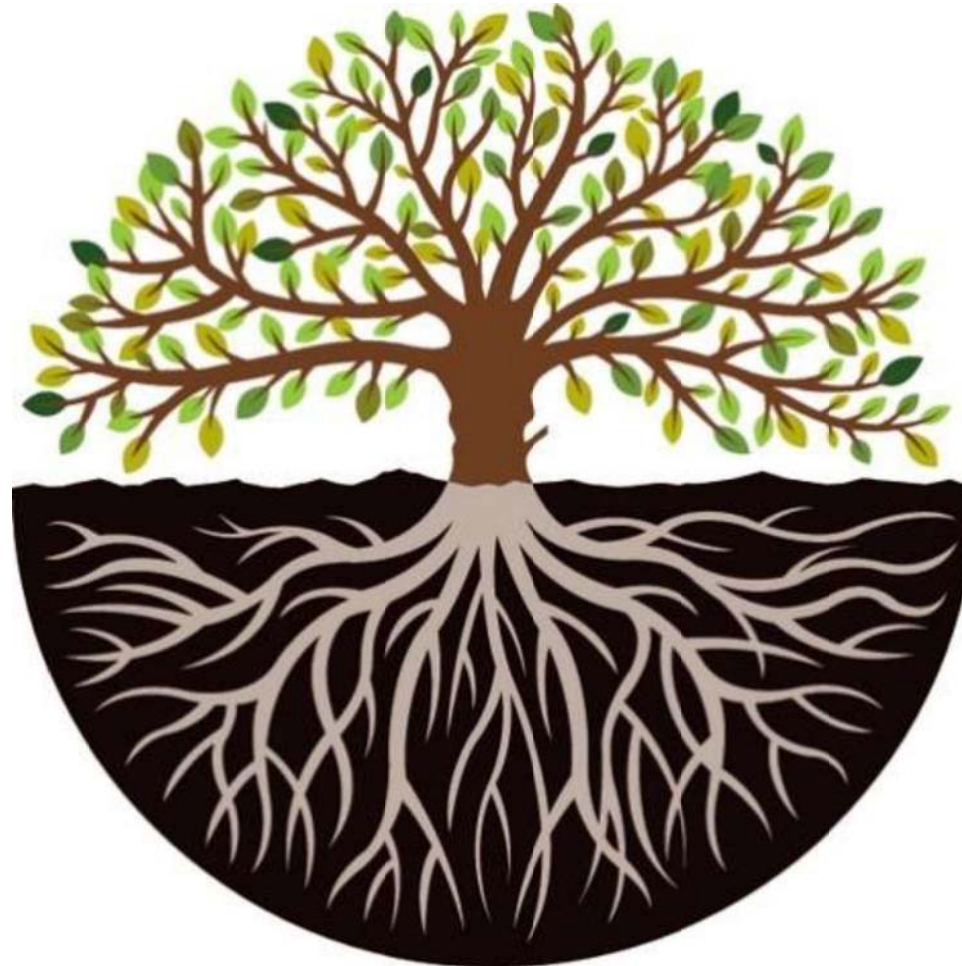
**Carried**

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Cristine Prattas, Chair

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Date



**The Corporation of the Town of Newmarket**  
Report to the Audit Committee on the results of the  
December 31, 2018 financial statement audits

To be presented to the Audit Committee on June 18, 2019



Deloitte LLP  
400 Applewood Crescent  
Suite 500  
Vaughan ON L4K 0C3  
Canada

June 11, 2019

**Private and confidential**

To the Members of the  
Audit Committee of  
The Corporation of the Town of Newmarket  
395 Mulock Dr, PO Box 328 STN Main  
Newmarket ON L3Y 4X7

Tel: 416-601-6150  
Fax: 416-601-6151  
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**Report on December 31, 2018 audited annual financial statements**

Dear Audit Committee Members,

We are pleased to submit this report on the results of our audit of the consolidated financial statements of the Corporation of the Town of Newmarket (the "Town") for the 2018 fiscal year. This report summarizes the scope of our audits, our findings and reviews certain other matters that we believe to be of interest to you.

We expect to issue our Independent Auditor's Reports on the financial statements of the Town, the Town of Newmarket Library Board (the "Library"), the Town of Newmarket Main Street District BIA (the "Main Street District BIA") and the Town of Newmarket Trust Funds (The "Trust Funds"), upon approval of the financial statements. Our audits were conducted in accordance with the Audit service plan presented to the Audit Committee on September 12, 2018.

This report is intended solely for the information and use of the Audit Committee, management, and others within the Town and is not intended to, and should not be, used by anyone other than these specified parties. Accordingly, we disclaim any responsibility to any other party who may rely on it.

We would like to express our appreciation for the cooperation we received from management and the employees of the Town and the related entities with whom we worked to discharge our responsibilities. We look forward to discussing this report summarizing the outcome of our audit with you, and, to answering any questions which you may have.

Yours truly,

Chartered Professional Accountants  
Licensed Public Accountants



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# Our audits explained

This report summarizes the main findings arising from our audits.

## Audit scope and terms of engagement

We have been engaged to perform the audits of the Town's, Library's, Main Street District BIA's and Trust Funds' Financial Statements as at, and for the year ended, December 31, 2018 (the "Financial Statements") prepared in accordance with Canadian Public Sector Accounting Standards ("PSAS") for the Town, the Library and the Main Street District BIA and Canadian Accounting Standards for Not-for-Profit Organizations for the Trust Funds. Our audits were conducted in accordance with Canadian Generally Accepted Auditing Standards ("Canadian GAAS").

The terms and conditions of our engagement are described in the master services agreement for professional services that is dated November 14, 2017 and the subsequent confirmation of changes letter dated September 7, 2018.

## Significant audit risks

Through our risk assessment process, we have identified the significant audit risks. These areas of risk of material misstatement and our related audit responses are described in the 'Areas of significant audit risk' section of this report.



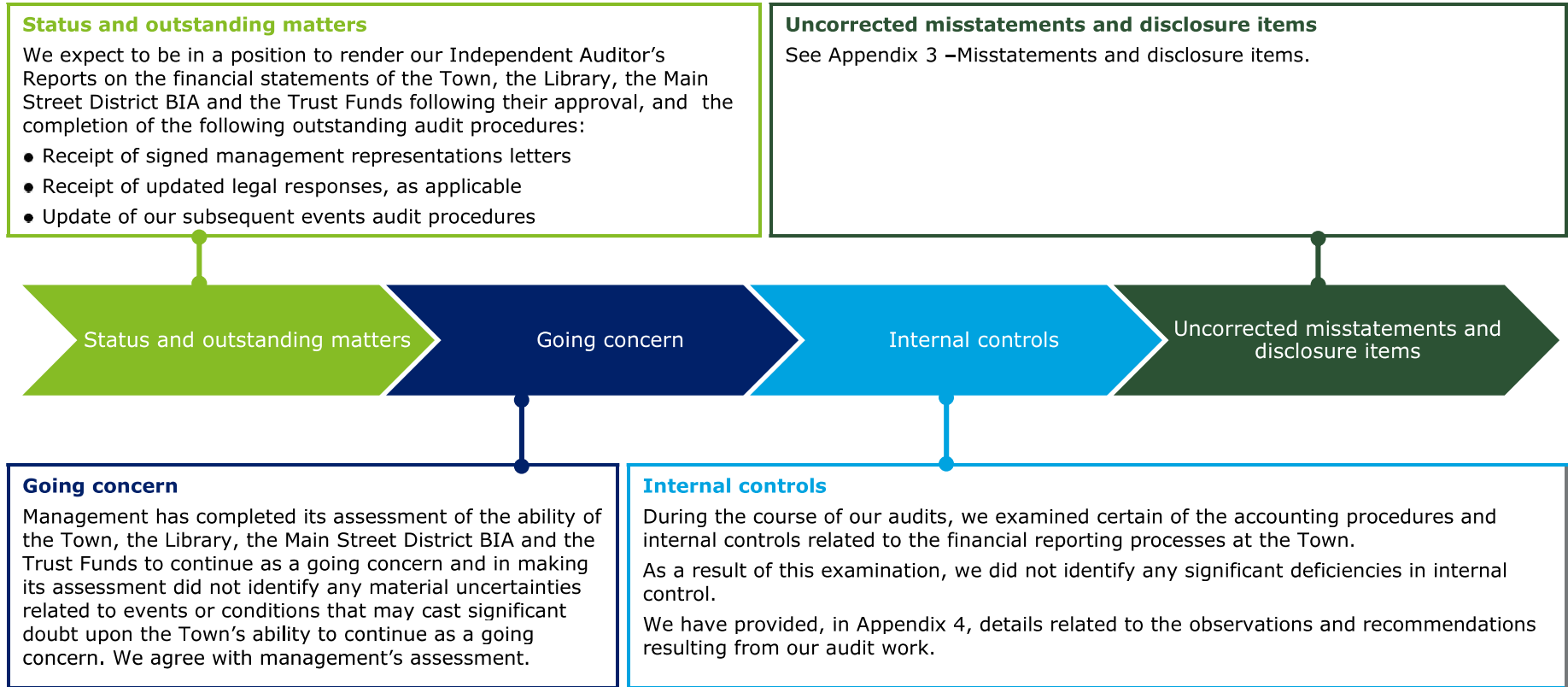
## Materiality

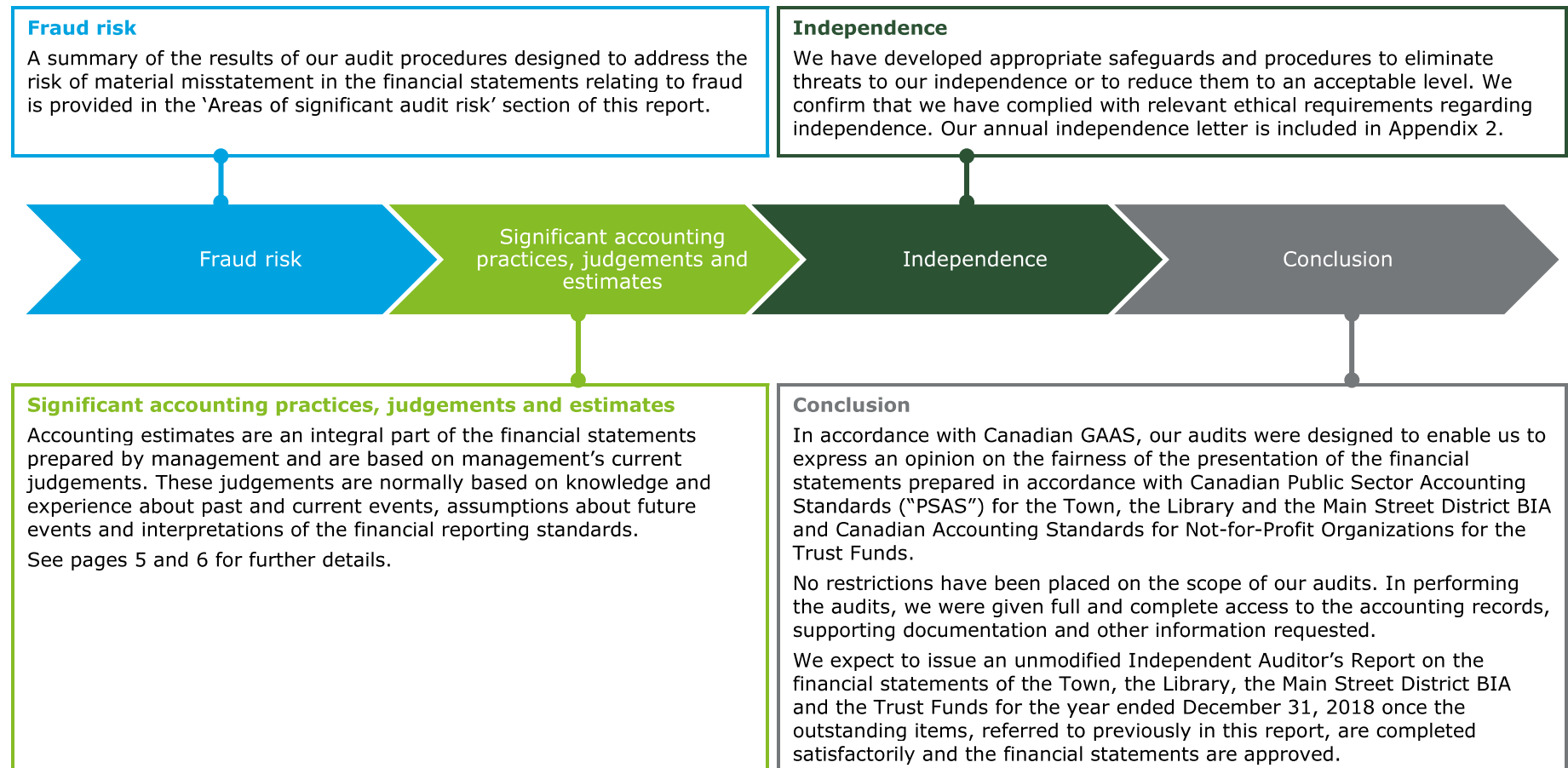
We are responsible for providing reasonable assurance that the financial statements as a whole are free from material misstatement.

Our materiality levels are a matter of professional judgement and were assessed as follows:

- Consolidated Financial Statements for the Town – \$2,000,000
- Town of Newmarket Public Library Board – \$60,000
- Main street District BIA – \$1,500
- Town of Newmarket Trust Funds – \$5,000

We agreed to inform you of any uncorrected misstatements detected during the audit which were greater than a clearly trivial amount of 5% of materiality and any misstatements that are, in our judgement, qualitatively material. In accordance with Canadian GAAS, we asked that any misstatements be corrected. See Appendix 3 –Misstatements and disclosure items.





# Areas of significant audit risk

## Revenue recognition

### Audit risk

Canadian GAAS include the presumption of a fraud risk involving improper revenue recognition. (Revenue/deferred revenue)

### Our audit response

- Certain revenue streams are presumed areas of significant audit risk. We tested the design and implementation of controls in significant revenue streams and performed substantive analytic procedures and/or detailed testing of revenues, and
- Substantive testing to determine if restricted contributions (i.e., development charges), and government transfers/grants were recognized appropriately. (Revenue vs. deferred revenue).

### Audit results

See Appendix 3 –Misstatements and disclosure items. Certain misstatements relate to Revenue Recognition of capital grants.

We obtained sufficient audit evidence in this area and are satisfied with the results of audit procedures performed.

## Management override of controls

### Audit risk

Under Canadian Auditing Standards, it is the responsibility of the management, with the oversight of those charged with governance, to place a strong emphasis on fraud prevention and detection. Oversight by those charged with governance includes considering the potential for override of controls or other inappropriate influence over the financial reporting process.

Management override of controls is present in all entities. It is a risk of material misstatement resulting from fraud and therefore is considered as a significant risk.

### Our audit response

- Engaged in periodic fraud discussions with certain members of senior management and others
- Considered the potential for bias in judgements and estimates, including performing retrospective analysis of significant accounting estimates
- Evaluated the business rationale for any significant unusual transactions
- Evaluated the Town's fraud risk assessment and consider entity-level internal controls and internal controls over the closing and reporting process
- Tested journal entries that exhibit characteristics of possible management override of controls, identified using manual techniques.

### Audit results

Our testing did not identify any evidence of management override of controls.

# Significant accounting practices, judgements and estimates

The accounting policies of the Town, the Library, the Main Street District BIA and the Trust Funds are set out in the notes of their respective financial statements.

In the course of our audits of the financial statements, we considered the qualitative aspects of the financial reporting process, including items that have a significant impact on the relevance, reliability, comparability and understandability of the information included in the financial statements.

## Significant accounting policies

There were no significant changes in previously adopted accounting practices or their application at the Town, the Library, the Main Street District BIA and the Trust Funds.

In our judgement, the significant accounting practices and policies, selected and applied by management are, in all material respects, acceptable under PSAS for the Town, the Library and the Main Street District BIA; and under Accounting Standards for Not-for Profit-Organizations for the Trust Funds and are appropriate to the particular circumstances of the Town, the Library, the Main Street District BIA and the Trust Funds.

### Management judgement and accounting estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgements. These judgements are normally based on knowledge and experience about past and current events, assumptions about future events and interpretations of the financial reporting standards.

During the year ended December 31, 2018, management advised us that there were no significant changes in accounting estimates or in judgements relating to the application of the accounting policies.

In our judgement, the significant accounting estimates made by management (with assistance from the Town's actuary as applicable) appear, in all material respects, to be free of possible management bias and of material misstatement. The disclosure in the consolidated financial statements with respect to estimation uncertainty (Note 1(b)(x)) is in accordance with PSAS and is appropriate to the particular circumstances of the Town.

### Significant accounting estimates include:

	Reference to Town's consolidated financial statements	2018 \$	2017 \$
Employee future benefits liability	Note 12	6,128,206	5,531,198
Long-term disability benefits liability	Note 13	4,461,290	4,302,741
Allowance for doubtful accounts – taxes receivable	Note 6(a)	1,115,743	865,743
Allowance for doubtful accounts – accounts receivable	Note 6(b)	170,780	71,598

# Other reportable matters

The following summarizes the status and findings of key aspects of our audits. In the appendices to this report, we have provided additional information related to certain matters we committed to report as part of the audit service plan.

	Comment
<b>Changes to the audit service plan</b>	The audits were conducted in accordance with our Audit service plan, which was presented to the Audit Committee on September 12, 2018. We confirm that there have been no significant amendments to the audit scope and approach communicated in our Audit service plan.
<b>Significant difficulties encountered in performing the audit</b>	<p>We did not encounter any significant difficulties while performing the audits.</p> <p>There were no significant delays in receiving information from management required for the audits nor was there an unnecessarily brief timetable in which to complete the audits.</p> <p>Due to the misstatements detected in our audit testing of revenue recognition related to capital grants, performed on a sample basis, we extended the scope of our testing. In addition, we incurred additional time to review updated analysis prepared by Management with respect to grant revenue recognition.</p>
<b>Related party transactions</b>	<p>Effective January 1, 2018 and for the fiscal year ending December 31, 2018 the Town was required to adopt Canadian Public Sector Accounting Standard Section 2200, Related Party Disclosures.</p> <p>As part of the implementation of this new standard, the Town became aware of a related party transaction involving the spouse of a Director of the Town. This contract had been ongoing for several years and the Town's finance department did not appear to be aware of the potential conflict of interest until inquiries around related party transactions were made during the 2018 audit. This matter has been disclosed in Note 29 to the Town's consolidated financial statements.</p> <p>Related party transactions or balances have been properly disclosed in the financial statements.</p>
<b>Non-routine transactions during the year</b>	No non-routine transactions were noted during the course of the audit.
<b>Disagreements with management</b>	During the course of our audits, we did not have any disagreements with management about matters that individually or in the aggregate could be significant to the financial statements.
<b>Consultation with other accountants</b>	Management has informed us that the Town, the Library, the Main Street District BIA and the Trust Funds have not consulted with other accountants about auditing or accounting matters.



	Comment
<b>Legal and regulatory compliance</b>	<p>Management is responsible for ensuring that the Town's operations are conducted in accordance with the laws and regulations applicable to the Town. The responsibility for preventing and detecting non-compliance rests with management. The auditor is not and cannot be held responsible for preventing non-compliance with laws and regulations</p> <p>Our limited procedures did not identify any areas of material non-compliance with laws and regulations by the Town, the Library, the Main Street District BIA and the Trust Funds.</p>
<b>Subsequent events</b>	<p>Note 28 to the Town's financial statements provides subsequent events disclosure related to the following two items:</p> <p><i>Closure of the Museum bank account</i></p> <p>Subsequent to December 31, 2018 on March 15, 2019, the Town transferred the Museum bank account cash balance to the Town's reserve fund bank account and closed the Museum bank account. Additionally, the Museum reserve fund was created.</p> <p><i>Repayment of Debenture</i></p> <p>Subsequent to December 31, 2018 on April 24, 2019, the Town repaid \$7,796,000 of outstanding debentures. This payment represents the outstanding balance of the debenture owed to the Corporation of the Regional Municipality of York less sinking fund interest of \$59,414.</p> <p>At the date of finalizing this report, other than the matters noted above, we are not aware of any significant subsequent events that would require adjustment or disclosure in the December 31, 2018 financial statements.</p>

# Appendix 1 – Communication requirements

The table below summarizes our communication requirements under Canadian GAAS.

Required communication	Comments
<b>Audit service plan</b>	
1. Our responsibilities under Canadian GAAS, including forming and expressing an opinion on the financial statements	Master Services Agreement for Professional Services dated November 14, 2017 and subsequent confirmation of changes letter dated September 7, 2018
2. An overview of the overall audit strategy, addressing: <ul style="list-style-type: none"> <li>a. Timing of the audits</li> <li>b. Significant risks, including fraud risks</li> <li>c. Planned responsibilities of other independent public accounting firms or others that perform audit procedures in the audits</li> </ul>	Audit service plan presented on September 12, 2018 We received all of the reporting requested from the independent auditor of Newmarket Hydro Holdings Inc.
3. Significant transactions outside of the normal course of business, including related party transactions	Refer to the <i>Other Reportable Matters</i> section of this report - related party transactions
<b>Enquiries of those charged with governance</b>	
4. How those charged with governance exercise oversight over management's process for identifying and responding to the risk of fraud and the internal control that management has established to mitigate these risks	Discussed when presenting the audit plan on September 12, 2018
5. Any known suspected or alleged fraud affecting the Town	No fraudulent events communicated
6. Whether the Town is in compliance with laws and regulations	Refer to the <i>Other reportable matters</i> section of this report
<b>Year-end communication</b>	
7. Fraud or possible fraud identified through the audit process	We are not aware of any fraudulent events
8. Significant accounting policies, practices, unusual transactions, and our related conclusions	Refer to 'Significant accounting practices, judgements and estimates' section of this report

Required communication	Comments
<b>Year-end communication</b>	
9. Alternative treatments for accounting policies and practices that have been discussed with management during the current audit period	None
10. Matters related to going concern	None
11. Management judgements and accounting estimates	Refer to <i>Significant accounting practices, judgements and estimates</i> section of this report
12. Significant difficulties, if any, encountered during the audits	Refer to the <i>Other reportable matters</i> section of this report
13. Material written communications between management and us, including management representation letters	Management representation letter is included in Appendix 5
14. Other matters that are significant to the oversight of the financial reporting process	None
15. Modifications to our Independent Auditor's Reports	None
16. Our views of significant accounting or auditing matters for which management consulted with other accountants and about which we have concerns	We are not aware of any such consultations
17. Significant matters discussed with management	None
18. Matters involving non-compliance with laws and regulations that come to our attention	None noted
19. Significant deficiencies in internal control, if any, identified by us in the conduct of the audits of the financial statements	No significant deficiencies noted Refer to Appendix 4 – Internal control matters
20. Uncorrected misstatements and disclosure items	Refer to Appendix 3 – Misstatements and disclosure items
21. Any significant matters arising during the audit in connection with the Town's related parties	Refer to the <i>Other Reportable Matters</i> section of this report - related party transactions Refer to Appendix 4 – Internal control matters

# Appendix 2 – Independence letter

June 11, 2019

**Private and confidential**

To the Members of the Audit Committee of  
The Town of Newmarket  
395 Mulock Dr, PO Box 328 STN Main  
Newmarket ON L3Y 4X7

Dear Audit Committee members:

We have been engaged to audit the consolidated financial statements of the Corporation of the Town of Newmarket (the "Town") for the year ended December 31, 2018.

You have requested that we communicate in writing with you regarding our compliance with relevant ethical requirements regarding independence as well as all relationships and other matters between the Town, our Firm and network firms that, in our professional judgement, may reasonably be thought to bear on our independence. You have also requested us to communicate the related safeguards that have been applied to eliminate identified threats to independence or reduce them to an acceptable level.

In determining which relationships to report, we have considered relevant rules and related interpretations prescribed by the appropriate provincial regulator/ordre and applicable legislation, covering such matters as:

- a) Holding a financial interest, either directly or indirectly, in a client.
- b) Holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client.
- c) Personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client.
- d) Economic dependence on a client.
- e) Provision of services in addition to the audit engagement.

We confirm to you that the engagement team and others in the firm as appropriate, the firm and, when applicable, network firms have complied with relevant ethical requirements regarding independence.

We have prepared the following comments to facilitate our discussion with you regarding independence matters arising since May 31, 2018, the date of our last letter.

In addition to audit services we have also provided HST advisory and HST recovery services during the period from May 31, 2018 to June 11, 2019. These services were commenced prior to our appointment as external auditors, have been discussed with the Audit Committee and are permissible services.

We are not aware of any relationships between the Deloitte Entities and the Town and its affiliates, or persons in financial reporting oversight roles at the Town and its affiliates, that, in our professional judgement, may reasonably be thought to bear on independence, that have occurred from May 31, 2018 to June 11, 2019.

The Town of Newmarket  
June 11, 2019  
Page 2

We hereby confirm that we are independent with respect to the Town in accordance with the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario as of June 11, 2019.

This letter is intended solely for the information and use of the Audit Committee, Town Council, management, and others within the Town and is not intended to be should not be used for any other purposes.

We look forward to discussing with you the matters addressed in this letter at your upcoming Audit Committee meeting on June 18, 2019.

Yours truly,

A handwritten signature in dark ink that reads "Debitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants  
Licensed Public Accountants

# Appendix 3 – Misstatements and disclosure items

## Uncorrected misstatements - detected in the current year (Town of Newmarket)

1. To correct for the timing of the recognition of capital grant revenue and expenditures.
 

a. Dr. Accounts Receivable	\$19,000	
b. Dr. Reserve Funds	\$104,480	
c. Cr. Obligatory Reserve Fund - Deferred Revenue		\$123,480
  
2. To adjust for grant revenue recorded for expenditures that were not incurred by the Town, and in which the Town has to repay the funds to LSRCA.
 

a. Dr. Revenue	\$75,008	
b. Cr. Expense		\$75,008
  
3. To adjust for a likely misstatement in the year end provision recorded for uncollectible taxes receivable, but not in accordance with Canadian Public Sector Accounting Standards.
 

a. Dr. Taxes Receivable	\$175,000	
b. Cr. Taxation Revenue		\$175,000

## Uncorrected misstatements - detected in the current year (Library Board)

4. To record the factual and likely misstatement in prepaid assets discovered in F2018 impacting the current year prepaid and expense balances.
 

a. Dr. Prepaid Assets	\$2,846	
b. Cr. Expense		\$2,846

## Uncorrected misstatements - detected in the current year (BIA)

5. The full amount of HST (13%) was included in expenses, rather than only the non-refundable portion (1.76%).
 

a. Dr. Accounts Payable	\$266	
b. Cr. Expense		\$266

**Misstatements detected in the current year relating to the prior year (Town of Newmarket)**

- |    |  |   |           |
|----|--|---|-----------|
| 6. | To correct for an over accrual of Central York Fire Services retro-pay   |   |           |
|    | a.   | Dr. Accruals                            | \$392,672 |
|    | b.   | Cr. Expense                             | \$392,672 |
|    |  |   |           |
| 7. | To correct a WIP capital item related to work performed in 2017 that was only capitalized in 2018. This matter relates to the Viva Bus Transit project.                      |   |           |
|    | a.   | Dr. TCA                                 | \$162,816 |
|    | b.   | Cr. Accounts Payable                    | \$162,816 |
|    |  |   |           |
| 8. | To correct for a utilization of obligatory reserve funds that should have been recorded as a reduction from reserves. This entry was corrected in 2018 Financial Statements. |   |           |
|    | a.   | Dr. Mulock Farm Reserve                 | \$377,485 |
|    | b.   | Cr. Parkland Reserve – deferred revenue | \$377,485 |
|    |  |   |           |
| 9. | To correct grant revenue received and earned in the current year to reflect recognition of grants revenue and expenditures on an accrual basis.                              |   |           |
|    | a.   | Dr. Accounts Receivable                 | \$276,374 |
|    | b.   | Cr. Revenue                             | \$276,374 |

**Misstatement detected in the current year relating to the prior year (Library)**

- |     |  |                         |         |
|-----|--|-------------------------|---------|
| 10. | To record the factual and likely misstatement in prepaid assets discovered in F2018 impacting the prior year prepaid and expense balances. |                         |         |
|     | a.   | Dr. Prepaid             | \$1,503 |
|     | b.   | Cr. Accumulated Surplus | \$1,503 |



**Disclosure misstatements**

<b>Footnote number</b>	<b>Footnote title</b>	<b>Description of omitted or unclear disclosure</b>	<b>Authoritative literature reference</b>
Note 2	Budget Figures	The original council approved budget was adjusted for the March 5, 2018 council approved supplementary budget.	PS 1200 The statement of operations should present a comparison of the results for the accounting period with those originally planned. Planned results should be presented for the same scope of activities and on a basis consistent with that used for actual results.
Note 10	Investment in Newmarket Hydro Holdings Inc.	The Town's consolidated financial statement note disclosure omits the disclosure of the contractual obligations and commitments of Newmarket Hydro Holdings Inc.	PS 3070.60 Government consolidated financial statements should disclose, in notes or schedules, condensed supplementary financial information relative to government business enterprises. Such financial information should be provided on: (d) contractual obligations and contingencies

# Appendix 4 – Internal control matters

June 11, 2019

**Private and confidential**

To the Members of the Audit Committee of  
The Corporation of the Town of Newmarket  
395 Mulock Dr, PO Box 328 STN Main  
Newmarket ON L3Y 4X7

Dear Audit Committee Members:

We have recently completed our examination of the consolidated financial statements of the Corporation of the Town of Newmarket (the "Town") for the year ended December 31, 2018.

In addition to our Independent Auditor's Report on the consolidated financial statements, we would like to provide the attached management letter for your consideration.

As part of our audit examination, we are required to obtain an understanding of the Town and its environment, including internal controls, sufficient to identify and assess the risk of material misstatements in the financial statements, and sufficient to design and perform further audit procedures. The scope of our review of internal controls is not sufficient to express an opinion as to the effectiveness or efficiency of the Town's internal controls; however, we do undertake to report any matters that come to our attention during the audit. We have reviewed our comments with management and their responses to our recommendations are included in the attached letter.

The letter is intended solely for the information and use of management, the Audit Committee and the Town Council and is not intended for and should not be used by anyone other than the specified parties. Accordingly, we disclaim any responsibility to any other party who may rely on it.

Yours very truly,



Chartered Professional Accountants  
Licensed Public Accountants

# Management letter

## The Corporation of the Town of Newmarket

December 31, 2018

### 1. Liability balances (carry forward from 2017)

#### Observation

During our testing of accounts payable and accrued liabilities, we identified a *letter of credit* general ledger account with a balance of approximately \$350,000 described as representing liabilities to developers for various projects. This account appears to be comprised of long-standing balances with the most recent from 2009 and some transactions dating as far back as 1987. From our discussions with Town management, we understand that it is unlikely developers will submit a request to obtain these funds as many of the related projects likely had deficiencies. Therefore developers would not be eligible to receive refunds. The lack of timely tracking and reconciliation of the underlying items included in this general ledger account could result in an overstatement of the Town's liabilities if they are no longer payable to developers.

#### Recommendation

We recommend that the Town implement a formal review of long-standing balances to determine whether the Town still has a liability or whether certain balances should be recognized in revenue. In future, this analysis should be performed on a regular basis and within a timely manner. Furthermore, the Town should implement a process of how to recognize these balances into revenue, when it is determined they no longer have an obligation to settle the liability.

#### Management Response

Management agrees with the recommendation. There have been attempts to deal with this, but it has not been a priority. In 2019 we will review these and reduce the liability to an appropriate and reasonable amount.

### 2. Approval of invoices (carry forward from 2017)

#### Observation

During our testing of accounts payable, we noted that invoices were not always approved in a timely manner. Invoices are not sent to the Finance Department until they have been approved by the appropriate department, and this may result in invoices being processed late and/or not recorded in accounts payable in the correct accounting period.

#### Recommendation

We recommend that the Town review its year end close process and request that all invoices be submitted to the Finance Department on a timelier basis.

#### Management Response

Management agrees with the recommendation. We continue to work with the Business Performance Specialist on outreach to Development and Infrastructure Services – the commission with the majority of the relevant invoices. Multiple emails are sent to all departments about year-end deadlines and submission of invoices. A more formal invoice routing process was instituted in early 2019 and all invoices not paid on a corporate credit card should now be sent directly to accounts payable. This process should result in an improvement.

### **3. Approval of transactions made on purchasing cards (carry forward from 2017)**

#### **Observation**

During our testing of key internal controls related to disbursements, we noted that the single payment for the Town's outstanding balance on all Town purchasing cards is automatically made by the due date in order to avoid interest charges. Due to high number of purchasing cards and the high volume of transactions, this payment is automatically disbursed before the transactions charged to the purchasing card are reviewed by the authorized card holder, receipts submitted and appropriately approved.

#### **Recommendation**

We recommend that the Town review its internal control processes related to purchasing cards with a view to streamlining the processes related to authorization of transactions at the card holder and approver level. In addition, it is always best practice to review the number of purchasing cards in use by the Town to ensure they are still required.

We understand that effective May 15, 2019, the Town has moved the approval of purchasing card transactions from Procurement to Finance. Deloitte will review the design and implementation of the key internal controls as part of the audit of the Town's December 31, 2019 financial statements.

#### **Management Response**

Recommendations from York Region's internal audit department, as well as an external consultant, included a recommendation that responsibility for the PCard should be in Finance. This change occurred on May 15, 2019. Finance is reviewing all aspects of the PCard, including training, policies, procedures and the number of cards in use. We have requested and are currently working with the internal audit department of York Region to identify and establish best practices. When this is finalized we anticipate a follow up audit from York Region.

### **4. Recognition of prepaid expenditures on an accrual basis**

#### **Observation**

During our audit testing of the accounts of the Town and the Main Street BIA, we noted several instances where invoices were paid in advance for services covering the current fiscal year and beyond. These amounts were inappropriately expensed in the current fiscal year. It would appear that this accounting treatment has been used for several years.

#### **Recommendation**

We recommend the Town and the Main Street BIA review the transactions related to all multi-year service invoices to ensure that the expenditures are appropriately allocated to the correct period and that prepaid assets are recognized and amortized throughout the appropriate period.

#### **Management Response**

Management agrees with the recommendation. There is a process in place and transactions over a threshold amount are allocated by year. This threshold, which is on a consolidated basis, is not applicable to the BIA or the Library and will no longer be applied.

## **5. Recognition of revenue related to capital grants**

### **Observation**

During our testing of capital grants, we noted a number of misstatements related to revenue recognition of capital grants impacting both fiscal 2017 and fiscal 2018. The Town incurred eligible capital expenditures during fiscal 2017 that did not result in an associated recognition of grant revenue, and were instead funded through development charges. Grant revenue was then subsequently recognized during fiscal 2018 on a cash basis, once the grants were received by the Town and it was determined that the grant was related to expenditures incurred during fiscal 2017. The related development charges revenue was reversed during fiscal 2018. A similar issue was noted with the timing of revenue recognition of capital grants associated with eligible expenditures incurred during fiscal 2018.

In addition, we also noted instances where grant revenue was recognized for a capital project in the current fiscal year where no eligible expenditures were incurred, as the Town has recorded the grant revenue on a cash basis as they had received cash from the funder.

### **Recommendation**

We recommend that the Town increase its review and scrutiny over its accounting related to grant revenue recognition and accounting for eligible expenditures. We also recommend that the Town record these transactions on an accrual basis, as required by Canadian public sector accounting standards.

### **Management Response**

Management agrees with the recommendation. The creation of a grant coordinator position will now allow for greater review and scrutiny. The current practice of accounting for grants on a cash basis will be changed to an accrual basis.

## **6. Recognition of Tangible Capital Assets (TCA)**

### **Observation**

During our testing of TCA, including transfers from work-in-progress (WIP), we noted an instance where a capital project that was recorded as an addition to WIP during fiscal 2018 appears to have been capitalized in the incorrect year. The amounts capitalized were related to work performed on the Town's behalf during fiscal 2017. We understand that the delay in the recognition is due to the fact that another Town department did not inform Finance of the status of the capital project until August 2018, when a summary of outstanding payments for work performed was provided to that department by the contractor.

### **Recommendation**

We recommend that communication be sent out to all Town departments involved in capital projects to confirm the requirement to inform Finance of all capital activities undertaken, regardless of their assessment on whether the work is "complete" from their perspective. This way, Finance can ensure that it has line of sight on all expenditures related to capital incurred during the year and appropriately account for them in the correct year. In addition, this will also provide Finance with a line of site to disputes with vendors on a timelier basis.

### **Management Response**

Management agrees with the recommendation. Multiple emails are sent to all departments about year-end deadlines, the submission of invoices, and accruals. Modifications to the routing of invoices should help correct this and Finance will have more direct and indirect, via the Business Performance Specialist, communication with Public Works and Engineering Services about the status of capital activities. The Town is also considering a more robust reporting on the status of capital projects.

## **7. Cross-department communication**

### **Observation**

We noted communication issues between other departments and Finance during the audit. For example, in conjunction with our testing of capital grant revenue recognition, the root cause of the delayed recognition of certain capital transactions selected for testing on a sample basis appears to be the lack of communication between the Finance team and individuals in other Town departments. Based on discussions with management in the Finance area, it is common for Town staff outside of Finance to apply for grants and not inform Finance as to the status. In a number of cases, only after the fact, when the funding is paid out does the Town's finance staff recognize revenue for a capital grant has been awarded to the Town for capital projects that have been already funded from other sources.

### **Recommendation**

We recommend that the Town establish formal centralized guidelines for the application of grants including informing the Finance department as to the status of the grant. In addition, the Town should draw on the new grant coordinator position to liaison between the different groups within the Town and ensure that the Town is appropriately aware of all grants applied for relating to current and future capital projects and the status of grant applications as at various financial reporting dates.

### **Management Response**

Management agrees with the recommendation. Regular meetings will take place with the grant coordinator and a more formal tracking process has been implemented.

## **8. Related party transactions**

### **Observation**

Effective January 1, 2018 and for the fiscal year ending December 31, 2018 the Town was required to adopt Canadian Public Sector Accounting Standard Section 2200, Related Party Disclosures. As part of the implementation of this accounting standard, the Town was required to complete the following regardless of whether or not related party transactions have occurred:

- Identification of the Town's related parties
- Identification of whether transactions have occurred between the Town and its related parties
- Assessment of whether the identified related party transactions require disclosure in the Town's financial statements, and
- Provide the required disclosures

During 2018, as part of the Town's adoption of this new accounting standard, the Town became aware of a related party transaction involving the spouse of a Director of the Town. This contract had been ongoing for several years and the Town's finance department did not appear to be aware of the potential conflict of interest until inquiries around related party transactions were made during the 2018 audit.

### **Recommendation**

We understand that the Town has a process for the declaration of conflicts of interest by the Mayor and members of Council with respect to matters before them. The Town may wish to consider implementing a more formal process to track the Town's related parties and transactions with its related parties in order to assess compliance conflict of interest requirements and the need for financial statement disclosures in accordance with this new disclosure standard. The current processes could be enhanced to include an annual compliance review and sign off process for the Town's senior management team, the Mayor and members of Council. We have provided examples of PS 2200 compliant checklists that the Town may wish to utilize.

### **Management Response**

Management agrees with the recommendation. A more formal process will be implemented and include the audit checklist provided. Part of the process will include formal communication from Human Resources and Procurement to identify potential conflict of interest situations that could result in related party transactions, as well as a formal reporting process to the Mayor and the Chief Administrative Officer.

### ***Matters related to information technology***

## **9. Password authentication policy settings (carry forward from 2017, subject to change)**

### **Observation**

Deloitte compared the management application/database expected settings against the database configuration and noted the following password settings do not align with best practices

- The password is set to 'no expiry'.
- There is no limit to the number of times password can be reused
- The password lock out time is set for one minute

Due the inadequate password security, the company may be exposed to the risk of unauthorized access resulting to unauthorized disclosure, update or deletion of corporate data.

### **Recommendation**

The password policies for the database should be configured as per the documented standard policies. Management should review the password policies to ensure compliance on an annual basis

### **Management Response**

Management does not agree with the recommendation. Details of this item need to be reviewed further, as this is not our understanding of the state of the password authentication settings for these areas. IT will contact Deloitte to discuss further.

## **10.IT Production System - segregation of duties conflict (carry forward from 2017)**

### **Observation**

We noted that segregation of duties between developer and personnel with access to promote changes to production is not maintained. Lack of segregation of duties between developers and personnel with access to promote changes to production may result in unauthorized changes to production system.

### **Recommendation**

We recommend that management consider, when possible, segregate the roles of developers and personnel with access to promote changes to production. Alternatively, management may also consider establishing some tracking monitoring procedures to ensure that all changes made were appropriately authorized.

### **Management Response**

Management agrees with the recommendation. As a result of recommendations from an IT Organizational Review and Technical Assessment, the department has undergone significant changes to staffing. There is currently only one individual who performs both administrative support and development on the JDEdwards/Oracle platform. Until we can complete the recommended IT structure, fill vacancies and fully train new individuals we are unable to segregate duties appropriately.



## **11. User access review (carry forward from 2017)**

### **Observation**

We noted that evidence related to access reviews performed for JDE and Oracle are not maintained. For the testing period of 2019, there was no record of access review performed. Lack of documentation for the maintenance of access review may result in unaccountability for the performance of the review.

### **Recommendation**

We recommend management consider outlining specific processes and procedures to follow for all user access reviews for JDE and Oracle.

### **Management Response**

Management agrees with the recommendation. A process was outlined last year but due to the number of changes resulting from an IT Organizational Review and Technical Assessment, it requires further refinement to be successful. Once all key staff are in place, the process will be finalized and implemented.

## **12. Change Management**

### **Observation**

During the review of the change management process, it was observed that application changes and database changes lacked evidence retention for the following:

- Ticket/email communication for the change to be initiated/implemented
- Testing details
- Formal approval for the change to be approved before being promoted into production

If changes are not properly approved and tested, there is a potential that the risk of such changes are not appropriately considered and that testing is inappropriate and consequently issues occur that impact the availability of the financial systems.

### **Recommendation**

Management should retain documentation of change testing and approval to ensure that the implemented changes are authorized and appropriate.

### **Management Response**

Management agrees with the recommendation. There is an active project stemming from recommendations from the IT Review around IT Governance and formalizing policies/processes. Change Management will be an important part of this.

## **13. Privilege Access review**

### **Observation**

During the review of database (Oracle) privilege level access, it was noted that generic ID's and system accounts are used to perform privilege/elevated roles instead of an individual system account.

If an individual system account is not used, there is lack of traceability on the account activities and unauthorized changes can be performed.

### **Recommendation**

We recommend that a review document for the access rights should be maintained and unique user ID's should be present in the system to perform elevated rights.

### **Management Response**

Management agrees with the recommendation. However, there is only one DBA who uses these system accounts and any activity would be traced back to this individual.

# Appendix 5 – Draft management representation letter

**[CLIENT LETTERHEAD]**

June 24, 2019

**Private and confidential**

Deloitte LLP  
400 Applewood Cres  
Suite 500  
Vaughan ON L4K 0C3

Dear Ms. Colavecchia:

**Subject: Consolidated financial statements of the Corporation of the Town of Newmarket  
for the year ended December 31, 2018**

This representation letter is provided in connection with the audit by Deloitte LLP ("Deloitte" or "you") of the consolidated financial statements of the Corporation of the Town of Newmarket (the "Town" or "we" or "us") as at, and for the year ended December 31, 2018, and a summary of significant accounting policies and other explanatory information (the "Financial Statements") for the purpose of expressing an opinion as to whether the Financial Statements present fairly, in all material respects, the financial position, results of operations, changes in net financial assets and cash flows of the Town in accordance with Canadian Public Sector Accounting Standards ("PSAS").

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

**Financial statements**

1. We have fulfilled our responsibilities as set out in the terms of the Master Services Agreement for Professional Services between the Town and Deloitte dated November 14, 2017 and the confirmation of changes dated September 7, 2018 for the preparation of the Financial Statements in accordance with PSAS. In particular, the Financial Statements are fairly presented, in all material respects, and present the financial position of the Town as at December 31, 2018 and the results of its operations, changes in net financial assets and cash flows for the year then ended in accordance with PSAS.
2. Significant assumptions used in making estimates, including those measured at fair value, are reasonable.

In preparing the Financial Statements in accordance with PSAS, management makes judgments and assumptions about the future and uses estimates. The completeness and appropriateness of the disclosures related to estimates are in accordance with PSAS. The Town has appropriately disclosed in the Financial Statements the nature of measurement uncertainties that are material, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the Financial Statements.

The measurement methods, including the related assumptions and models, used in determining the estimates, including fair value, were appropriate, reasonable and consistently applied in accordance with PSAS and appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the entity. No events have occurred subsequent to December 31, 2018 that require adjustment to the estimates and disclosures included in the Financial Statements.

There are no changes in management's method of determining significant estimates in the current year.

3. The Town has identified all related parties in accordance with Section PS 2200, *Related Party Disclosures* ("PS 2200"). Management has made the appropriate disclosures with respect to its related party transactions in accordance with PS 2200. This assessment is based on all relevant factors, including those listed in paragraph 16 of PS 2200.
4. We have determined that the Financial Statements are complete as of the date of this letter as this is the date when there are no changes to the Financial Statements (including disclosures) planned or expected. The Financial Statements have been approved in accordance with our process to finalize financial statements.
5. We have completed our review of events after December 31, 2018 and up to the date of this letter. All events subsequent to the date of the Financial Statements and for which PSAS requires adjustment or disclosure have been adjusted or disclosed. Accounting estimates and disclosures included in the Financial Statements that are impacted by subsequent events have been appropriately adjusted.
6. The Financial Statements are free of material errors and omissions.

We believe that the effects of any uncorrected Financial Statement misstatements pertaining to the current period presented, are immaterial, both individually and in the aggregate, to the Financial Statements taken as a whole. A list of the uncorrected misstatements aggregated by you is attached in Appendix A.

As a result of our evaluation process, we identified certain disclosures that, although required by PSAS, have been omitted from our Financial Statements. Those omitted disclosures that are more than inconsequential are attached as Appendix B. We believe the effects of the omitted disclosures are quantitatively and qualitatively immaterial, both individually and in the aggregate, to the Financial Statements as a whole.

#### **Internal Controls**

7. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
8. We have disclosed to you all known deficiencies in the design or operation of internal control over financial reporting identified as part of our evaluation, including separately disclosing to you all such deficiencies that we believe to be significant deficiencies in internal control over financial reporting.

#### **Information provided**

9. We have provided you with:
  - a. Access to all information of which we are aware that is relevant to the preparation of the Financial Statements, such as records, documentation and other matters.
  - b. All relevant information as well as additional information that you have requested from us for the purpose of the audit; and,
  - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
10. Except as listed in Appendix A, all transactions have been properly recorded in the accounting records and are reflected in the Financial Statements.
11. We have disclosed to you the results of our assessment of the risk that the Financial Statements may be materially misstated as a result of fraud.

12. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
  - a. Management;
  - b. Employees who have significant roles in internal control; or
  - c. Others where the fraud could have a material effect on the Financial Statements.
13. We have disclosed to you all information in relation to allegations of actual, suspected or alleged fraud, or illegal or suspected illegal acts affecting the Town.
14. We have disclosed to you all communications from regulatory agencies concerning non-compliance with or deficiencies financial reporting practices and all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the Financial Statements.
15. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware, including guarantees, non-monetary transactions and transactions for no consideration.
16. We have disclosed to you all known, actual or possible litigation and claims, whether or not they have been discussed with our lawyers, whose effects should be considered when preparing the Financial Statements. As appropriate, these items have been disclosed and accounted for in the Financial Statements in accordance with PSAS.

#### **Independence matters**

For purposes of the following paragraphs, "Deloitte" shall mean Deloitte LLP and Deloitte Touche Tohmatsu Limited, including related member firms and affiliates.

17. Prior to the Town having any substantive employment conversations with a former or current Deloitte engagement team member, the Town has held discussions with Deloitte and obtained approval.
18. We have ensured that all services performed by Deloitte with respect to this engagement have been pre-approved by those charged with governance in accordance with its established approval policies and procedures.

#### **Other matters**

19. The Town has satisfactory title to and control over all assets, and there are no liens or encumbrances on such assets. We have disclosed to you and in the Financial Statements all assets that have been pledged as collateral.
20. We have disclosed to you all liabilities, provisions, contingent liabilities and contingent assets, including those associated with guarantees, whether written or oral, and they are appropriately reflected in the Financial Statements.
21. We have disclosed to you, and the Town has complied with all aspects of contractual agreements that could have a material effect on the Financial Statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
22. We have disclosed to you all the documents that we expect to issue that may comprise other information, in the context of CAS 720, *The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements*.

### **Communications with taxation and regulatory agencies**

23. We have disclosed to you all communications from:

- a. Taxation authorities concerning assessments or reassessments that could have a material effect on the Financial Statements; and
- b. Regulatory agencies concerning noncompliance with or potential deficiencies in, financial reporting requirements.

### **Deficiencies in internal control**

24. We have communicated to you all deficiencies in internal control of which we are aware. We have disclosed to you any change in the Town's internal control over financial reporting that occurred during the current year that has materially affected, or is reasonably likely to materially affect, the Town's internal control over financial reporting.

### **Work of management's experts**

25. We agree with the work of management's experts in evaluating the valuation of post-employment benefits liability and long-term disability benefits liability and have adequately considered the capabilities of the experts in determining amounts and disclosures used in the Financial Statements and underlying accounting records. We did not give any, nor cause any, instructions to be given to management's experts with respect to values or amounts derived in an attempt to bias their work, and we are not aware of any matters that have impacted the independence or objectivity of the experts.

### **Liabilities and contingencies**

26. We have disclosed to you all liabilities, provisions, contingent liabilities and contingent assets, including those associated with guarantees, whether written or oral, and they are appropriately reflected in the Financial Statements.

### **Loans and receivables**

27. The Town is responsible for determining and maintaining the adequacy of the allowance for doubtful notes, loans, and accounts receivable, as well as estimates used to determine such amounts. Management believes the allowances are adequate to absorb currently estimated bad debts in the account balances.

### **Employee future benefits**

28. Employee future benefit costs, assets, and obligations have been properly recorded and adequately disclosed in the Financial Statements including those arising under defined benefit plans as well as termination arrangements. We believe that the actuarial assumptions and methods used to measure defined benefit plan assets, liabilities and costs for financial accounting purposes are appropriate in the circumstances.

### **Government transfers**

- 29. We have disclosed to you all correspondence relating to government transfers that the Town has had with the funding body.
- 30. We have assessed the eligibility criteria and determined that the Town is an eligible recipient for the government transfers received.
- 31. We have assessed the stipulations attached with the funding and have recognized the revenue in accordance with meeting the stipulations required.
- 32. All government transfers that have been recorded as deferred revenue give rise to an obligation that meets the definition of a liability. Those liabilities have been properly recorded and presented in the Financial Statements.

### **Tax Revenues**

33. We have appropriately recorded tax assets and revenues when they meet the definition of an asset in accordance with Section PS 1000, Financial Statement Concepts, when they are authorized and when the taxable event occurs. These amounts have been appropriately measured in accordance with PS 3510, Tax Revenue, and have not been grossed up for any amount of tax concessions.

### **Tangible capital assets**

34. Tangible capital assets have been recorded properly and consistently according to the standards in Section PS 3150, Tangible Capital Assets.
35. Contributed tangible capital assets have been appropriately recorded at fair value, unless fair value is not reasonably determinable, and in such case, have been recorded at an appropriate nominal value. All contributed tangible capital assets have been appropriately disclosed.
36. We have assessed the useful lives of tangible capital assets and have determined all tangible capital assets contribute to the Town's ability to provide goods and services and therefore do not require a write down.

### **Environmental liabilities/contingencies**

37. We have considered the effect of environmental matters on the Town and have disclosed to you all liabilities, provisions or contingencies arising from environmental matters. All liabilities, provisions, contingencies and commitments arising from environmental matters, and the effect of environmental matters on the carrying values of the relevant assets are recognized, measured and disclosed, as appropriate, in the Financial Statements.

### **Government Business Enterprises and Government Partnerships**

38. The Town has appropriately classified its investments in Newmarket Hydro Holdings Inc. as a Government Business Partnership.

With regard to the Town's investment in Newmarket Hydro Holdings Inc. we have disclosed to you any events that have occurred and facts that have been discovered with respect to such investment that would affect the investment's value as reported in the financial statements.

### **Liabilities for contaminated sites**

39. We have evaluated all of our tangible capital assets that we have direct responsibility for or accept responsibility for, and have not identified any sites in which contamination exceeds an environmental standard.

Yours truly,

### **The Corporation of the Town of Newmarket**

---

Mr. Mike Mayes  
Director of Financial Services and Treasurer

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Mr. Jag Sharma Chief Administrative Officer

**Appendix A**  
**Town of Newmarket**  
**Summary of financial statement misstatements**  
**Year ended December 31, 2018**

**Uncorrected misstatements - detected in the current year (Town):**

1. To correct grant revenue received and earned in the current year to reflect matching of revenue and expense
 

a. Dr. Accounts Receivable	\$19,000
b. Dr. Reserve Funds	\$104,480
c. Cr. Obligatory Reserve Fund/Deferred Revenue	\$123,480
  
2. To adjust for grant revenue recorded for expenditures that were not incurred by the Town, and in which the Town has to repay the funds to LSRCA
 

a. Dr. Revenue	\$75,008
b. Cr. Expense	\$75,008
  
3. To correct for a year end accrual for uncollectible taxes receivable booked, but not in accordance with public sector accounting standards.
 

a. Dr. Taxes Receivable	\$175,000
b. Cr. Taxation Revenue	\$175,000

**Uncorrected misstatements - detected in the current year (Library):**

4. To record the factual and likely misstatement in prepaid assets discovered in F2018 impacting the current year prepaid and expense balances.
 

a. Dr. Prepaid Assets	\$2,846
b. Cr. Expense	\$2,846

**Uncorrected misstatements - detected in the current year (BIA):**

5. The full amount of HST (13%) was recorded in expenses, rather than only the non-refundable portion (1.76%).
 

a. Dr. Accounts Payable	\$266
b. Cr. Expense	\$266

**Misstatements detected in the current year relating to the prior year (Town):**

6. To correct for an over accrual of Central York Fire Services retro-pay
 

a. Dr. Payroll Accrual	\$392,672
b. Cr. Payroll Expense	\$392,672
  
7. To correct a WIP capital item related to work performed in 2017 that was only capitalized in 2018. This matter relates to the Viva Bus Transit project
 

a. Dr. TCA	\$162,816
b. Cr. Accounts Payable	\$162,816



**Appendix A**  
**Town of Newmarket**  
**Summary of financial statement misstatements**  
**Year ended December 31, 2018**

8. To correct for a utilization of obligatory reserve funds that should have been recorded as a reduction from reserves. This entry was corrected in 2018 Financial Statements
  - a. Dr. Mulock Farm Reserve \$377,485
  - b. Cr. Parkland Reserve \$377,485
9. To correct grant revenue received and earned in the current year to reflect matching of revenue and expense
  - a. Dr. Accounts Receivable \$276,374
  - b. Cr. Revenue \$ 276,374

**Misstatement detected in the current year relating to the prior year (Library)**

10. To record the factual and likely misstatement in prepaid assets discovered in F2018 impacting the prior year prepaid and expense balances.
  - a. Dr. Prepaid \$1,503
  - b. Cr. Accumulated Surplus \$1,503

**Appendix B**  
**Town of Newmarket**  
**Summary of disclosure items passed**  
**Year ended December 31, 2018**

<b>Footnote number</b>	<b>Footnote title</b>	<b>Description of omitted or unclear disclosure</b>	<b>Authoritative literature reference</b>
Note 2	Budget Figures	The original council approved budget was adjusted for the March 5, 2018 council approved supplementary budget.	PS 1200 The statement of operations should present a comparison of the results for the accounting period with those originally planned. Planned results should be presented for the same scope of activities and on a basis consistent with that used for actual results.
Note 10	Investment in Newmarket Hydro Holdings Inc.	The Town's consolidated financial statement note disclosure omits the disclosure of the contractual obligations and commitments of Newmarket Hydro Holdings Inc.	PS 3070.60 Government consolidated financial statements should disclose, in notes or schedules, condensed supplementary financial information relative to government business enterprises. Such financial information should be provided on: (d) contractual obligations and contingencies



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Consolidated financial statements of

**The Corporation of the  
Town of Newmarket**

December 31, 2018

# The Corporation of the Town of Newmarket

December 31, 2018

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## Independent Auditor's Report

To the Members of Council of  
The Corporation of the Town of Newmarket

### Opinion

We have audited the consolidated financial statements of The Corporation of the Town of Newmarket (the "Town"), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Town as at December 31, 2018, and the results of its operations, changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Town in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Town's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Town or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Town's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Town's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Town to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Town to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants  
 Licensed Public Accountants  
 June 18, 2019



**THE CORPORATION OF THE TOWN OF NEWMARKET****Consolidated Statement of Financial Position****December 31, 2018**

	<u>2018</u>	<u>2017</u>
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents (Note 4)	\$ 66,063,864	\$ 66,669,603
Temporary investments (Note 5)	54,082,164	43,000,000
Taxes receivable (Note 6) (a)	4,181,146	3,729,115
Unbilled user charges	6,030,968	5,310,320
Accounts receivable (Note 6) (b)	7,166,547	5,296,222
Inventory for resale (Note 8)	56,952	70,807
Surplus land (Note 9)	155,285	155,285
Loans receivable (Note 6) (c)	147,474	174,851
Investment in Newmarket Hydro Holdings Inc. (Note 10)	68,452,251	68,949,579
	<u>206,336,651</u>	<u>193,355,782</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 11)	28,843,766	26,013,979
Interest payable on long-term debt	921,522	618,116
Employee future benefits liability (Note 12)	6,128,206	5,531,198
Long-term disability benefits liability (Note 13)	4,461,290	4,302,741
Deferred revenue (Note 14)	42,319,541	40,270,562
Long-term debt (Note 15)	56,562,744	33,733,250
	<u>139,237,069</u>	<u>110,469,846</u>
<b>NET FINANCIAL ASSETS</b>	<u>67,099,582</u>	<u>82,885,936</u>
<b>NON-FINANCIAL ASSETS</b>		
Inventory (Note 8)	551,589	344,586
Prepaid expenses and other (Note 7)	3,170,927	2,551,238
Tangible capital assets (Note 25)	514,435,905	486,710,874
	<u>518,158,421</u>	<u>489,606,698</u>
<b>ACCUMULATED SURPLUS (Note 21)</b>	<u>\$ 585,258,003</u>	<u>\$ 572,492,634</u>

Contingencies and lease agreements (Notes 17 and 18)

## THE CORPORATION OF THE TOWN OF NEWMARKET

## Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2018

	<u>2018</u>		<u>2017</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
	(Note 2)		
<b>REVENUES</b>			
<b>Taxation and user charges</b>			
Residential and farm taxation	\$ 50,869,700	\$ 50,561,618	\$ 46,945,913
Commercial, industrial and business taxation	9,217,137	9,803,052	9,285,985
Taxation from other governments	707,693	828,720	704,813
User charges	51,136,257	51,942,646	46,910,997
	111,930,787	113,136,036	103,847,708
<b>Government Transfers</b>			
Government of Canada	2,960,731	763,617	414,257
Federal Gas Tax (Note 14)	5,752,064	2,183,005	2,025,694
Province of Ontario	1,916,641	2,532,967	2,201,037
	10,629,436	5,479,589	4,640,988
<b>Other</b>			
Contribution from developers	25,410,325	10,714,091	25,860,369
Investment income	2,650,588	4,437,998	2,702,555
Fine, penalties and interest	1,566,931	1,431,044	1,143,933
Rent and other	3,712,210	2,421,197	2,423,709
Loss on disposal of tangible capital assets	-	(91,883)	(266,021)
	33,340,054	18,912,447	31,864,545
<b>TOTAL REVENUES</b>	\$ 155,900,277	\$ 137,528,072	\$ 140,353,241

## THE CORPORATION OF THE TOWN OF NEWMARKET

## Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2018

	2018		2017
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
	(Note 2)		
<b>EXPENSES (Note 26)</b>			
General government	\$ 16,642,815	\$ 16,945,788	\$ 14,025,861
Protection to persons and property	18,433,393	17,911,072	17,920,274
Transportation services	13,408,510	14,853,467	13,579,971
Environmental services	39,547,821	38,825,431	36,222,765
Recreation and cultural services	34,578,774	34,091,822	31,260,912
Planning and development	4,766,830	3,496,009	2,495,425
	127,378,143	126,123,589	115,505,208
<b>Income From Newmarket Hydro Holdings Inc. (Note 10)</b>	2,336,000	926,084	2,154,784
<b>Investment Income Adjustment (Note 10)</b>	-	(87,412)	-
<b>Gain on foreign exchange</b>	-	522,214	-
<b>ANNUAL SURPLUS</b>	28,522,134	12,765,369	27,002,817
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	-	572,492,634	545,489,817
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	\$ 28,522,134	\$ 585,258,003	\$ 572,492,634

THE CORPORATION OF THE TOWN OF NEWMARKET  
Consolidated Statement of Change in Net Financial Assets  
Year ended December 31, 2018

	2018		2017
	Budget	Actual	Actual
	(Note 2)		
<b>Annual surplus</b>	\$ 28,522,134	\$ 12,765,369	\$ 27,002,817
Acquisition of tangible capital assets	(40,760,059)	(39,029,587)	(11,349,340)
Contributed tangible capital assets	-	(5,270,605)	(16,026,284)
Amortization of tangible capital assets	16,610,416	16,266,866	15,939,545
Proceeds from sale of tangible capital assets	-	216,412	184,350
Loss on disposal of tangible capital assets	-	91,883	266,021
	(24,149,643)	(27,725,031)	(10,985,708)
Changes due to inventory	(6,892)	(207,003)	51,802
Changes due to prepaid expenses and other	(159,053)	(619,689)	(1,608,837)
	(165,945)	(826,692)	(1,557,035)
<b>CHANGE IN NET FINANCIAL ASSETS</b>	4,206,546	(15,786,354)	14,460,074
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	82,885,936	82,885,936	68,425,862
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	87,092,482	67,099,582	82,885,936

## THE CORPORATION OF THE TOWN OF NEWMARKET

## Consolidated Statement of Cash Flows

Year ended December 31, 2018

	2018		2017
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
<b>CASH PROVIDED BY (USED IN):</b>			
<b>OPERATING ACTIVITIES</b>			
<b>Cash received from</b>			
Taxation	\$ 60,683,029	\$ <b>61,796,258</b>	\$ 57,799,398
User charges	50,700,811	<b>51,347,960</b>	46,420,707
Government transfers	9,035,021	<b>6,549,977</b>	2,973,635
Contributions from developers	12,288,927	<b>6,853,953</b>	11,811,851
Investment income	3,986,588	<b>5,049,009</b>	4,111,198
Fine, penalties and interest	1,566,931	<b>1,489,466</b>	1,171,236
Rent and other	2,376,210	<b>2,434,311</b>	2,369,205
Aurora's share of Central York Fire Services	10,490,381	<b>10,190,853</b>	10,058,798
	151,127,898	<b>145,711,787</b>	136,716,027
<b>Cash paid for</b>			
Salaries, wages and employee benefits	56,518,649	<b>60,605,483</b>	55,683,398
Materials, goods, and supplies	5,583,623	<b>5,888,053</b>	7,073,712
Utilities	3,782,367	<b>4,254,143</b>	3,708,203
Contracted and general services	29,636,157	<b>37,642,822</b>	31,893,022
Capital repairs and maintenance	6,503,302	<b>9,303,959</b>	7,931,974
Interest on long-term debt	1,853,448	<b>1,853,449</b>	1,988,024
Rents and financial	275,563	<b>284,972</b>	270,160
	104,153,109	<b>119,832,881</b>	108,548,493
<b>Net change in cash from operating activities</b>	46,974,789	<b>25,878,906</b>	28,167,534
<b>CAPITAL ACTIVITIES</b>			
Proceeds on disposal of tangible capital assets	-	<b>216,412</b>	184,350
Acquisition of tangible capital assets	(40,760,059)	<b>(39,029,590)</b>	(11,349,340)
<b>Net change in cash from capital activities</b>	(40,760,059)	<b>(38,813,178)</b>	(11,164,990)
<b>INVESTMENT ACTIVITIES</b>			
Gain on Foreign Exchange	-	<b>522,214</b>	-
Temporary investments	(12,000,000)	<b>(11,082,164)</b>	2,000,000
<b>Net change in cash from investment activities</b>	(12,000,000)	<b>(10,559,950)</b>	2,000,000

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**THE CORPORATION OF THE TOWN OF NEWMARKET**
**Consolidated Statement of Cash Flows**
**Year ended December 31, 2018**


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	<b>2018</b>		<b>2017</b>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
<b>FINANCING ACTIVITIES</b>			
Issuance of long-term debt	26,000,000	<b>26,000,000</b>	-
Loans receivable	-	-	6,491,307
Principal repayment on long-term debt	(3,228,829)	<b>(3,111,517)</b>	(2,976,942)
<b>Net change in cash from financing activities</b>	<b>22,771,171</b>	<b>22,888,483</b>	3,514,365
<b>NET CHANGE IN CASH</b>	<b>16,985,901</b>	<b>(605,739)</b>	22,516,909
<b>CASH, BEGINNING OF YEAR</b>	<b>66,669,603</b>	<b>66,669,603</b>	44,152,694
<b>CASH, END OF YEAR</b>	<b>\$ 83,655,504</b>	<b>\$ 66,063,864</b>	\$ 66,669,603
<b>Supplementary information:</b>			
Interest paid		<b>\$ 1,853,448</b>	\$ 1,988,024
Interest received		<b>\$ 2,028,096</b>	\$ 1,227,380

**Notes to the Consolidated Financial Statements**  
**December 31, 2018**

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The Town of Newmarket is a municipality in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act, Municipal Affairs Act and related legislation.

**1. SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statements ("the financial statements") of the Corporation of the Town of Newmarket (the "Town") are the representation of management prepared in accordance with generally accepted accounting standards for local governments as recommended by the Canadian Public Sector Accounting Board ("PSAB") of Chartered Professional Accountants of Canada (CPA Canada).

Significant accounting policies adopted by the Town are as follows:

(a) (i) Reporting entity

These consolidated financial statements reflect the financial assets, liabilities, operating revenues and expenses of the Town. 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. The Newmarket Public Library and the Main Street District Business Improvement Area are accordingly consolidated in these financial statements. All material inter-organizational transactions and balances have been eliminated on consolidation.

(ii) Investment in Newmarket Hydro Holdings Inc.

The Town's investment in Newmarket Hydro Holdings Inc. is accounted for on a modified equity basis, consistent with Canadian Public Sector Accounting Standards for investments in government business enterprises. Under the modified equity basis of accounting, the business enterprise's accounting principles are not adjusted to conform with those of the municipality and inter-organizational transactions and balances are not eliminated. The Town recognizes its equity interest in the annual income or loss of Newmarket Hydro Holdings Inc. in its consolidated statement of operations and accumulated surplus with a corresponding increase or decrease in its investment asset account. Any dividends that the Town may receive from Newmarket Hydro Holdings Inc. will be reflected as reductions in the investment asset account.

(iii) Accounting for Region of York and School Board transactions

The operations of the School Boards and the Region of York are not reflected in the Town's financial statements except to record any resulting receivable or payable balance with the Town at year-end.

(iv) Trust funds

Trust funds and their related operations administered by the Town are not consolidated, but are reported separately in the "Trust Fund Statement of Financial Activities and Fund Balance" and "The Trust Fund Statement of Financial Position".

(b) Basis of accounting

(i) Accrual basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized in the period goods and services are acquired and a liability is incurred or transfers are due.

**Notes to the Consolidated Financial Statements**  
**December 31, 2018**

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**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

(b) Basis of accounting (continued)

(ii) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year, and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the Change in Net Financial Assets for the year.

(a) Tangible Capital Assets

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

	<u>Useful Life - Years</u>
Land improvements	20 - 40
Buildings and building components	20 - 40
Vehicles	4 - 20
Machinery and equipment, including pooled assets	3 - 20
Library collection	7
Linear assets	
- Road base	40
- Road paved surface	20
- Sewer	80
- Watermain	80
- Sidewalks	25
- Trails and walkways	25
- Bridges and structures	25 - 75

Tangible capital assets are amortized in the month following the purchase or in-service date. One half of the annual amortization is charged in the year of acquisition for pooled assets. Assets under construction are not amortized until the tangible capital asset is available for productive use, at which time they are capitalized.

The Town has a capitalization threshold of \$40,000 for all categories except vehicles, machinery and equipment and computer hardware and software in which case the threshold is \$20,000. Individual assets of lesser value are expensed, unless they are pooled because, collectively, they have significant value. Examples of pools are computer systems, library collection, and streetlights. The Town's threshold for pooled assets is \$40,000. The Library pools all of their tangible capital assets and their capitalization threshold is \$10,000.

(b) Contribution of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue.

(c) Interest capitalization

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

(d) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

(e) Inventories

Inventories held for consumption are recorded at the lower of cost and net recoverable value. Inventories held for resale are recorded at the lower of cost and net realizable value.



**Notes to the Consolidated Financial Statements**  
**December 31, 2018**

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**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

(b) Basis of accounting (continued)

(iii) Surplus Land

The carrying value of the surplus land is based on purchase and development costs and does not reflect any gain that may arise if the land sells for more than the carrying value.

(iv) Liability for contaminated sites

A contaminated site is a site at which substances occur in concentration that exceed the maximum acceptable amounts under an environmental standard. Sites that are currently in productive use are only considered a contaminated site if an unexpected event results in contamination. A liability for remediation of contaminated sites is recognized when the Municipality is directly responsible or accepts responsibility; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. The liability includes all costs directly attributable to remediation activities including post-remediation operations, maintenance and monitoring. The liability is recorded net of any expected recoveries.

(v) Deferred revenue

Deferred revenues includes user charges, government transfers, development charges and other 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 Town receives development charges under the authority of provincial legislation and Town by-laws. These funds, by their nature, are restricted in their use and, until applied to specific capital works, are recorded as deferred revenue. Amounts applied to qualifying capital projects are recorded as revenue in the fiscal period they are expended. See Note 15 for more details.

(vi) Employee future benefits

The present value of the cost of providing employees with future benefit programs is expensed as employees earn these entitlements through service. The cost of the benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of retirement ages of employees and expected health care and dental costs. Vacation entitlements are accrued for as entitlements are earned.

(vii) Long-Term Disability Benefits

The present value of the cost of providing employees with future long-term disability income benefits is expensed as employees earn these entitlements. The cost of the benefits earned by employees is actuarially determined using the projected benefit method for currently disabled employees. Actuarial gains and losses arising in a year are amortized into future years' expenses over the average expected period during which benefits will be paid.

(viii) Pension Plan

The Town is an employer member of the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer, defined benefit pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of assets and administration of the benefits. The Town has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles. The Town records as pension expense the amounts paid to OMERS during the year.

**Notes to the Consolidated Financial Statements**  
**December 31, 2018**

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**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

(ix) Revenue Recognition

(a) Taxes and user charges

Taxes are recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. For property taxes, the taxable event is the period for which the tax is levied. Taxes receivable are recognized net of an allowance for anticipated uncollectable amounts.

Charges for wastewater and water usage are recorded as user fees. Connection fee revenues are recognized when the connection has been established.

Sales of service and other revenue is recognized on an accrual basis.

(b) Investment income

Investment income earned is reported as revenue in the period earned. Investment income earned on unspent development charges and other obligatory reserve funds is added to the fund balance and forms part of the deferred revenue balance.

(c) Government transfers

Government transfers include entitlements, transfers under shared cost agreements, and grants. Revenue is recognized when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

(x) Use of estimates

The preparation of financial statements in conformity with Canadian Public Sector Accounting Standards 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 financial statements, and the reported amounts of revenues and expenses during the year. The principal estimates used in the preparation of these financial statements include the useful life and valuation of tangible capital assets, allowance for doubtful receivables, certain accrued liabilities, employee future benefits liability and long-term disability benefits liability. Actual results could differ from these estimates.

(xi) Budget figures

Budget figures have been reclassified for the purposes of these financial statements to comply with PSAB reporting requirements. The approved operating budget and capital budgets are reflected on the Consolidated Statement of Operations and Accumulated Surplus. The budgets established for capital investment in tangible capital assets 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 current year's actual amounts.

**Notes to the Consolidated Financial Statements**  
**December 31, 2018**

**2. BUDGET RECONCILIATION**

The authority of Council is required before moneys can be spent by the Town. Approvals are given in the form of an annually approved budget. The budget approved by Council differs from the budget presented on the Consolidated Statement of Operations and Accumulated Surplus. The difference is due to several factors. A supplementary Capital budget was approved subsequent to the initial budget approval. The budget has also been adjusted to account for material changes due to PSAB reporting requirements.

	Revenue	Expenses
Council approved budget for 2018:		
Operating fund - December 4, 2017	\$ 125,072,654	\$ 127,408,654
Plus: Supplementary budget, March 5, 2018	1,560,000	1,560,000
Less: Principal payment on long-term debt	-	(3,597,517)
Less: Transfers to / from other funds	(7,807,513)	(20,249,754)
Capital budget - New - December 4, 2017	25,933,120	25,933,120
Plus: Supplementary budget, March 5, 2018	28,850,000	28,850,000
Plus: Capital Carryovers	51,401,709	51,401,709
Less: Transfers to / from other funds	(45,884,769)	-
Less: Debenture issuance proceeds	(26,000,000)	-
Reserves and reserve funds - June 18, 2018	21,730,830	53,398,282
Less: Transfers to / from other funds	(19,955,754)	(53,398,282)
<b>TOTAL COUNCIL APPROVED BUDGET</b>	<b>154,900,277</b>	<b>211,306,212</b>
Less: Tangible Capital Assets Capitalized	-	(100,788,058)
Plus: Budgeted amortization expense	-	16,610,416
Plus: Post-employment benefit expenses	-	249,574
Plus: Investment income from Newmarket Hydro Holdings Inc.	1,000,000	-
<b>Adjusted Budget per Consolidated Statement of Operations and Accumulated Surplus</b>	<b>\$ 155,900,277</b>	<b>\$ 127,378,143</b>

**3. OPERATIONS OF SCHOOL BOARDS AND THE REGION OF YORK**

Further to Note 1(a)(iii), taxation and revenues of the school boards and the Region of York are comprised of the following:

	School Boards	Region
Property taxes and taxation from other governments	\$ 48,528,131	\$ 62,944,327

**4. CASH AND CASH EQUIVALENTS**

Cash is comprised of cash on hand and cash held in financial institutions. Management considers all highly liquid investments with maturity of three months or less to be cash equivalents. The \$20,000,000 non-redeemable guaranteed investment certificate, with an annual interest rate of 2.5%, matures January 8, 2019.

Cash is segregated as follows:

	2018	2017
Restricted - obligatory reserve funds (refer to Note 14)	\$ 41,315,122	\$ 39,271,899
Designated - reserve funds (refer to Note 21)	46,382,449	40,236,625
Less: temporary investments (Note 5)	(54,082,164)	(43,000,000)
	<b>33,615,407</b>	<b>36,508,524</b>
Unrestricted and undesignated	\$ 32,448,457	30,161,079
	<b>\$ 66,063,864</b>	<b>\$ 66,669,603</b>

**Notes to the Consolidated Financial Statements**  
**December 31, 2018**

**5. TEMPORARY INVESTMENTS**

Temporary investments are recorded at the lower of cost and market value.

	2018	2017
Cash held in investment accounts	\$ 850,501	-
Maturity within 1 year	19,231,663	\$ 43,000,000
Maturity within 2 years	6,000,000	-
Maturity within 3 years	16,000,000	-
Maturity within 4 years	6,000,000	-
Maturity within 5 years	6,000,000	-
	<b>\$ 54,082,164</b>	<b>\$ 43,000,000</b>

**6. RECEIVABLES**

(a) Taxes receivable

	2018	2017
Current year	\$ 3,703,991	\$ 2,749,962
Arrears previous years	1,592,899	1,844,896
	5,296,889	4,594,858
Less allowance	1,115,743	865,743
	<b>\$ 4,181,146</b>	<b>\$ 3,729,115</b>

(b) Accounts receivable

	2018	2017
Government entities	\$ 1,835,372	\$ 2,448,330
Newmarket Hydro Holdings Inc.	1,336,608	1,336,000
Trade receivables, user fees and other receivables	4,165,347	1,583,490
	7,337,327	5,367,820
Less allowance	170,780	71,598
	<b>\$ 7,166,547</b>	<b>\$ 5,296,222</b>

(c) Loans receivable

Interest free loans are awarded through the Community Improvement Plan's Financial Incentive Program to upgrade and restore properties within the Community Improvement Plan area. The loans are guaranteed by liens against the properties. The maximum repayment period is 10 years.

**7. PREPAIDS AND OTHER EXPENSES**

Prepaid expenses include prepaid insurance premiums, software licenses and support and other items totalling \$1,251,358 (2017 - \$792,364). Other expenses represent the Town's payment of \$1,405,556 (2017 - \$1,106,673) for the shared use of an artificial turf field with York Region Board of Education for 10 years starting April, 2018 less amortization of \$93,781 (2017 - nil).

**8. INVENTORY FOR RESALE**

Inventory for resale includes water meters sold to developers. Inventory included in non-financial assets includes salt and sand used in winter control of area roads, as well as consumable items and parts used by staff.

**9. SURPLUS LAND**

The Town owns three parcels of land that are declared surplus. One is for access to a storm water management pond with a carrying value of \$121,687, the other two small parcels of land is road allowance, with a carrying value of \$33,598.

**Notes to the Consolidated Financial Statements**  
**December 31, 2018**

**10. INVESTMENT IN NEWMARKET HYDRO HOLDINGS INC.**

Newmarket Hydro Holdings Inc. established by municipal council in October 2000, is wholly owned by the Corporation of the Town of Newmarket and provides regulated and unregulated services.

Effective May 1, 2007 Newmarket Hydro Ltd. merged with Tay Hydro Electric Distribution Company Inc. Newmarket Hydro Holdings Inc. owns 93% of the outstanding common shares of the combined entity and consequently its financial statements have been consolidated with those of its subsidiary.

The financial statements of Newmarket Hydro Holdings Inc. have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Interpretations Committee (IFRS).

Newmarket Hydro Ltd. has issued an unsecured promissory note in the amount of \$22,000,000 effective October 1, 2001, to the Town of Newmarket. The note bears interest at a simple annual rate equal to the rate of interest that Newmarket Hydro Ltd. is, from time to time, permitted by the Ontario Energy Board (OEB) to recover in its rates (currently 5.48% per annum). Interest is due on the last day of each fiscal year and on terms and at such time as may be further determined by the Director of Finance/Town Treasurer in consultation with senior corporate officers of the Corporation. Determination of, and changes to, maturity and repayment terms require 13 months notice. The promissory note has been subordinated to a letter of credit of \$2,765,940. The letter of credit with a major chartered bank is a prudential requirement to be an Independent Market Operator and includes restrictive clauses with respect to debt repayment.

In 2018, Newmarket Hydro Holdings wrote off an advance to the parent company (Town of Newmarket) in the amount of \$87,412. As a result The Town reduced investment income by the same amount.

The Town's investment in the corporation at December 31, is as follows:

	<b>2018</b>	<b>2017</b>
Share capital		
Newmarket Hydro Holdings Inc. - 201 Common Shares	<b>\$ 29,609,342</b>	\$ 29,609,342
Promissory note	<b>22,000,000</b>	22,000,000
Due from subsidiary	-	87,412
Retained earnings, end of the year		
Newmarket Hydro Holdings Inc.	<b>16,842,909</b>	17,252,825
<b>Total investment</b>	<b>\$ 68,452,251</b>	<b>\$ 68,949,579</b>

The following summarizes the Town's related party transactions with Newmarket Hydro Holdings Inc. All transactions are in the normal course of operations, and are recorded at the exchange value based on normal commercial rates, or as agreed to by the parties.

	<b>2018</b>	<b>2017</b>
Revenues:		
Investment income	<b>\$ 1,205,600</b>	\$ 1,205,600
Rent, property tax and other	<b>440,874</b>	424,988
Expenses:		
Energy purchases	<b>2,707,348</b>	2,035,574
Services - street light capital & maintenance	<b>21,066</b>	85,038
Dividends received	<b>1,336,000</b>	1,336,000
Dividends accrued	<b>1,336,000</b>	1,336,000
Accounts payable	<b>310,709</b>	310,627

**Notes to the Consolidated Financial Statements**  
**December 31, 2018**

**10. INVESTMENT IN NEWMARKET HYDRO HOLDINGS INC. (continued)**

The following tables provide condensed supplementary financial information for Newmarket Hydro Holdings Inc.

	2018	2017
Financial position		
Current assets	\$ 31,990,420	\$ 33,216,921
Capital assets, future income taxes and other	123,929,797	101,204,752
Regulatory deferral account debit balances	10,985,630	4,616,388
Total assets	166,905,847	139,038,061
Current liabilities	22,787,915	14,075,648
Long term liabilities	89,335,591	64,568,680
Total liabilities	112,123,506	78,644,328
Non-controlling interest	3,381,444	3,405,162
Shareholder equity		
Share capital	29,609,342	29,609,342
Retained earnings	18,148,244	18,558,160
Accumulated other comprehensive income	30,665	30,665
	47,788,251	48,198,167
Regulatory deferral account credit balances	3,612,646	8,790,404
Total liabilities and equity	\$ 166,905,847	\$ 139,038,061
Results of operations		
Revenues	\$ 101,841,069	\$ 89,333,804
Operating expenses	(104,516,118)	(90,727,965)
Financing expenses	(1,325,354)	(1,158,651)
Other income	2,225,644	1,219,972
Non-controlling interest	(56,282)	(162,809)
Income tax	(4,029,364)	(1,319,876)
Net movement on regulatory accounts	6,786,489	5,070,654
Net income	926,084	2,255,129
Comprehensive income	-	(100,345)
Net income and Comprehensive income	926,084	2,154,784
Retained earnings, beginning of year	18,588,825	17,770,041
Net income	926,084	2,154,784
Dividends paid	(1,336,000)	(1,336,000)
Retained earnings, end of the year	\$ 18,178,909	\$ 18,588,825
In Town's books		
Retained earnings, end of the year - per Hydro	\$ 18,178,909	\$ 18,588,825
Less: Dividends accrued	(1,336,000)	(1,336,000)
Adjusted retained earnings, end of year	16,842,909	17,252,825

**Notes to the Consolidated Financial Statements**  
**December 31, 2018**

**11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	2018	2017
Government entities	\$ 13,000,471	\$ 10,167,367
Payroll liabilities	2,715,401	3,169,396
Trade payables and other accrued liabilities	13,127,894	12,677,216
	<b>\$ 28,843,766</b>	<b>\$ 26,013,979</b>

Accounts payable and accrued liabilities to government entities includes water and wastewater charges, development charges, and capital expenditures.

**12. EMPLOYEE FUTURE BENEFITS LIABILITY**

The Town provides certain employee benefits that will require funding in future periods. Under the post-retirement benefit plan, employees may be entitled to a cash payment after they leave the Town's employment. An actuarial estimate of liabilities for employee future benefits has been completed and forms the basis for the estimated liability reported in these consolidated financial statements.

	2018	2017
Employee future benefits liability	\$ 5,682,723	\$ 5,247,859
Vacation pay	445,483	283,339
	<b>\$ 6,128,206</b>	<b>\$ 5,531,198</b>

Employee Future Benefits are comprised of health and dental benefits that are provided to retirees and employees currently on a long-term disability. The Town recognizes these post-retirement costs as they are earned during the employee's tenure of service. A benefit liability of \$5,682,724 was determined by the last actuarial valuation carried out as at December 31, 2018, using a discount rate of 3.25%.

Total benefit payments to retirees during the year were \$90,052 (2016 - \$138,018). The plan is substantially unfunded and requires no contributions from employees. The benefit liability at December 31 includes the following components:

	2018	2017
Accrued benefits obligation	\$ 5,862,082	\$ 5,895,011
Unamortized actuarial (losses)	(179,359)	(647,152)
Employee future benefits liability	<b>\$ 5,682,723</b>	<b>\$ 5,247,859</b>
Employee future benefits, beginning of the year	<b>\$ 5,247,859</b>	\$ 4,995,455
Annual amortization of actuarial losses	30,282	30,282
Current period service cost	297,859	170,553
Interest cost	196,775	189,587
Benefits paid for the year	(90,052)	(138,018)
Employee future benefits, end of the year	<b>\$ 5,682,723</b>	<b>\$ 5,247,859</b>

**Notes to the Consolidated Financial Statements**  
**December 31, 2018**

**12. EMPLOYEE FUTURE BENEFITS LIABILITY (continued)**

Actuarial valuations for accounting purposes are performed every three years using the projected benefit method prorated on services. The most recent actuarial report was prepared at December 31, 2018. The unamortized actuarial losses are being amortized over the estimated remaining service life of the active employees. The average remaining service period of the active employees covered by the benefit plan is sixteen years.

The assumptions used in the December 31, 2018 actuarial valuation were:

(a) Interest (discount) rate

The present value of the future benefits as at December 31, 2018 was determined using a discount rate of 3.25% (2017 - 3.25%).

(b) Health costs

Health cost premiums are assumed to increase at a 4.88% (2017 - 6.00%) rate for 2018 and decrease linearly to 4.81% in 2029.

(c) Dental costs

Dental cost premiums are assumed to increase at a 4.0% (2017 - 3.0%) rate until 2024 and increase linearly to 4.75% in 2029.

**13. LONG-TERM DISABILITY BENEFITS PAYABLE**

The Town provides disabled employees who meet the requirements for Long Term Disability (LTD) monthly disability income, life insurance, health, and dental benefits. An actuarial valuation for currently disabled employees was completed as at December 31, 2018.

	2018	2017
Accrued benefits obligation	\$ 2,680,088	\$ 3,046,086
Unamortized actuarial gains	1,781,202	1,256,655
<b>Long-term disability benefits payable</b>	<b>\$ 4,461,290</b>	<b>\$ 4,302,741</b>
Long-term disability benefits payable, beginning of year	\$ 4,302,741	\$ 4,606,605
Annual amortization of actuarial gains	(218,132)	(218,132)
Current period service cost	595,923	464,226
Interest cost	87,740	82,365
Benefits paid for the period	(306,982)	(632,323)
<b>Long-term disability benefits payable</b>	<b>\$ 4,461,290</b>	<b>\$ 4,302,741</b>

Actuarial valuations for accounting purposes are normally performed every two years using the projected benefit method. The most recent actuarial report was prepared at December 31, 2018. The unamortized actuarial gain will be amortized into future years' expenses over 7 years, the average expected period during which benefits will be paid.

The assumptions used in the December 31, 2018 actuarial valuation were:

(a) Interest (discount) rate

The present value of the future benefits as at December 31, 2018 was determined using a discount rate of 3.25% (2017 - 2.75%).

(b) Health and dental costs

Health and dental cost premiums are assumed to increase by 5.0% per annum.



**Notes to the Consolidated Financial Statements**  
**December 31, 2018**

**14. DEFERRED REVENUE**

Development Charges are levies against new development, and are a primary source of funding growth-related capital facilities and infrastructure. Development charges are imposed on all lands, buildings or structures that are developed for residential or non-residential uses. These charges are payable by the developer on the issuance of a building permit, unless they are for town-wide engineering services, in which case they are payable upon registration of a subdivision agreement. Development charges are not recognized as revenue until the identified capital costs for growth are incurred.

A requirement of PSAB is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as provincial legislation restricts how these funds may be used and under certain circumstances how these funds may be refunded. Parkland contributions are restricted to parks or recreation purposes. The Gas Tax grant is restricted to infrastructure and require annual reporting. The following funds have statutory restrictions and as such are classified as deferred contributions:

	Beginning Balance 2018	Inflows	Outflows	Ending Balance 2018
Parkland	\$ 373,415	\$ 1,364,960	\$ (120,420)	\$ 1,858,795
Development Charges	27,116,776	5,532,771	3,800,162	28,849,385
Building Permit Fees	7,003,684	59,435	1,335,078	5,728,041
Engineering Administration	1,344,040	558,254	845,071	1,057,223
Gas Tax Grant	3,433,984	2,570,699	2,183,005	3,821,678
Sub-total Obligatory Reserve Funds	39,271,899	10,086,119	8,042,896	41,315,122
Other	998,663	5,495,534	5,489,778	1,004,419
Total	\$ 40,270,562	\$ 15,581,653	\$ 13,532,674	\$ 42,319,541

**15. LONG-TERM DEBT**

(a) The balance of long-term debt reported on the Consolidated Statement of Financial Position is made up of the following:

			2018	2017
Long-term debt incurred by the Town			\$ 56,562,744	\$ 33,733,250
Purpose	Rates	Maturity Date	2018	2017
Mulock Farm	3.49%	2048	26,000,000	-
Land for recreation facilities	5.724%	2024	5,222,213	5,933,268
Youth Centre	5.724%	2024	1,210,025	1,374,782
Downtown renewal	5.724%	2024	383,811	436,071
Recreation facility	5.246%	2024	4,968,607	5,656,742
Parklands	5.246%	2024	1,056,243	1,202,529
Traffic flow improvements	5.246%	2024	608,654	692,951
Downtown revitalization	5.246%	2024	165,620	188,558
Recreation facility	4.756%	2026	7,431,693	8,179,213
Consolidated Operations Centre	5.000%	2019	8,127,392	8,587,991
Federation of Canadian Municipalities loan for Operations Centre	2.000%	2031	1,388,484	1,481,145
			\$ 56,562,742	\$ 33,733,250

**Notes to the Consolidated Financial Statements**  
**December 31, 2018**

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**15. LONG-TERM DEBT (Continued)**

(b) Principal repayments for each of the next five years and thereafter are due as follows:

2019	\$	3,796,046
2020		3,520,612
2021		3,696,231
2022		3,880,833
2023		4,074,965
2024 and thereafter		37,594,055
	<b>\$</b>	<b>56,562,742</b>

(c) Interest expense on long-term debt amounted to \$2,156,855 (2017 - \$1,862,932).

**16. INSURANCE COVERAGE**

The Town is self insured for insurance claims up to \$10,000 for any individual claim and for any number of claims arising out of a single occurrence.

Claim costs incurred during the year amounted to \$146,557 (2017 - \$46,458).

Insurance premiums of \$1,004,897 (2017 - \$943,619) were expensed during the year on the "Consolidated Statement of Operations and Accumulated Surplus".

**17. CONTINGENCIES**

The Town has been named as a defendant in certain legal actions. The outcome of these actions is not determinable as at the date of reporting and accordingly, no provision has been made in these financial statements for any liability which may arise.

**18. LEASE AGREEMENTS**

The Town has entered into lease agreements for vehicles, office equipment and safety equipment. The aggregate minimum payments under these leases over the next three years are as follows:

2019	\$	223,578
2020		155,203
2021		136,390
	<b>\$</b>	<b>515,171</b>

**19. CONTRACTUAL OBLIGATIONS**

During the year the Town performed work on several major projects relating to the construction, repair and replacement of certain facilities and infrastructure. The total purchase commitment from such contracts amounted to approximately \$29,903,769, of which expenses of approximately \$6,005,251 were outstanding as at December 31, 2018.

The Town also entered into various multiple-year contracts for the delivery of services with respect to waste collection, snow plowing, infrastructure and facility maintenance. The total purchase commitment from such contracts amounted to approximately \$50,055,119, of which expenses of approximately \$17,602,228 were outstanding as at December 31, 2018.

**Notes to the Consolidated Financial Statements**  
**December 31, 2018**

**20. PENSION AGREEMENTS**

OMERS provides pension services to approximately 496,000 active and retired members from approximately 1,000 employers. Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the "Plan") by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted as at December 31, 2018. The results of this valuation disclosed total actuarial liabilities of \$100.1 billion in respect of benefits accrued for service with actuarial assets at that date of \$95.9 billion indicating an actuarial deficit of \$4.2 billion. Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Town does not recognize any share of the OMERS pension surplus or deficit.

Contributions in 2017 ranged from 9% to 15.9% depending on the proposed retirement age and level of earnings. Contributions made by the Town to OMERS on account of current service for the year were \$4,664,435 (2017- \$4,253,239).

**21. ACCUMULATED SURPLUS**

The Accumulated Surplus is comprised of the following:

	2018	2017
<b>Reserves set aside for specific purposes by Council</b>		
Reserves for operating purposes	\$ 9,023,031	\$ 6,087,935
Reserves for capital purposes	892,560	1,142,211
Newmarket Public Library	788,832	728,743
Water & Wastewater Rate Stabilization	3,559,211	4,863,356
<b>Total Reserves</b>	<b>14,263,634</b>	<b>12,822,245</b>
<b>Reserve funds set aside for specific purposes by Council</b>		
Asset replacement funds	31,053,913	27,953,992
Reserve funds for operating purposes	4,623,167	4,155,026
Reserve funds for capital purposes	5,966,378	3,492,415
Self-insured long-term disability	4,738,991	4,635,192
<b>Total Reserve Funds</b>	<b>46,382,449</b>	<b>40,236,625</b>
<b>Total Reserves and Reserve Funds</b>	<b>60,646,083</b>	<b>53,058,870</b>
Invested in tangible capital assets	514,435,905	486,710,874
Less: amount financed by long-term debt	(56,562,744)	(33,733,250)
Equity in Newmarket Hydro Holdings Inc. (Note 10)	68,452,251	68,949,579
Employee future benefits to be recovered	(4,244,080)	(3,981,545)
Operating	528,623	-
Capital Fund Balance	2,001,965	1,488,106
<b>Accumulated Surplus</b>	<b>\$ 585,258,003</b>	<b>\$ 572,492,634</b>

**22. GOVERNMENT TRANSFERS**

Government transfers include monetary transfers based on cost-sharing agreements between the three levels of government. Some funds are transferred when the Town provides evidence that the qualifying expenditures have been incurred. The Town also receives government transfers once certain criteria have been met or with the stipulation that the funds are used for specific programs or expenses (grants with stipulations). Any transfers received where the transfer stipulations have not been met by year-end are recorded as deferred revenue (see note 14). Grants are also received to support specific program areas such as the Library, Museum, or the Seniors Centre. The following kinds of transfers were included in revenue:

	2018	2017
Grants with stipulations	\$ 2,183,005	\$ 2,025,694
Other grants	3,296,584	2,615,294
	<b>\$ 5,479,589</b>	<b>\$ 4,640,988</b>

**Notes to the Consolidated Financial Statements**  
**December 31, 2018**

**23. CENTRAL YORK FIRE SERVICES**

Effective January 1, 2002, the Town of Newmarket entered into a Joint Venture Agreement with the Town of Aurora with respect to the provision of Fire and Emergency services. Under the Agreement, the Town of Newmarket assumed responsibility for the combined Central York Fire Services. The cost of these services is shared between the two municipalities based on a cost sharing formula.

	2018	2017
Net expenses before allocation	\$ 25,069,755	\$ 24,713,675
Less: Aurora's allocation (2018 - 40.65%; 2017 - 40.60%)	(10,190,856)	(10,058,799)
Newmarket's net allocation	\$ 14,878,900	\$ 14,654,876

**24. TRUST FUND**

The Trust fund administered by the Town amounting to \$269,128 (2017 - \$263,464) is presented in a separate financial statement of trust financial activities and fund balance. As such balances are held in trust by the Town for the benefit of others, they are not included in the Town's consolidated statement of financial position or financial activities. During 2018, the Trust Fund did not transfer any amounts (2017- \$70,895) to the Town.

**25. TANGIBLE CAPITAL ASSETS**

Schedule 1 provides information on the tangible capital assets of the Town by major asset category, as well as for accumulated amortization.

Tangible capital assets are segmented by asset class according to the Financial Information Return. General Capital Assets exclude the Infrastructure Asset class and include Parks, Recreation Facilities, and Fire. Infrastructure assets are composed of linear assets and their associated specific components, generally constructed or arranged in a continuous and connected network. They include Roads, including bridges, and Environmental Infrastructure (water delivery systems, waste water treatment, storm drainage systems).

a) Tangible capital assets recognized at nominal value.

Certain assets have been assigned a nominal value because of the difficulty of determining a valuation. The most significant such asset is the land under the Town's roads which has been assigned a nominal value of one dollar per kilometer of road length. The 2018 road network had 243 kilometers (2017 - 239 km).

b) Capitalization of interest

No interest was capitalized in 2018 (2017 - \$nil).

c) Construction in Progress

The financial statements and accompanying schedules include \$6,233,623 (2017 - \$5,436,217) of tangible assets that have not been amortized.

d) Contributed Tangible Capital Assets

Contributed tangible capital assets have been recognized at fair market value at the date of contribution. These assets are mainly in the subdivisions assumed during the year.

	2018	2017
Linear Assets	\$ 5,085,314	\$ 15,678,450
Storm Water Management Pond	80,600	186,801
Streetlights	104,691	161,033
	\$ 5,270,605	\$ 16,026,284

**Notes to the Consolidated Financial Statements**  
**December 31, 2018**

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**26. SEGMENTED INFORMATION**

Certain allocation methodologies are employed by the Town in the preparation of segmented financial information. Government grants, user charges, transfers from other funds, and other revenues are allocated to the specific program or service they relate to. Expense allocations are both internal and external. There is an external allocation to the Town of Aurora for its share of the costs of running Central York Fire Services (see Note 24). Activity based costing is used to allocate internal support costs to departments. These costs include the net expenses for departments, such as human resources, information systems, finance and others, commonly referred to as overhead. Measures of activity, or drivers, are used to apportion the support costs.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1.

**Schedule 2 Service Bundles**

The Town's services and programs are grouped and reported based on a customer driven service bundle in Schedule 2. Revenues are reported by source, while expenses are reported by object. The Town determines an individual tax rate for each service to attain full cost recovery. Tax revenues are allocated according to the tax billing. Net revenues before financing include capital expenses, reserves, reserve funds and transfers. The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1.

**Fire & Emergency Services**

Central York Fire Services provides fire services to the residents of Newmarket and Aurora. They are responsible to provide fire suppression service, fire prevention programs, training and education related to prevention, detection or extinguishment of fires. The cost of these services is shared between the two municipalities based on a cost sharing formula described in Note 23.

**Water, Wastewater & Solid Waste**

The Town provides drinking water to its citizens and collects wastewater. The solid waste and recycling program includes curbside collection of recyclables, organics, yard waste and garbage.

**By-law & Licensing Services**

The Town issues a variety of licenses including marriage, taxicab and animal licenses. It ensures an acceptable quality of building construction and maintenance of properties through enforcement of construction codes, building standards and by-law for the protection of occupants. It facilitates economic development by providing services for the approval of all land development plans, the application and enforcement of zoning by-laws and the processing of building permit applications.

**Roads, Bridges & Sidewalks**

The Public Works and Environmental Services department is responsible for the cleanliness, safety and maintenance of the Town's paved roads, bridges and sidewalks.

**Planning & Development Services**

The Town creates plans for Newmarket's future. It manages urban development for business interests, environmental concerns, heritage matters, local neighbourhoods and the downtown through Town planning, community development, parks and riverbank planning.

**Community Programs & Events**

The Town provides public services that contribute to neighbourhood development and sustainability through the provision of recreation and leisure services such as fitness and aquatic programs. It also hosts community special events throughout the year.

**Facilities, Parks & Trails**

The Town maintains numerous recreation facilities, as well as indoor community space for booking and community use. It also maintains parks and playgrounds, open spaces, and a vast trail system.

**Notes to the Consolidated Financial Statements**  
**December 31, 2018**

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**26. SEGMENTED INFORMATION (Continued)**

**Corporate Support & Governance**

The Town Council, the Office of the CAO, Legal and other support staff and services are included here.

**Public Library Services**

The provision of library services contributes towards the information needs of the Town's citizens. The library also provides programs to local residents.

**Main Street District BIA**

The Main Street District BIA promotes the Main Street area as a business, shopping and entertainment area. This department has been separately disclosed from other Planning & Development Services, due to its requirement to have audited financial statements.

**27. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform with the current year financial statement presentation. The reclassifications relate to regroupings within various categories of tangible capital assets.

**28. SUBSEQUENT EVENTS**

Effective March 15, 2019 cash in the Museum bank account was transferred to the Town's reserve fund bank account and the Museum bank account was closed. A reserve fund was created and includes the cash and guaranteed investment certificate.

On April 24, 2019 the Town repaid the outstanding balance of the debenture in the amount of \$7,796,000 for the Operations Centre less sinking fund interest of \$59,414 to the Regional Municipality of York.

**29. RELATED PARTIES**

A consulting company has provided services to the Town of Newmarket during 2018 in the amount of \$1,067,995 (\$912,149 in 2017). A member of the company's management is the spouse of a director for the Town. The transactions have been on market terms and appropriate internal controls are in place.

Note 10, Investment in Newmarket Hydro Holdings Inc. discloses related party transactions with the Town's business enterprises. In addition, there were other related party transactions amounting to less than \$100,000 in total, each of which are not of a significant amount and are done on market terms.

**DRAFT**

**The Corporation of the Town of Newmarket**  
**Tangible Capital Assets - Summary By Asset Category**  
**December 31, 2018**

**Schedule 1**

	<b>Cost</b>					<b>Accumulated Amortization</b>				<b>2018</b>	
	2018 Opening Balance	Additions and Betterments	Disposals/ Transfers	Write Downs	2018 Closing Balance	2018 Opening Balance	2018 Amortization Expense	Accumulated Amortization on Disposals	2018 Ending Balance	<b>Net Book Value</b>	
<b>General Capital Assets</b>											
Land	\$ 74,738,474	\$ 24,860,414	\$ -	\$ -	\$ 99,598,888	\$ -	\$ -	\$ -	\$ -	\$	<b>99,598,888</b>
Land improvements	12,336,473	2,198,955	-	-	14,535,428	2,534,567	425,344	-	2,959,911		<b>11,575,517</b>
Buildings and building components	97,256,841	750,037	288,749	-	97,718,129	38,151,602	2,574,585	155,203	40,570,984		<b>57,147,145</b>
Machinery and Equipment	16,093,397	1,849,706	578,031	-	17,365,072	8,667,579	1,431,554	550,214	9,548,919		<b>7,816,153</b>
Vehicles	6,565,043	96,281	-	-	6,661,324	3,053,661	420,149	-	3,473,810		<b>3,187,514</b>
Library Collection	1,693,070	160,851	66,978	-	1,786,943	979,143	206,859	221,478	964,524		<b>822,419</b>
	<b>\$ 208,683,298</b>	<b>\$ 29,916,244</b>	<b>\$ 933,758</b>	<b>\$ -</b>	<b>\$ 237,665,784</b>	<b>\$ 53,386,552</b>	<b>\$ 5,058,491</b>	<b>\$ 926,895</b>	<b>\$ 57,518,148</b>	<b>\$</b>	<b>180,147,636</b>
<b>Infrastructure Assets</b>											
Land	\$ 18,492,537	\$ -	\$ -	\$ -	\$ 18,492,537	\$ -	\$ -	\$ -	\$ -	\$	<b>18,492,537</b>
Land improvements	24,544,411	336,791	-	-	24,881,202	18,384,962	591,347	-	18,976,309		<b>5,904,893</b>
Buildings and building components	24,846,461	-	-	-	24,846,461	5,442,342	793,913	-	6,236,255		<b>18,610,206</b>
Machinery and Equipment	2,056,699	310,554	151,401	-	2,215,852	1,211,162	126,051	-	1,337,213		<b>878,639</b>
Vehicles	2,294,230	769,916	386,860	-	2,677,286	1,593,888	299,264	386,860	1,506,292		<b>1,170,994</b>
Linear Assets	492,095,371	12,169,281	840,885	-	503,423,767	211,719,444	9,397,800	690,854	220,426,390		<b>282,997,377</b>
	<b>\$ 564,329,709</b>	<b>\$ 13,586,542</b>	<b>\$ 1,379,146</b>	<b>\$ -</b>	<b>\$ 576,537,105</b>	<b>\$ 238,351,798</b>	<b>\$ 11,208,375</b>	<b>\$ 1,077,714</b>	<b>\$ 248,482,459</b>	<b>\$</b>	<b>328,054,646</b>
<b>Construction in Progress</b>											
	\$ 5,436,217	\$ 5,030,449	\$ 4,233,043		\$ 6,233,623	\$ -	\$ -	\$ -	\$ -	\$	<b>6,233,623</b>
<b>Total Tangible Capital Assets</b>	<b>\$ 778,449,224</b>	<b>\$ 48,533,235</b>	<b>\$ 6,545,947</b>	<b>\$ -</b>	<b>\$ 820,436,512</b>	<b>\$ 291,738,350</b>	<b>\$ 16,266,866</b>	<b>\$ 2,004,609</b>	<b>\$ 306,000,607</b>	<b>\$</b>	<b>514,435,905</b>

The Corporation of the Town of Newmarket  
Tangible Capital Assets - Summary By Asset Category  
December 31, 2017

## Schedule 1

	Cost					Accumulated Amortization				2017	
	2017 Opening Balance	Additions and Betterments	Disposals/ Transfers	Write Downs	2017 Closing Balance	2017 Opening Balance	2017 Amortization Expense	Accumulated Amortization on Disposals	2017 Ending Balance	Net Book Value	
<b>General Capital Assets</b>											
Land	\$ 74,717,975	\$ 20,499	\$ -	\$ -	\$ 74,738,474	\$ -	\$ -	\$ -	\$ -	\$	74,738,474
Land improvements	11,638,749	697,724	-	-	12,336,473	2,164,716	369,851	-	2,534,567		9,801,906
Buildings and building components	94,214,777	3,042,064	-	-	97,256,841	35,587,084	2,564,518	-	38,151,602		59,105,239
Machinery and Equipment	14,647,296	1,755,094	308,993	-	16,093,397	7,649,995	1,326,577	308,993	8,667,579		7,425,818
Vehicles	5,974,407	822,415	231,779	-	6,565,043	2,823,266	462,174	231,779	3,053,661		3,511,382
Library Collection	1,737,903	193,809	238,642	-	1,693,070	1,005,581	212,204	238,642	979,143		713,927
	\$ 202,931,107	\$ 6,531,605	\$ 779,414	\$ -	\$ 208,683,298	\$ 49,230,642	\$ 4,935,324	\$ 779,414	\$ 53,386,552	\$	155,296,746
<b>Infrastructure Assets</b>											
Land	\$ 18,492,534	\$ 3	\$ -	\$ -	\$ 18,492,537	\$ -	\$ -	\$ -	\$ -	\$	18,492,537
Land improvements	24,357,610	186,801	-	-	24,544,411	17,813,093	571,869	-	18,384,962		6,159,449
Buildings and building components	24,846,461	-	-	-	24,846,461	4,648,429	793,913	-	5,442,342		19,404,119
Machinery and Equipment	1,942,621	114,078	-	-	2,056,699	1,096,614	114,548	-	1,211,162		845,537
Vehicles	2,638,920	-	344,690	-	2,294,230	1,661,321	277,257	344,690	1,593,888		700,342
Linear Assets	471,827,564	22,511,516	2,243,709	-	492,095,371	204,266,147	9,246,634	1,793,337	211,719,444		280,375,927
	\$ 544,105,710	\$ 22,812,398	\$ 2,588,399	\$ -	\$ 564,329,709	\$ 229,485,604	\$ 11,004,221	\$ 2,138,027	\$ 238,351,798	\$	325,977,911
<b>Construction in Progress</b>	\$ 7,404,596	\$ 4,520,932	\$ 6,489,311		\$ 5,436,217	\$ -	\$ -	\$ -	\$ -	\$	5,436,217
<b>Total Tangible Capital Assets</b>	\$ 754,441,413	\$ 33,864,935	\$ 9,857,124	\$ -	\$ 778,449,224	\$ 278,716,246	\$ 15,939,545	\$ 2,917,441	\$ 291,738,350	\$	486,710,874



The Corporation of the Town of Newmarket  
Segment Disclosures - Service Bundle  
Year ended December 31, 2018

## Schedule 2

	Fire & Emergency Services		Water, Wastewater & Solid Waste		Bylaw & Licensing Services		Roads, Bridges & Sidewalks	
	2018	2017	2018	2017	2018	2017	2018	2017
<b>EXPENSES</b>								
Salaries and wages	\$ 21,331,556	\$ 21,176,636	\$ 2,884,088	\$ 2,925,052	\$ 1,255,348	\$ 1,115,435	\$ 2,326,188	\$ 2,058,993
Materials, goods and supplies	906,911	859,027	775,403	573,027	76,927	44,301	1,116,804	992,771
Utilities	152,995	156,675	24,500	27,457	-	-	1,009,234	976,299
Contracted and general services	814,985	936,290	29,472,163	24,631,570	438,437	456,167	749,375	873,333
Rents and financial	30,000	30,000	73,116	65,917	11,884	238	2,087	1,537
Interest on long-term debt	-	-	560,926	566,740	-	-	-	-
Capital repairs and maintenance	336,116	669,998	1,993,877	3,061,017	-	-	1,418,028	2,174,161
Amortization expenses	432,908	442,095	3,009,329	2,973,073	20,990	20,549	7,407,171	7,248,520
Allocations	(7,981,592)	(7,849,539)	3,183,971	2,872,819	718,964	958,324	1,397,299	1,922,776
<b>Total expenses</b>	<b>16,023,879</b>	<b>16,421,182</b>	<b>41,977,373</b>	<b>37,696,672</b>	<b>2,522,550</b>	<b>2,595,014</b>	<b>15,426,186</b>	<b>16,248,391</b>
<b>REVENUES</b>								
Taxation	16,898,382	15,516,148	3,386,064	2,994,289	1,656,338	1,688,066	10,742,920	10,489,878
User charges	317,084	340,479	40,094,636	35,960,776	375,274	474,952	120,904	112,312
External non-tax revenues	170,337	171,841	6,379,595	10,015,280	565,206	392,645	5,078,663	13,073,906
Gain / (loss) on sale of tangible capital assets	-	9,295	(85,409)	(199,069)	-	-	92,726	(157,403)
<b>Total revenues</b>	<b>17,385,803</b>	<b>16,037,763</b>	<b>49,774,886</b>	<b>48,771,276</b>	<b>2,596,818</b>	<b>2,555,663</b>	<b>16,035,213</b>	<b>23,518,693</b>
Net surplus of Gov't. Business Enterprise	-	-	-	-	-	-	-	-
<b>Annual Surplus (Deficit)</b>	<b>\$ 1,361,924</b>	<b>\$ (383,419)</b>	<b>\$ 7,797,513</b>	<b>\$ 11,074,604</b>	<b>\$ 74,268</b>	<b>\$ (39,351)</b>	<b>\$ 609,027</b>	<b>\$ 7,270,302</b>

Note: Allocations are based on estimates of the support services provided to other departments.

**The Corporation of the Town of Newmarket**  
**Segment Disclosures - Service Bundle**  
**Year ended December 31, 2018**

## Schedule 2

	Planning & Development Services		Community Programs & Events		Facilities, Parks & Trails		Corporate Support & Governance	
	2018	2017	2018	2017	2018	2017	2018	2017
<b>EXPENSES</b>								
Salaries and wages	\$ 4,598,247	\$ 4,302,797	\$ 6,715,338	\$ 5,791,871	\$ 8,012,138	\$ 7,456,681	\$ 11,497,479	\$ 9,474,073
Materials, good and supplies	289,242	183,868	173,137	260,530	1,825,999	1,368,710	445,324	422,412
Utilities	-	24	2,531	2,062	2,098,951	2,254,447	662,893	560,874
Contracted and general services	484,859	345,679	1,431,638	1,443,913	1,337,412	1,229,657	3,917,327	3,057,915
Rents and financial	2,860	(24,117)	43,689	33,106	48,047	53,071	52,909	121,888
Interest on long-term debt	-	-	-	-	-	-	1,595,929	1,296,193
Capital repairs and maintenance	327,359	93,916	-	-	3,078,869	2,104,813	548,923	474,164
Amortization expenses	-	-	62,434	56,942	4,254,065	4,158,979	766,316	713,215
Allocations	2,476,613	2,305,152	1,718,833	1,526,524	3,535,191	3,445,833	(15,769,313)	(15,770,067)
<b>Total expenditures</b>	<b>8,179,180</b>	<b>7,207,319</b>	<b>10,147,600</b>	<b>9,114,948</b>	<b>24,190,672</b>	<b>22,072,191</b>	<b>3,717,787</b>	<b>350,667</b>
<b>REVENUES</b>								
Taxation	3,987,602	3,356,676	5,047,374	4,372,308	15,636,888	14,927,524	-	-
User charges	3,155,485	2,807,296	4,820,550	4,230,951	2,447,465	2,392,392	535,010	513,043
External non-tax revenues	1,303,880	1,316,182	798,238	871,449	2,673,212	4,027,122	7,235,869	6,596,385
(Loss) / gain on sale of tangible capital assets	-	-	-	-	(99,200)	81,154	-	-
<b>Total revenues</b>	<b>8,446,967</b>	<b>7,480,154</b>	<b>10,666,162</b>	<b>9,474,708</b>	<b>20,658,365</b>	<b>21,428,192</b>	<b>7,770,879</b>	<b>7,109,428</b>
Net surplus of Gov't. Business Enterprise	-	-	-	-	-	-	838,672	2,154,784
<b>Annual Surplus (Deficit)</b>	<b>\$ 267,787</b>	<b>\$ 272,835</b>	<b>\$ 518,562</b>	<b>\$ 359,760</b>	<b>\$ (3,532,307)</b>	<b>\$ (643,999)</b>	<b>\$ 4,891,764</b>	<b>\$ 8,913,545</b>

**Note: Allocations are based on estimates of the support services provided to other departments.**

**The Corporation of the Town of Newmarket**  
**Segment Disclosures - Service Bundle**  
**Year ended December 31, 2018**

Schedule 2

	Public Library Services		Main Street District BIA		Consolidated	
	2018	2017	2018	2017	2018	2017
<b>EXPENSES</b>						
Salaries and wages	\$ 2,407,333	\$ 2,288,217	\$ -	\$ -	\$ 61,027,715	\$ 56,589,755
Materials, good and supplies	327,626	326,706	32,422	17,558	5,969,795	5,048,911
Utilities	96,630	112,146	-	-	4,047,734	4,089,984
Contracted and general services	110,055	127,727	4,866	19,223	38,761,117	33,121,475
Rents and financial	2,023	-	-	-	266,615	281,640
Interest on long-term debt	-	-	-	-	2,156,855	1,862,933
Capital repairs and maintenance	114,570	51,695	-	-	7,817,742	8,629,764
Amortization expenses	313,656	326,172	-	-	16,266,869	15,939,545
Allocations	529,181	529,380	-	-	(10,190,853)	(10,058,798)
<b>Total expenditures</b>	<b>3,901,074</b>	<b>3,762,043</b>	<b>37,288</b>	<b>36,781</b>	<b>126,123,589</b>	<b>115,505,208</b>
<b>REVENUES</b>						
Taxation	3,807,822	3,561,823	30,000	30,000	61,193,390	56,936,711
User charges	76,238	78,797	-	-	51,942,646	46,910,997
External non-tax revenues	273,940	300,824	4,979	5,920	24,483,919	36,771,554
(Loss) / gain on sale of tangible capital assets	-	-	-	-	(91,883)	(266,022)
<b>Total revenues</b>	<b>4,158,000</b>	<b>3,941,444</b>	<b>34,979</b>	<b>35,920</b>	<b>137,528,072</b>	<b>140,353,241</b>
Investment Income From Newmarket Hydro Holdings Inc.	-	-	-	-	838,672	2,154,784
Gain on foreign exchange					522,214	
<b>Annual Surplus (Deficit)</b>	<b>\$ 256,926</b>	<b>\$ 179,401</b>	<b>\$ (2,309)</b>	<b>\$ (861)</b>	<b>\$ 12,765,369</b>	<b>\$ 27,002,817</b>

**Note: Allocations are based on estimates of the support services provided to other departments.**



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Financial statements of  
Town of Newmarket  
Main Street District BIA

December 31, 2018

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## Independent Auditor's Report

To the Members of Council of  
The Corporation of the Town of Newmarket

### Opinion

We have audited the financial statements of Town of Newmarket Main Street District BIA (the "BIA"), which comprise the statement of financial position as at December 31, 2018, and the statements of operations and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the BIA as at December 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the BIA in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the BIA's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the BIA or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the BIA's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the BIA's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the BIA's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the BIA to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

(To be signed Deloitte LLP)

Chartered Professional Accountants  
Licensed Public Accountants  
\_\_\_\_\_, 2019



# THE CORPORATION OF THE TOWN OF NEWMARKET

## Main Street District BIA

### Statement of Operations

Year ended December 31, 2018

	2018		2017
	Budget	Actual	
<b>REVENUES</b>			
Taxation	\$ 30,000	\$ 30,000	\$ 30,000
Events	-	5,850	5,920
<b>Total revenues</b>	<b>30,000</b>	<b>35,850</b>	<b>35,920</b>
<b>EXPENSES</b>			
Promotion and events	9,000	33,294	17,558
Advertising	21,000	4,866	19,223
<b>Total expenses</b>	<b>30,000</b>	<b>38,160</b>	<b>36,781</b>
<b>ANNUAL DEFICIT</b>	<b>-</b>	<b>(2,310)</b>	<b>(861)</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>24,480</b>	<b>24,480</b>	<b>25,341</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 24,480</b>	<b>\$ 22,170</b>	<b>\$ 24,480</b>

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

**THE CORPORATION OF THE TOWN OF NEWMARKET**  
**Main Street District BIA**

**Statement of Financial Position**

As at December 31, 2017

	<u>2018</u>	<u>2017</u>
<b>ASSET</b>		
Due from the Town of Newmarket	\$ 22,170	\$ 24,480
<b>FUND BALANCE AND NET FINANCIAL ASSETS</b>	<b>\$ 22,170</b>	<b>\$ 24,480</b>

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

**THE CORPORATION OF THE TOWN OF NEWMARKET**  
**Main Street District BIA**

**Statement of Cash Flows**

Year ended December 31, 2018

	2018	2017
<b>Cash received from</b>		
Taxation	\$ 30,000	\$ 30,000
Events	5,850	5,920
Transfer from the Town of Newmarket	2,310	861
	<b>38,160</b>	<b>36,781</b>
<b>Cash paid for</b>		
Promotion and events	33,294	17,558
Advertising	4,866	19,223
	<b>38,160</b>	<b>36,781</b>
<b>Net Change in Cash</b>	-	-
<b>Cash, Beginning of Year</b>	-	-
<b>Cash, End of Year</b>	\$ -	\$ -

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

**THE CORPORATION OF THE TOWN OF NEWMARKET**  
**Main Street District BIA**  
**Notes to the Financial Statements**  
December 31, 2018

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**1. NATURE OF OPERATIONS**

On January 22, 2007 Council, under the authority of section 204 of the Municipal Act, enacted a bylaw to designate the Main Street Business Improvement Area ("BIA"). The primary objective of the BIA is to promote the area as a business, shopping and entertainment area.

**2. SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Main Street District BIA are the representation of management prepared in accordance with accounting standards, as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada ("CPA Canada") and reflect the following policies:

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable. Expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

Taxation revenue is recognized in the calendar year it is raised from ratepayers by the Town.

**3. USE OF ESTIMATES**

The preparation of financial statements in conforming with Canadian Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reported amounts in the financial statements. Due to the inherent uncertainty in making estimates, actual results could differ from those estimates.

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Financial statements of  
Town of Newmarket  
Trust Fund

December 31, 2018

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## Independent Auditor's Report

To the Members of Council of  
The Corporation of the Town of Newmarket

### Opinion

We have audited the financial statements of the Town of Newmarket Trust Fund (the "Trust Fund"), which comprise the statement of financial position as at December 31, 2018, and the statements of financial activities and fund balance, and of cash flows for the year then ended, and a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Trust Fund as at December 31, 2018, and the results of its financial activities, and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Trust Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Trust Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Trust Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Trust Fund's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

(To be signed Deloitte LLP)

Chartered Professional Accountants  
 Licensed Public Accountants  
 \_\_\_\_\_, 2019



# THE CORPORATION OF THE TOWN OF NEWMARKET TRUST FUND

## Statement of Financial Activities and Fund Balance

Year ended December 31, 2018

	2018	2017
<b>REVENUES</b>		
Interest	\$ 3,558	\$ 1,686
Investment Income	\$ 2,106	\$ 3,340
Total revenues	\$ 5,664	\$ 5,026
<b>EXPENSES</b>		
Transfer to the Town of Newmarket	\$ -	\$ 70,895
Total expenses	\$ -	\$ 70,895
<b>ANNUAL SURPLUS (DEFICIT)</b>	\$ 5,664	\$ (65,869)
<b>FUND BALANCE, BEGINNING OF YEAR</b>	\$ 263,464	\$ 329,333
<b>FUND BALANCE, END OF YEAR</b>	\$ 269,128	\$ 263,464

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

# THE CORPORATION OF THE TOWN OF NEWMARKET TRUST FUND

## Statement of Financial Position

As at December 31, 2018

	<u>\$</u>	<u>2,018</u>	<u>\$</u>	<u>2,017</u>
<b>ASSETS</b>				
Cash	\$	208,654	\$	142,517
Investment interest receivable	\$	474	\$	947
Investments (Note 3)	\$	60,000	\$	120,000
<b>Fund Balance (Note 2)</b>	\$	269,128	\$	263,464

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

# THE CORPORATION OF THE TOWN OF NEWMARKET TRUST FUND

## Statement of Cash Flows

Year ended December 31, 2017

	2018	2017
<b>Cash received from</b>		
Interest	\$ 3,558	\$ 1,686
Investment Income	\$ 2,579	\$ 3,870
	\$ 6,137	\$ 5,556
<b>Cash paid for</b>		
Transfer to the Town of Newmarket	\$ -	\$ 70,895
	\$ -	\$ 70,895
<b>Net change in cash from operating activities</b>	\$ 6,137	\$ (65,339)
<b>Financing Activity</b>		
Proceeds on maturity of investment	\$ 60,000	\$ 60,000
<b>Net change in cash from financing activity</b>	\$ 60,000	\$ 60,000
<b>Net Change In Cash</b>	\$ 66,137	\$ (5,339)
<b>Cash, Beginning of Year</b>	\$ 142,517	\$ 147,856
<b>Cash, End of Year</b>	\$ 208,654	\$ 142,517

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

# THE CORPORATION OF THE TOWN OF NEWMARKET TRUST FUND

## Notes to the Financial Statements

December 31, 2018

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### 1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Trust Fund are the representation of management prepared in accordance with Canadian accounting standards for not-for-profit organizations and reflect the following policies:

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable. Expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

### 2. ELMAN W. CAMPBELL MUSEUM TRUST

The Elman W. Campbell Museum Trust, being the only trust administered by the Town of Newmarket, was established as a result of the last Will and Testament of Elman W. Campbell in 1988. Operating expenses of the Museum are paid for by the Town of Newmarket and the Town receives no remuneration for administering the Fund. Eighty percent (80%) of the interest earned by the trust can be used to offset certain maintenance costs of the Museum after the capital requirements for the year have been met.

### 3. INVESTMENTS

Investments are recorded at the lower of cost and market value.

	2018	2017
Guaranteed investment certificate	\$ 60,000	\$120,000

Non-redeemable guaranteed investment certificate, interest at 2.15%, matures August, 2019, \$60,000 of principal amount maturing annually on each anniversary date.

### 4. USE OF ESTIMATES

The preparation of financial statements in conforming with Canadian Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reported amounts in the financial statements. Due to the inherent uncertainty in making estimates, actual results could differ from those estimates.

# THE CORPORATION OF THE TOWN OF NEWMARKET TRUST FUND

## Notes to the Financial Statements

December 31, 2018

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### 5. SUBSEQUENT EVENT

Effective March 15, 2019, cash in the Museum bank account was transferred to the Town's reserve fund bank account and the Museum bank account was closed. A reserve fund was created and includes the cash and the guaranteed investment certificate.

DRAFT



## Financial statement discussion and analysis

The Town of Newmarket's consolidated financial statements have been prepared in accordance with reporting standards set by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada. The consolidated financial statements include the financial results of:

- Town of Newmarket;
- Newmarket Public Library Board;
- The Main Street District Business Improvement Area;
- The Town's proportionate share of the joint venture with the Town of Aurora – Central York Fire Services

The Town's investment in Newmarket Hydro Holdings Inc. is accounted for on a modified equity basis.

A selection of financial indicators are explained below:

2018 Financial Highlights	2018	2017
Financial position	\$585,258,003	\$572,492,634
Financial position refers to the net position of assets in excess of liabilities. Positive balances indicate the Town's ability to cover debt obligations and to have funds set aside for future sustainability. Year over year the balance is increasing. Continued focus on increasing assets, while lowering liabilities will keep this indicator on a positive trend.		
Capital reserves as a % of accumulated amortization	12.4%	11.2%
Capital reserve contribution/amortization	99.2%	101.2%

These two ratios show the level of reserve funding for future capital purposes compared to the total depreciation to date and to the current rate of amortization. The more the Town funds capital reserves as compared to the annual amortization expense, the more the infrastructure gap narrows.

The breakdown of the capital reserve contribution/amortization was as follows:

Tax-supported	70.6%
Utility (W/WW) rate supported	246.2%

The breakdown of capital reserves/accumulated amortization was as follows:

Tax-supported	-10.3%
Utility (W/WW) rate supported	45.8%

2018 Financial Highlights	2018	2017	2018 BMA Study
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Receivables as % of total taxes levied (includes Region and School Board)	2.4%	2.3%	5.1%
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Uncollected property taxes as a percentage of total taxes charged is a good indication of the strength of the local economy and the ability of the community to pay their annual taxes. The Town has a low ratio showing good economic health, increased liquidity, and strong controls over tax collection. Credit Rating agencies consider over 8% a negative factor. In a financial sustainability indicator review of 21 municipalities in the Greater Toronto Area from the 2018 BMA study, the average was 5.0%. Newmarket's results were the second lowest of those polled in the GTA, with only Mississauga posting better results.

Asset consumption ratio	37.3%	37.5%	41.8%
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The asset consumption ratio shows the value of the tangible capital assets that have been consumed. Total accumulated amortization is calculated as a percentage of the gross cost of depreciable assets. This ratio highlights the aged condition of the Town's physical assets and potential asset replacement needs. A higher ratio may indicate significant replacement needs. Out of 102 municipalities in the 2018 BMA study, the average was 41.8% which is considered to be moderately new.

Debt service costs as a % of own source revenues	4.3%	4.4%
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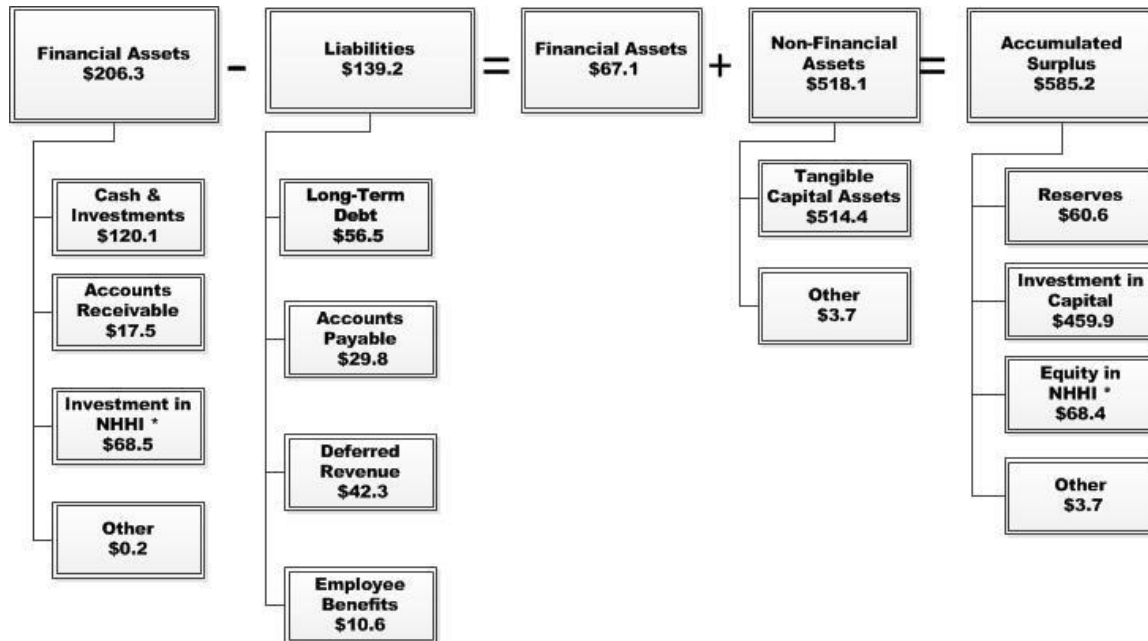
This ratio indicates the extent to which the Town's own source revenues are committed to debt charges. The Ministry of Municipal Affairs and Housing considers a ratio between 5% and 10% to be a moderate risk and a ratio below 5% to be low risk. This is the same calculation as that used for the Annual Repayment Limit.

\*based on average results from the 2018 Municipal Study



## The Consolidated statement of financial position: Overview

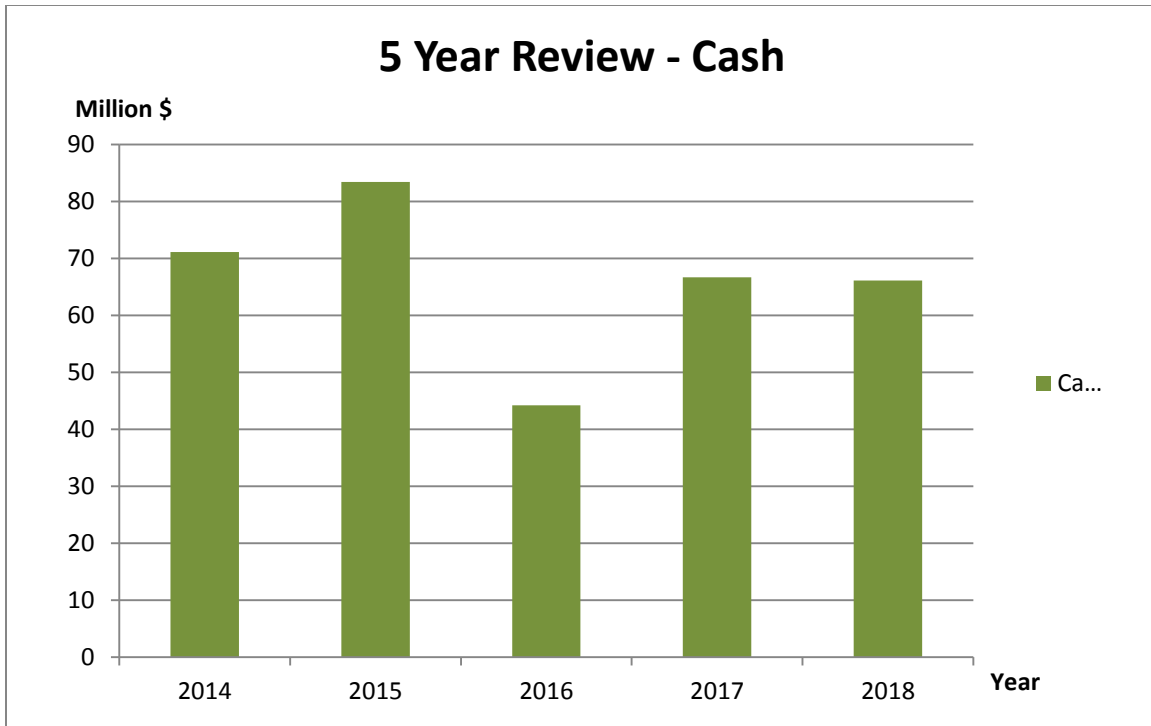
The Consolidated Statement of Financial Position highlights key financial figures. The chart below presents the information reported in the Consolidated Statement of Financial Position (in millions).



\*Newmarket Hydro Holdings Inc.

### **Cash resources**

The Town's cash position is closely managed and remains adequate, along with short-term investments, to meet ongoing cash requirements. Management considers all highly liquid investments with maturity of three months or less to be cash equivalents. The year-end cash position has decreased slightly to \$66.1 million from \$66.7 million in 2017. For the majority of the year, we were receiving a better interest rate on our bank balance than what we could earn on a short-term investment.



Cash inflows from growth and development decreased in 2018, while cash flow from government transfers and investment income increased. Outflows for capital works increased, due to the purchase of the Mulock Farm property and a debenture of \$26 million was also secured. This resulted in an overall decrease of only \$600,000 in cash and cash equivalents.

### ***Net Financial Asset Position***

Financial assets include cash and other assets expected to be converted to cash, sold, or consumed within a year. The Town ended the year with net financial assets totaling \$67 million (2017 - \$83 million), a decrease of \$16 million. This balance is calculated as total financial assets less liabilities and represents the amount available to finance future operations. The decrease is largely due to the additional debt assumed to finance the acquisition of the Mulock Farm property.

### **Deferred revenue**

Deferred revenues are considered liabilities until the funds are spent or used for their intended purpose. The major deferred revenues include:

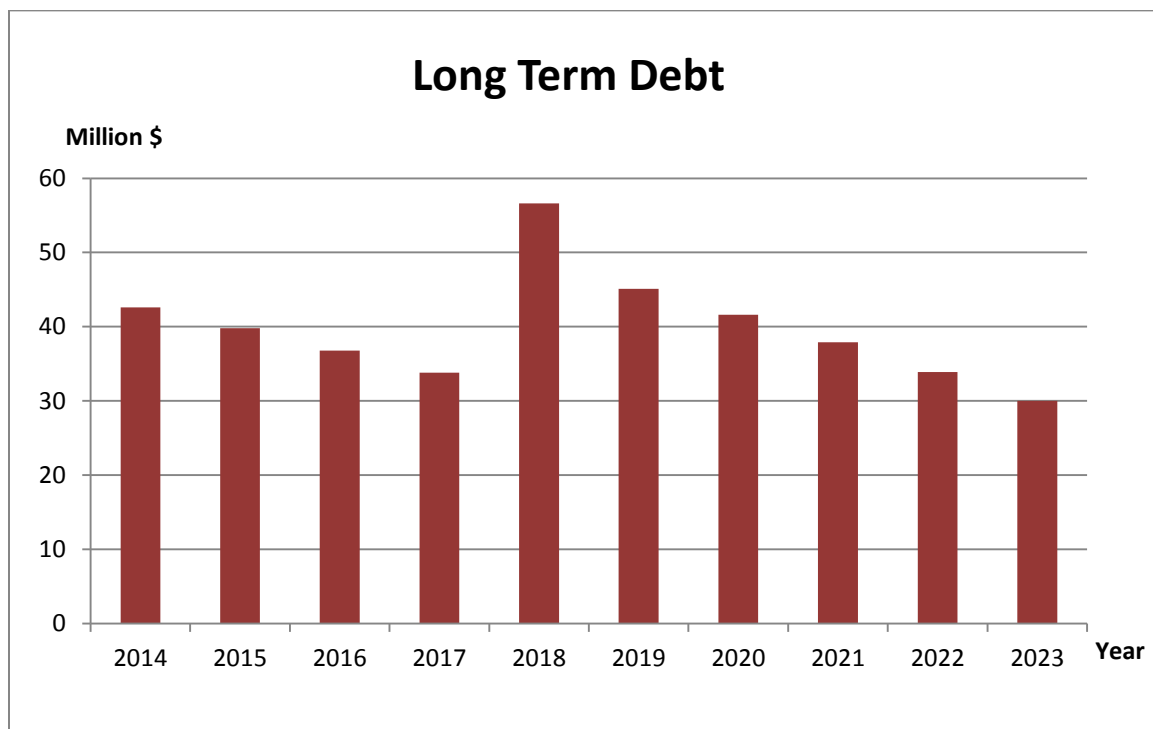
- development charges;
- building permit revenue;
- Federal gas tax and other grants;
- parkland cash in-lieu;
- engineering administration revenues.

In 2018, the Town collected \$7.4 million in development charges and allocated \$3.8 million to capital projects.

### Long-term debt

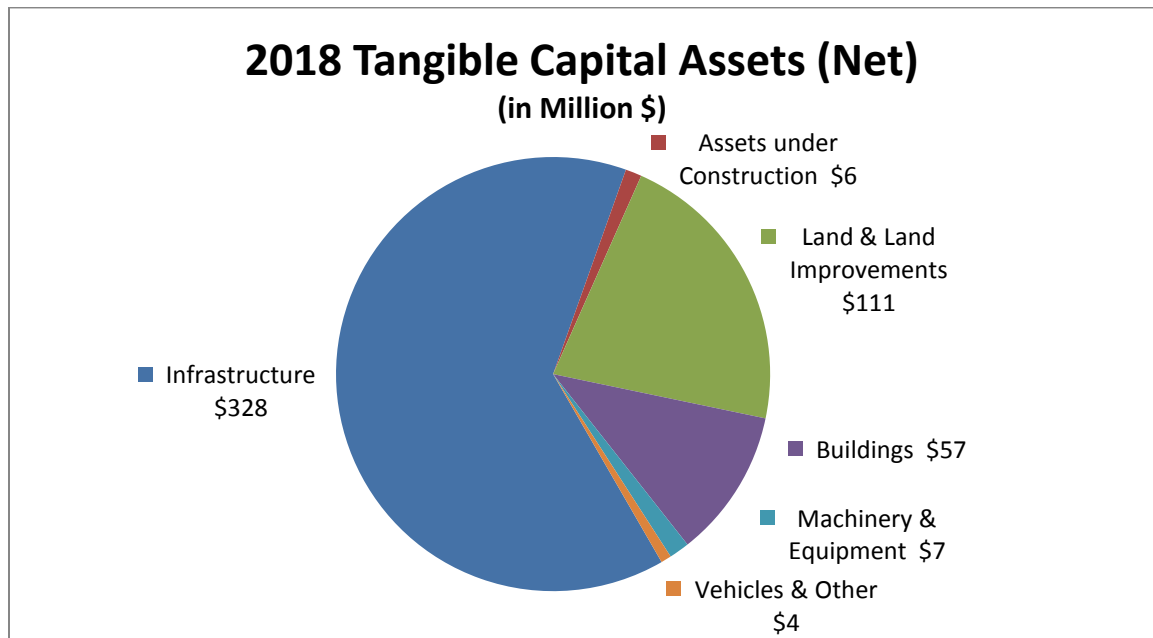
A significant component of the financial liabilities is the Town's long-term debt. A new debt policy was adopted in May 2018 that established the criteria for loans. Generally, debt financing is only available for capital expenditures included in the Asset Management Plan when other sources of financing are not available. The revised Policy continues to have a servicing limit (principle and interest) equal to 10% of the Town's own source revenues which is lower than the 25% limit that the province allows municipalities.

In 2018, the Town's actual debt servicing was 4.3% (2017 – 4.4%) - well within policy limits. While a debenture for the Mulock Farm was acquired in 2018, the first payment was not until early 2019. If payments for the Mulock Farm had been included in the calculations the debt servicing would have been 5.5%. At an annual interest rate of 5% with a term of 20 years, the Town could borrow another \$94.7 million and still remain within its 10% debt servicing (borrowing) limit. \$3.0 million of principal was repaid in 2018. Debt represents 11.0% of the net book value of Town's tangible capital assets (2017 – 6.9%).



The Town's long-term debt position reflects the pattern of investment in major infrastructure projects. In 2018, a 30 year \$26 million debenture was issued by Infrastructure Ontario through York Region for the purchase of the Mulock Farm property. In 2019, the debentures for the Operations Centre are scheduled to be paid off which account for almost \$8 million of the repayments in that year.

### ***Non-financial assets***



The 2018 capital expenditure budget totaled \$106.2 million, before an unallocated carry forward of \$50 million. \$100.8 million of this amount was budgeted for tangible capital assets (TCA), with the remainder being major repair and maintenance expenses and items below the threshold for TCA. Of the TCA budget, 56% or \$56.1 million was projected to be completed in 2018. However, only \$39.0 million (38.7%) of TCA were added in 2018, including \$24.6 million for the acquisition of the Mulock Farm property.

One of the Town's goals has been to develop a sustainable capital financing strategy. A review of the Town's asset replacement funds took place to determine what the financial requirements will be to replace the Town's assets and how the Town's annual contributions to these reserve funds compare. Additional capital levies of 0.84% (2013), 0.74% (2014), 1% (2015), and 0.8% (2016) were added in recent years. The 2017 contributions to the asset replacement funds were maintained at 2016 levels. An additional capital levy of 0.68% was added in 2018.

An initial asset management plan was developed in 2014 and a charter for an Asset Management Committee has been created. In 2016 and 2017 the focus was on developing an asset management strategy. We now have an approved asset management plan and strategy and work continues and is on track to meet provincial regulations.

The Town's tangible capital assets (net of amortization expense) increased by \$27.7 million in 2018 compared to an increase of \$11.0 million in 2017.

### ***Accumulated surplus (deficit)***

The Town's accumulated surplus for fiscal 2018 is \$585.3 million (2017 - \$572.5 million). The accumulated surplus reflects the resources that have been built up over time at the Town of Newmarket and the balance includes items such as tangible capital assets, equity in Newmarket Hydro Holdings Inc., and various reserves and reserve funds.

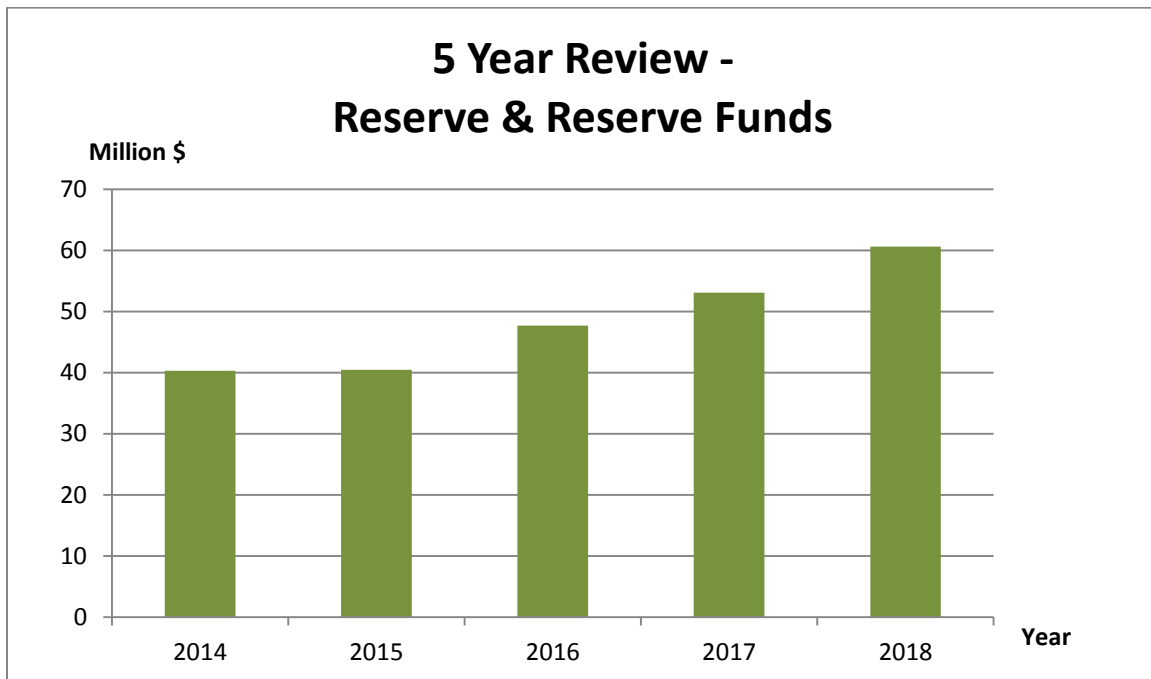
**ACCUMULATED SURPLUS**

The Accumulated Surplus is comprised of the following:

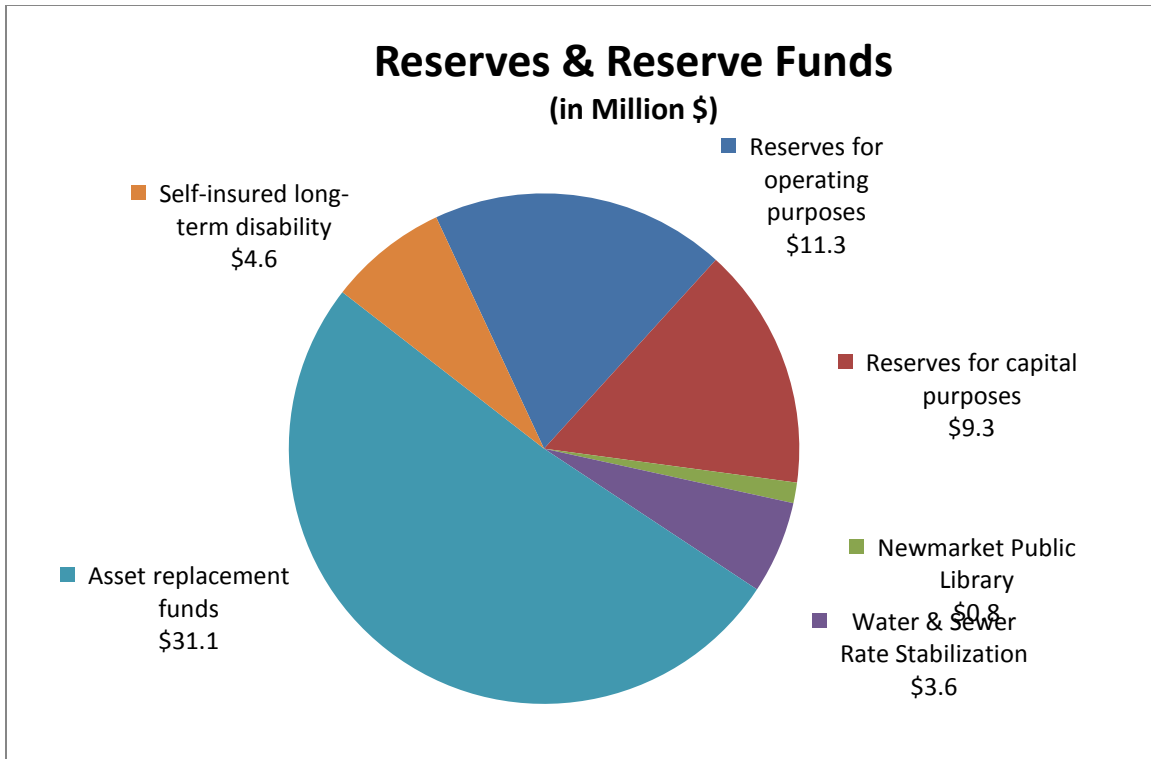
	2018	2017
<b>Reserves set aside for specific purposes by Council</b>		
Reserves for operating purposes	\$ 9,023,031	\$ 6,087,935
Reserves for capital purposes	892,560	1,142,211
Newmarket Public Library	788,832	728,743
Water & Wastewater Rate Stabilization	3,559,211	4,863,356
<b>Total Reserves</b>	<b>14,263,634</b>	<b>12,822,245</b>
<b>Reserve funds set aside for specific purposes by Council</b>		
Asset replacement funds	31,053,913	27,953,992
Reserve funds for operating purposes	4,623,167	4,155,026
Reserve funds for capital purposes	5,966,378	3,492,415
Self-insured long-term disability	4,738,991	4,635,192
<b>Total Reserve Funds</b>	<b>46,382,449</b>	<b>40,236,625</b>
<b>Total Reserves and Reserve Funds</b>	<b>60,646,083</b>	<b>53,058,870</b>
Invested in tangible capital assets	514,435,905	486,710,874
Less: amount financed by long-term debt	(56,562,744)	(33,733,250)
Equity in Newmarket Hydro Holdings Inc. (Note 10)	68,452,251	68,949,579
Employee future benefits to be recovered	(4,244,080)	(3,981,545)
Operating	528,623	-
Capital Fund Balance	2,001,965	1,488,106
<b>Accumulated Surplus</b>	<b>\$ 585,258,003</b>	<b>\$ 572,492,634</b>

## Reserves and Reserve Funds

Reserves and reserve funds are used to set aside funding for the future replacement of the Town's assets, as well as other expected and unexpected obligations. They also help to minimize potential fluctuations in the tax and utility rates, which is commonly referred to as Rate Stabilization.



The total of the Town's reserves and reserve funds at the end of 2018 was \$60.6 million, an increase of \$7.6 million from the beginning of the year. One factor is an increase of \$3.1 million to the asset replacement reserve funds, due to lower spending on capital projects. The other factor is an increase of \$2.9 million to operating reserves due to the addition of a new reserve for the Mulock Farm with a year-end balance of \$2.3 million.



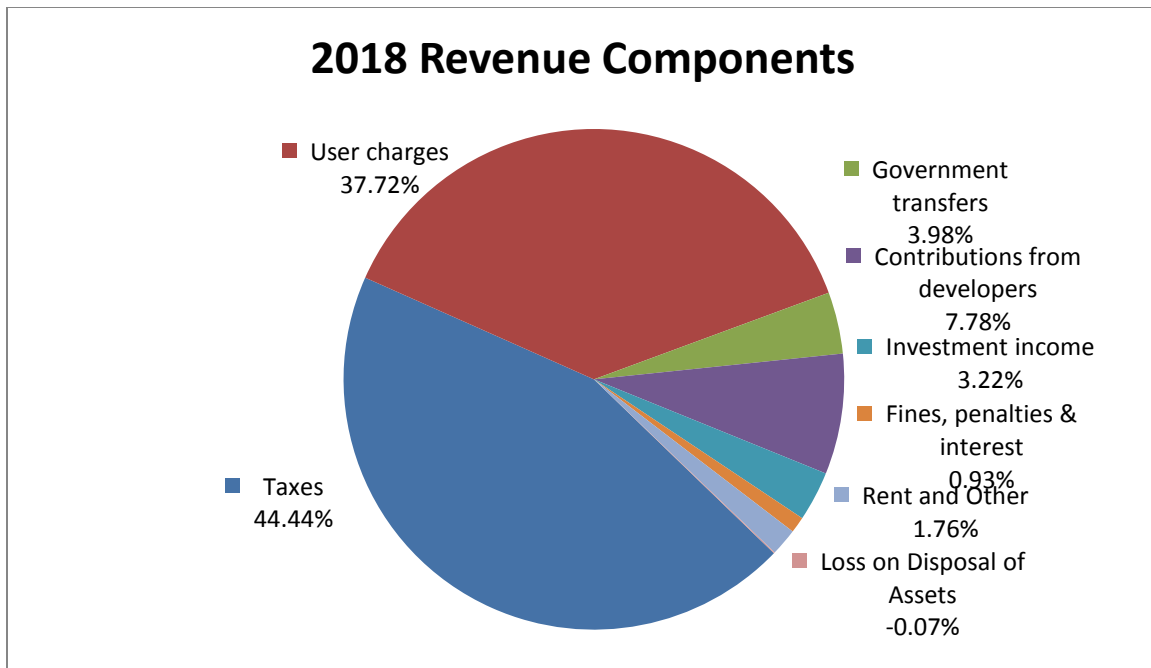
## Consolidated statement of operations and surplus

The consolidated statement of operations reports the revenue collected by the Town, the cost of providing municipal services and the resulting annual surplus or deficit.

### **Revenues**

The Town pays for the services it delivers through a variety of revenue streams including property taxes, user charges, government transfers, contributions from developers, investment income, fines, penalties and interest; rent, land sales, and the sale of goods.





Revenue highlights for 2018 include:

- While property taxes increased by \$4.2 million, total revenue decreased by \$2.8 million due to a significant decrease in developer contributions. This resulted in an increase of 3.87% to the percentage of Town revenue from property taxes in 2018. Reducing our dependence on property taxes is one of the Town's financial goals.

Supplementary taxes are difficult to predict and sustain. Actual billings in 2018 were \$902,000 which exceeded the 2017 level of \$614,000 and the budget of \$550,000. Over the previous six years we have seen a high of \$1.2 million in 2013 and a low of \$402,000 in 2012.

Write offs and provisions, which reduce tax revenues, were at the same level as 2017. The Assessment Review Board introduced a totally new process in 2017 which has delayed the start of many appeals. This similarly affected the write offs processed in 2018.

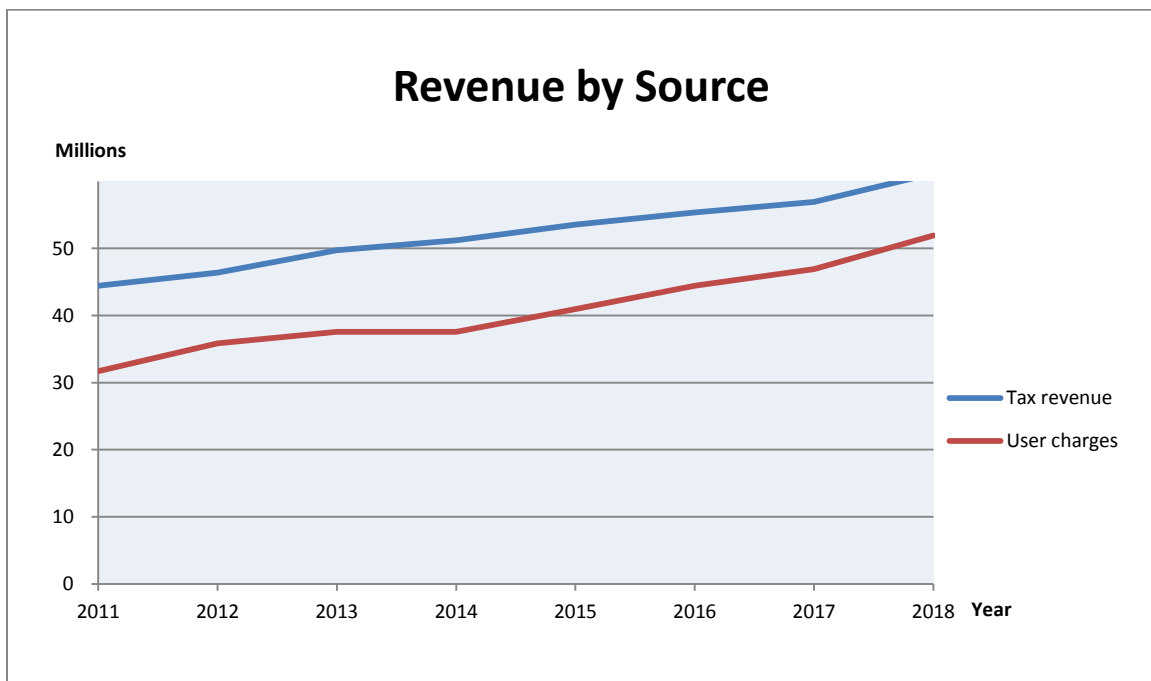
Charity rebates have remained at relatively the same amount over the last 3 years (an average of \$245,000). The number of applications has increased from 37 to 42. Vacancy rebates decreased in 2018, as the number of applications decreased from 78 to 48. This plan was eliminated for the 2017 tax year which meant 2018 was the final year to process rebates. The proactive assessment management plan, started in 2014 continues with a shifted focus to undervalued or missing assessment along with open appeals.

- User charges include water and wastewater revenues, recreation program revenues, license fees, and building permit fees. The majority of user charges are water and wastewater revenues where the average resident's bill

increased by 5.1% from 2017. Average increases for commercial and industrial properties ranged from 7.9% to 9.2%, depending on meter size. The fee increases included an increase in consumption fees of 8.0% for water and 2.5% for wastewater. The basic monthly charge increased by \$1.19 for water and \$.43 for wastewater for small meters.

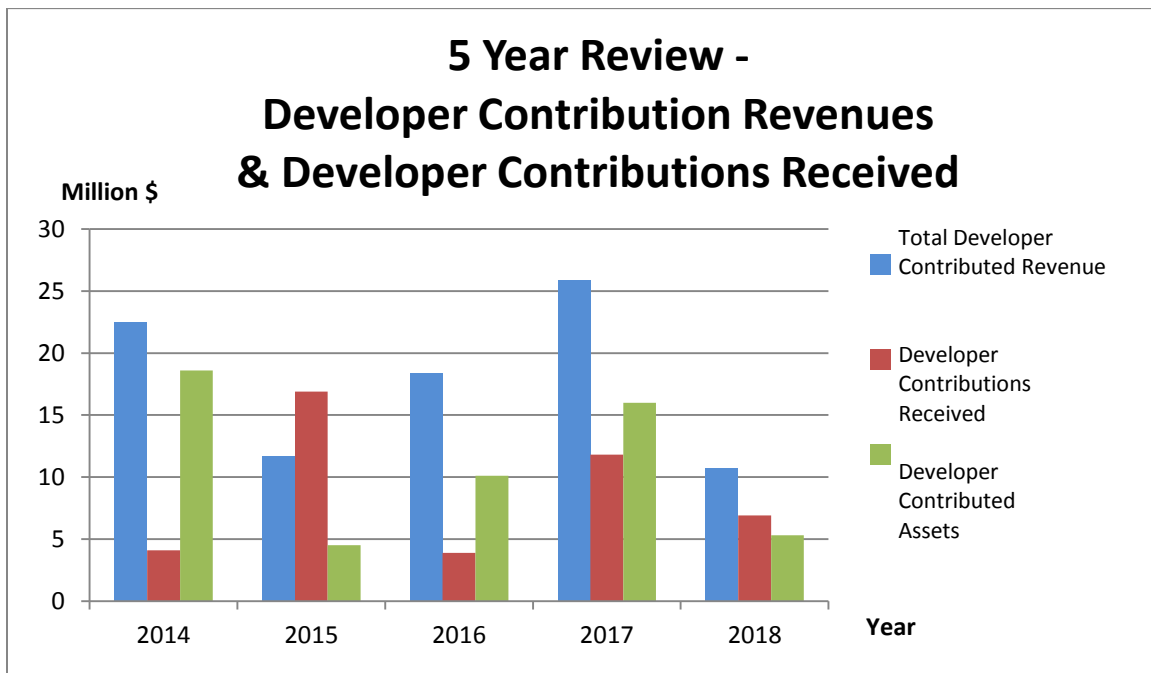
Building permit revenues were 67% lower than in 2017 and 51% less than the budgeted amount. In 2017 the accounting treatment for building permit fees was changed, which accounted for \$385,000 of the \$2.1 million year over year decrease. \$1.2 million from the Building Permit Reserve Fund was drawn upon. There has been no price increase to the fees for many years. A review of the fee structure was undertaken in 2015 by BMA Consulting which resulted in a modified fee structure in 2016.

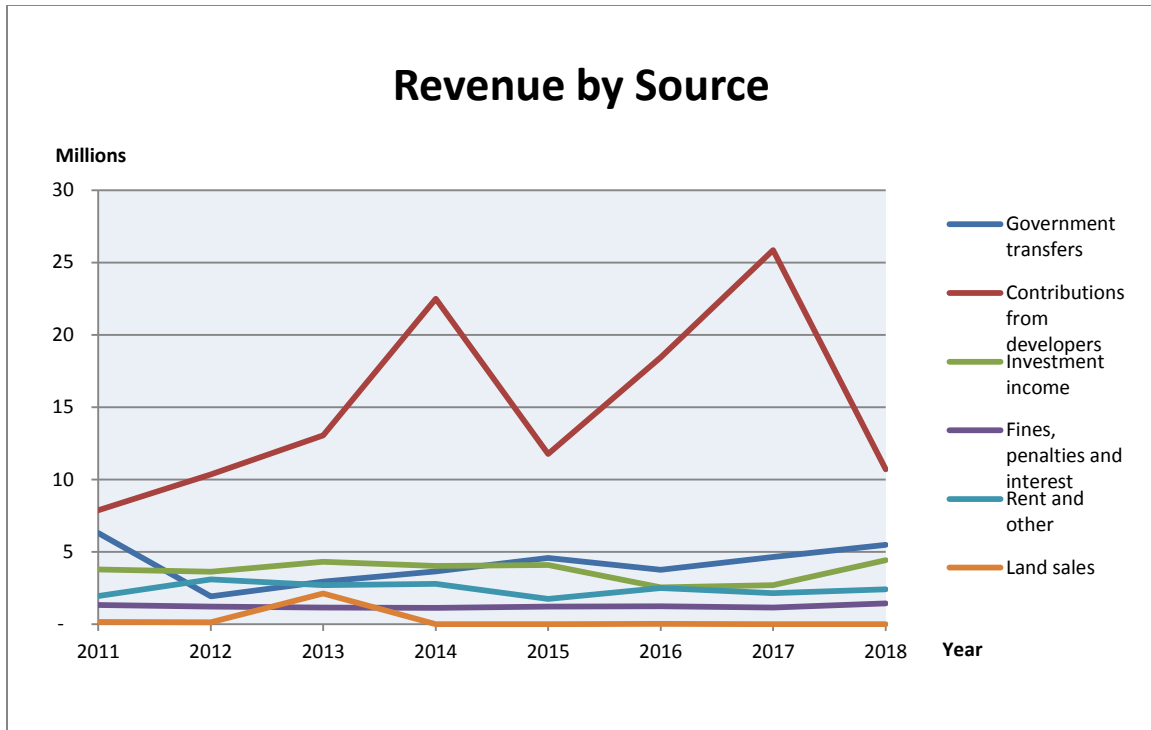
Fees and charges for recreation and culture programs and services were increased on average by 2.7% over 2017.



- Government transfers were only 52% of the budgeted level, but 18% above 2017 levels. Most grant funding is only received after costs have been incurred. Road projects financed from the Federal Gas Tax were lower than budget by \$3.6 million, as some projects were not completed in 2018. Multi-year capital budgeting, a key recommendation that came out of the Capital Financing Sustainability Strategy, should result in more accurate budgeting of expenditures and the related financing.

- Contributions from developers were \$15.1 million lower than in 2017, mostly due to the significantly lower level of contributed assets (\$5.1 million vs. \$16.0 million in 2017). Tangible capital assets contributed to the Town included many road segments and the associated infrastructure and sidewalks constructed in 2007 and 2005. The assumption of subdivisions is not budgeted for, as the amounts and timing are very difficult to predict (see the red line on Revenue by Source chart below). Capital fund developer contributions are mostly development charges (DC's) and are driven by financing requirements for capital projects.





- Interest earned in the Operating Fund was significantly over budget in 2018. There were three increases to the prime lending rate which resulted in a similar increase to our bank interest rate. Short-term rates were also close to the interest rate earned on our bank balances throughout the majority of the year which did not provide an incentive to the Town to invest.

In the Reserve Fund \$30 million in short-term GIC's came due in December. The funds were reinvested in 5 tranches of \$6 million using a laddered approach not exceeding 5 years. We also continued to invest in some secondary market GIC's. These are GIC's bought back from clients who need to get out of their non-cashable GIC's before maturity and purchased by the Town through one of our investment brokers – Royal Bank of Canada – often with better yields than regular GIC's. Interest on these GIC's is reported based on their effective yield, in accordance with Public Sector Accounting Standards.

Our investments also include a number of non-traditional investments – loan to a user group, the installation of solar panels, and the energy retrofit project. The lack of a multi-year capital budget makes cash forecasting and long-term investing problematic. This will be addressed more in 2019 with an updated budget target methodology.

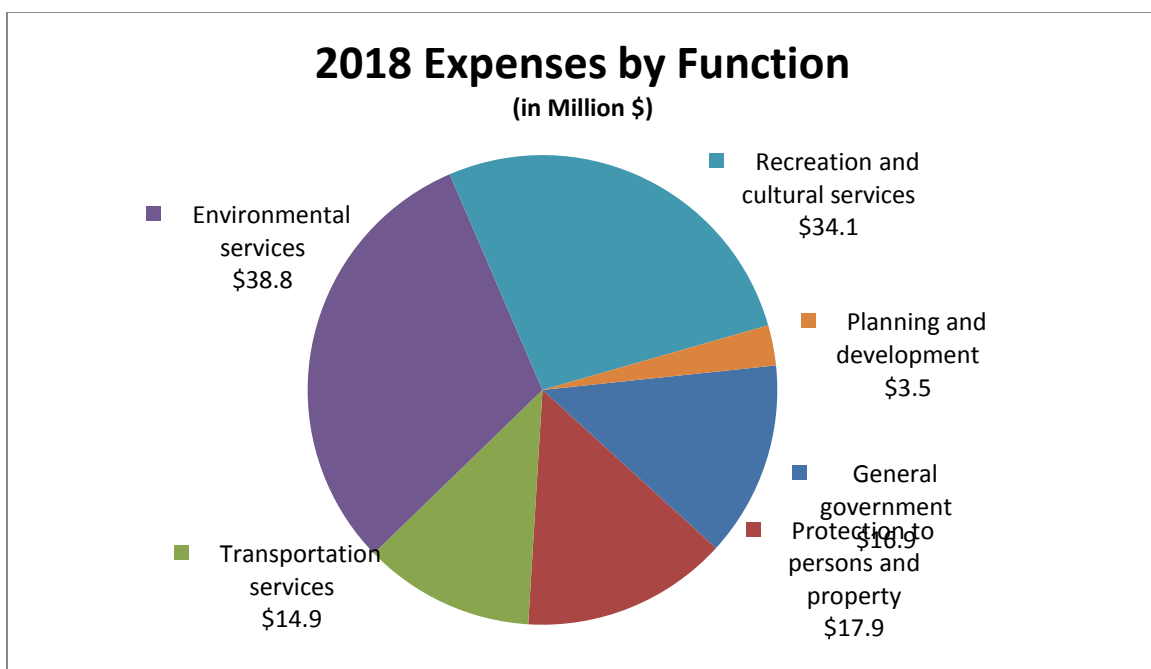
- Rent and Other continued to come in below budget. In 2018, as in 2017, a portion of the construction and design of the new fire station was budgeted by Newmarket, with Aurora's portion reflected as other income. The design phase started in 2017, was finalized in 2018, and the request for quote process took place this year (2019). Therefore, there was only a small

contribution from Aurora in 2018 for their proportionate share of the design costs. This is the biggest driver for the variance

- Gains (losses) on the disposal of tangible capital assets are not budgeted. However, when roads, trails or walkways are reconstructed any remaining unamortized cost represents a loss, as there are no proceeds.

## Expenses

The Town provides a wide variety of municipal services to its residents. The chart below provides an overview of these services by functional activities, consistent with provincially-legislated requirements.



Some of the major services included in each category are:

### **General government:**

Finance, Human Resources, Information Technology, Communications, Legal, Customer Services, Clerks Office, Council and Executive Office expenses

### **Protection to persons and property:**

Fire services, Licensing, and Bylaw Enforcement

### **Transportation services:**

Roads and Road Maintenance, Snowplowing, Operations and Capital Projects Engineering

**Environmental services:**

Water and Wastewater Services, and Solid Waste Collection

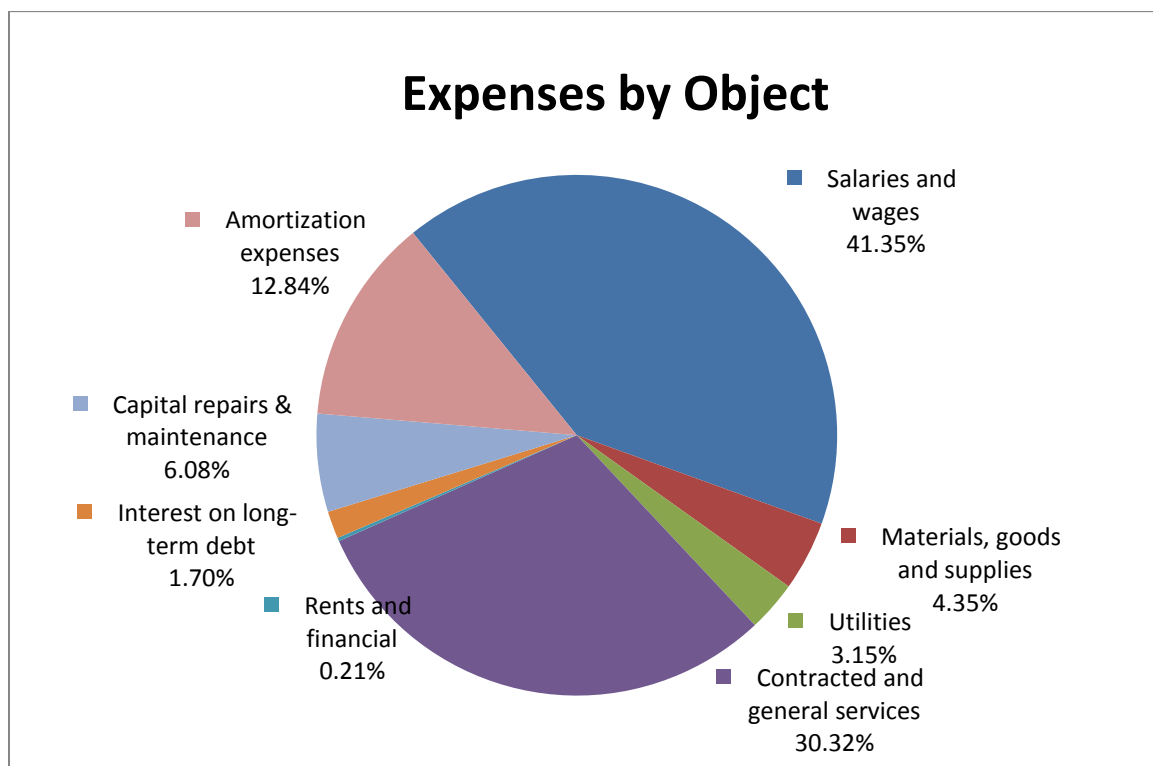
**Recreational and cultural services:**

Programs and Facility costs at all Recreation Centres, Parks Maintenance, Library, Theatre and Museum

**Planning and development:**

Planning and Building, Engineering and Development, and Economic Development

*Schedule 2 to the Consolidated Financial Statements (pages 28-30) shows a breakdown of these costs by service bundle.*



Total expenses in 2018 were \$126.1 million, an increase of \$10.6 million over 2017.

- Salaries, wages and benefits are the most significant component of the Town's costs and have increased by \$4.4 million over 2017. The economic increase in 2018 was 1.7%. The full impact of Bill 148 legislation was somewhat hard to quantify. It was a cost driver in all departments and particularly in Recreation with the highest number of casual staff. Only \$280,000 was budgeted, with the higher costs being offset by savings in other areas.

Higher casual wages were incurred to back fill for vacancies caused by delays in hiring and long term absences, legislative requirements and to earn higher recreation program revenues.

- Materials, goods and supplies increased by 18%. Minor capital, water meters and materials for main replacement, equipment rental, and repairs and maintenance are included here.
- Contracted and general services have increased by 17% from 2017 levels. Charges from the Region for water and wastewater are the biggest component of this expense category where the increase was 9% for both the treatment and distribution of water and the collection and treatment of wastewater.
- Capital repairs and maintenance includes capital expenses that do not meet the definition of TCA and annual maintenance programs. Some examples include parks spot improvements, playground equipment replacement, playground resurfacing, sidewalk spot repairs and trail rehabilitation. These expenses were 9.4% lower than 2017 levels. In 2017 there were several maintenance programs for drainage improvements.
- Amortization (or depreciation) has increased by 2.1% over 2017.

### *Annual (current year) surplus*

The annual (current year) surplus for the year was \$27 million.

<b>ANNUAL SURPLUS RECONCILIATION</b>	
<b>Surplus based on operating fund</b>	<b>\$ 2,937</b>
<b>Add:</b> Principal payment on long-term debt	3,039,413
Contributed tangible capital assets	16,026,283
Acquisition of tangible capital assets	11,328,839
Income from Newmarket Hydro Holdings Inc.	818,784
Capital Fund revenues	1,061,892
Reserves and reserve funds revenues	11,137,306
<b>Less:</b> Financing from future revenue	(207,072)
Amortization expenses	(15,939,545)
Loss on disposal of tangible capital assets	(266,020)
Prior period adjustment made in current year	-
<b>Surplus Per Consolidated Statement of Operations</b>	<b>\$ 27,002,817</b>