

## **Additions & Corrections to the Agenda**

## **Declarations of Pecuniary Interest**

## **Presentations**

1. Presentation by Mr. Paul Duggan and Mr. Travis Waite, York Region Audit Services regarding the annual report. (to be distributed at the meeting)

## **Approval of Minutes**

2. Audit Committee Minutes of June 23, 2014. p. 1
3. Audit Committee (Closed Session) Minutes of June 23, 2015.

## **Items**

4. Review of 2014 Financial Statements.

Representatives from BDO Canada LLP. and the Director, Financial Services/Treasurer and Manager, Accounting and Finance to review:

- a) Report to the Audit Committee dated June 22, 2015 from BDO Canada LLP p. 4
- b) Management Letter dated June 22, 2015 from BDO Canada LLP (to be distributed when available)
- c) Town of Newmarket Consolidated Financial Statements and representation letter dated June 22, 2015 from BDO Canada LLP p. 19
- d) Town of Newmarket Main Street District BIA Financial Statements and representation letter dated June 22, 2015 from BDO Canada LLP p. 53
- e) Town of Newmarket Trust Fund Financial Statements and representation letter dated June 22, 2015 from BDO Canada LLP p. 62
- f) Financial Statement Discussion and Analysis (FSD&A) dated June 22, 2015 from the Manager, Accounting and Finance p. 71

Recommendation:

The Director of Financial Services/Treasurer recommends:

THAT the Town of Newmarket's Draft 2014 Consolidated Financial Statements, Trust Fund Financial Statements and Main Street District BIA Financial Statements, Representation Letter dated June 22, 2015 and Summary Letter dated June 22, 2015 from BDO Canada LLP be received;

AND THAT the Audit Committee recommend to Council that the Town of Newmarket's Draft 2014 Consolidated Financial Statements, Trust Fund Financial Statements and Main Street District BIA Financial Statements endorsed by the Audit Committee be approved.

**Closed Session (if required)**

**THAT the Audit Committee resolve into closed session pursuant to Section 239 (2) (d) of *The Municipal Act, 2001* as amended for the purpose of discussing labour relations or employee negotiations.**

5. Discussion with BDO Canada LLP, Auditor regarding Labour Relations or Employee Negotiations as per Section 239 (2) (d) of the Municipal Act, 2001. (if required)

**New Business**

**Adjournment**

The meeting of the Audit Committee was held on Monday, June 23, 2014 at 8:00 a.m. in the Mulock Room, 395 Mulock Drive, Newmarket.

Members Present: Councillor Hempen  
C. Prattas  
M. Foerster

Absent: Mayor Van Bynen  
Councillor Di Muccio  
M. Holland

Staff: A. Moore, Commissioner of Corporate Services  
M. Mayes, Director, Financial Services/Treasurer  
D. Schellenberg, Manager of Finance & Accounting  
T. Kyle, CEO, Newmarket Public Library  
L. Lyons, Deputy Clerk  
K. Horton, Intern

Guest: M. Jones, BDO Canada LLP  
T. White, BDO Canada LLP

The meeting was called to order at 8:08 a.m.

M. Forester in the Chair.

#### **ADDITIONS TO THE AGENDA**

None.

#### **DECLARATIONS OF INTEREST**

None.

#### **1. AUDIT COMMITTEE MINUTES – JUNE 23, 2014 – ITEM 1** **AUDIT COMMITTEE MINUTES**

- i) Audit Committee Minutes of June 11, 2013.
- ii) Audit Committee (Closed Session) Minutes of June 11, 2013.

**Moved by C. Prattas**  
**Seconded by Councillor Hempen**

**THAT the Audit Committee Minutes of June 11, 2013 be approved.**

**CARRIED**

**Moved by C. Prattas**  
**Seconded by Councillor Hempen**

**THAT the Audit Committee (Closed Session) Minutes of June 11, 2013 be approved.**

**CARRIED**

**2. AUDIT COMMITTEE MINUTES – JUNE 23, 2014 – ITEM 2**  
**REVIEW OF 2013 FINANCIAL STATEMENTS**

Mr. Jones, BDO Canada, LLP provided an overview of the summary letter dated June 23, 2014 and provided a synopsis.

He advised that the Town of Newmarket audit progressed smoothly and that new sections had been included in the audit process being taxation and revenue and government transfers.

The Manager of Finance & Accounting provided an overview of the Town's Consolidated Financial Statements, the Main Street District BIA Financial Statements as well as the Town's Trust Fund Financial Statements.

Discussion ensued regarding loans receivable, interest rate of loans, type of investment and property liens. Further discussion ensued regarding insurance expenses and Central York Fire Services expenses.

**Moved by Councillor Hempen**  
**Seconded by C. Prattas**

**THAT the Audit Committee resolve into closed session pursuant to Section 239 of *The Municipal Act, 2001* as amended, for the purpose of discussing labour relations or employee negotiations.**

**CARRIED**

The Audit Committee resolved into a Closed Session at 9:09 a.m.

The Audit Committee (Closed Session) Minutes are recorded under separate cover.

The Audit Committee resumed into public session at 9:16 a.m.



**Moved by C. Prattas**  
**Seconded by Councillor Hempen**

**THAT the Town of Newmarket's Draft 2013 Consolidated Financial Statements, Management Letter, Trust Fund Financial Statements and Main Street District BIA Financial Statements, Representation Letter dated June 23, 2014 and Summary Letter dated June 23, 2014 from Mr. M. Jones, BDO Canada LLP be received;**

**AND THAT the Audit Committee recommends to Council that the Town of Newmarket's Draft 2013 Consolidated Financial Statements, Trust Fund Financial Statements and Main Street District BIA Financial Statements, as amended and endorsed by the Audit Committee be approved.**

**CARRIED**

**3. AUDIT COMMITTEE MINUTES – JUNE 23, 2014 – ITEM 3**  
**NEW BUSINESS**

Discussion ensued regarding municipal contaminated properties, the reporting requirements of such and if a property list exists. The Manager of Finance and Accounting advised that a list limited to Town owned land and/or land by agreement is currently being compiled, that a reporting requirement is necessary however will not be in effect until 2015.

The next scheduled meeting of the Audit Committee is Tuesday, September 9, 2014 at 8:00 a.m. in the Cane Room.

**Moved by C. Prattas**  
**Seconded by Councillor Hempen**

**THAT the meeting adjourn.**

**CARRIED**

There being no further business the meeting adjourned at 9:28 a.m.

\_\_\_\_\_  
 Date

\_\_\_\_\_  
 Mark Holland, Chair



# The Corporation of the Town of Newmarket

Final Report to the Audit Committee

June 22, 2015



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BDO Canada LLP  
The Gates of York Plaza  
17310 Yonge Street, Unit 11  
Newmarket ON L3Y 7R9 Canada

June 22, 2015

Members of the Audit Committee  
The Corporation of the Town of Newmarket

Dear Audit Committee Members:

We are pleased to present the results of our audit of the consolidated financial statements of The Corporation of the Town of Newmarket (the "Town") for the year ended December 31, 2014. The purpose of our report is to summarize certain aspects of the audits that we believe to be of interest to the Audit Committee and should be read in conjunction with the draft consolidated financial statements and our draft audit report which is included as Appendix A.

Our audit and therefore this report will not necessarily identify all matters that may be of interest to the Audit Committee in fulfilling its responsibilities.

This report has been prepared solely for the use of the Audit Committee and should not be distributed without our prior consent. Consequently, we accept no responsibility to a third party that uses this communication.

We wish to express our appreciation for the co-operation we received during the audit from the Town's management and staff who have assisted us in carrying out our work. We look forward to meeting with you to discuss the contents of this report and any other matters that you consider appropriate.

Yours truly,

BDO Canada LLP  
Chartered Professional Accountants, Licensed Public Accountants

A handwritten signature in black ink that reads "Michael Jones". The signature is written in a cursive, flowing style.

Partner



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## STATUS OF THE AUDIT

As of the date of this final report, we have substantially completed our audit of the 2014 consolidated financial statements pending the completion of the items highlighted below. These items will need to be completed prior to issuance of our audit report on the consolidated financial statements.

### COMPLETION OF AUDIT

- Receipt of signed Management representation letter
- Receipt of outstanding legal confirmations
- Subsequent events review through to financial statement approval date

### FINANCIAL STATEMENTS

- Approval of consolidated financial statements by the Council

We conducted our audit in accordance with Canadian generally accepted auditing standards. The objective of our audit was to obtain reasonable, not absolute, assurance about whether the consolidated financial statements are free from material misstatement. The scope of the work performed was substantially the same as that described in our Planning Report to the Audit Committee dated November 25, 2014.



## INDEPENDENCE

At the core of the provision of external audit services is the concept of independence. Canadian generally accepted auditing standards require us to communicate to the Audit Committee at least annually, all relationships between BDO Canada LLP and its related entities and The Corporation of the Town of Newmarket and its related entities that, in our professional judgment, may reasonably be thought to bear on our independence with respect to the audit of the Town.

Our annual letter confirming our independence was previously provided to you. We know of no circumstances that would cause us to amend the previously provided letter.

## MATERIALITY

Misstatements, including omitted financial statement disclosures, are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As communicated to you in our Planning Report to the Audit Committee, preliminary materiality was set as outlined below. Final materiality remained unchanged from our preliminary assessment.

	Materiality	
The Corporation of the Town of Newmarket	\$	1,125,000
Newmarket Hydro holdings Inc.	\$	937,500



## AUDIT FINDINGS

As part of our ongoing communications with you, we are required to have a discussion on our views about significant qualitative aspects of the Town's accounting practices, including accounting policies, accounting estimates and financial statement disclosures. In order to have a frank and open discussion, these matters will be discussed verbally with you. A summary of the key discussion points are as follows:

### ACCOUNTING AND AUDIT MATTERS

#### Revenue Recognition

A common significant risk in all audit engagements is the risk of Management's override of controls and fraud risk that may occur in the revenue cycle. Management has monitoring controls over journal entries and reviews its revenue recognition.

In accordance with auditing standards, BDO has performed specific procedures that include testing journal entries, reviewing accounting estimates for biases, and obtaining and evaluating the business rationale for transactions that are outside the normal course of business for the Town, if any.

No issues were noted.

#### Employee Future Benefits

As described in our Planning Letter, post employee benefits were an area of concern. BDO received the actuarial report, and reviewed the reasonableness of assumptions used by the actuary and management to calculate the post employee benefits. Per our review of the actuarial report, the assumptions used by the actuary and management and the accrual were determined to be reasonable.

#### Significant Accrual - Firefighter

During our work on accrued liabilities BDO reviewed the Town's firefighter accrual. BDO reviewed the Town's policies and estimates relating to this accrual and found that Management's estimate and accrual are reasonable.



#### Contributions from Developers

BDO reviewed the assumptions and replacement costs for the contributions from developers and determined that they were reasonable.

### ADJUSTED AND UNADJUSTED DIFFERENCES

We have disclosed all significant adjusted and unadjusted differences and disclosure omissions identified through the course of our audit engagement. Each of these items has been discussed with Management.

Management has determined that the unadjusted differences are immaterial both individually and in aggregate to the consolidated financial statements taken as a whole. Should the Audit Committee agree with this assessment, we do not propose further adjustments.

For purposes of our discussion, a summary of unadjusted differences has been presented in Appendix B.

### MANAGEMENT REPRESENTATIONS

During the course of our audit, management made certain representations to us. These representations were verbal or written and therefore explicit, or they were implied through the consolidated financial statements. Management provided representations in response to specific queries from us, as well as unsolicited representations. Such representations were part of the evidence gathered by us to be able to draw reasonable conclusions on which to base our audit opinion. These representations were documented by including in the audit working papers memoranda of discussions with management and written representations received from management.

We will provide you a copy of the management representation letter which summarizes the representations we have requested from management.





## FRAUD DISCUSSION

Canadian generally accepted auditing standards require us to discuss fraud risk with the Audit Committee on an annual basis. As an update to the discussion held with the Audit Committee during the planning of our audit, we have prepared the following comments:

Required Discussion	BDO Response	Question to Audit Committee
Details of existing oversight processes with regards to fraud.	<p>Based on our discussions during the planning of our audit, the Audit Committee's oversight processes include:</p> <ul style="list-style-type: none"> <li>• Audit Committee charters;</li> <li>• Discussions at Audit Committee meetings;</li> <li>• Review of related party transactions; and</li> <li>• Consideration of tone at the top.</li> </ul>	Are there any new processes or changes in existing processes relating to fraud since the date of our previous discussions, that we should be aware of?
Knowledge of actual, suspected or alleged fraud.	Currently, we are not aware of any actual, suspected or alleged fraud.	Are you aware of any instances of actual, suspected or alleged fraud affecting the Town?

## AUDITORS' RESPONSIBILITIES FOR DETECTING FRAUD

We are responsible for planning and performing the audit to obtain reasonable assurance that the consolidated financial statements are free of material misstatements, whether caused by error or fraud.

The likelihood of not detecting a material misstatement resulting from fraud is higher than the likelihood of not detecting a material misstatement resulting from error, because fraud may involve collusion as well as sophisticated and carefully organized schemes designed to conceal it.

The scope of the work performed was substantially the same as that described in our Planning Report to the Audit Committee dated November 25, 2014



## INTERNAL CONTROL MATTERS

During the course of our audit, we performed the following procedures with respect to the Town's internal control environment:

- Documented operating systems to assess the design and implementation of control activities that were relevant to the audit.
- Discussed and considered potential audit risks with management.

The results of these procedures were considered in determining, the extent and nature of substantive audit testing required.

We are required to report to you in writing, significant deficiencies in internal control that we have identified during the audit. A significant deficiency is defined as a deficiency or combination of deficiencies in internal control that, in the auditor's professional judgment, is of sufficient importance to merit the attention of those charged with governance.

As the purpose of the audit is for us to express an opinion on the Town's consolidated financial statements, our audit cannot be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be exclusive. As part of our work, we considered internal control relevant to the preparation of the consolidated financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

There are no significant internal control matters.

## OTHER REQUIRED COMMUNICATIONS

Professional standards require independent auditors to communicate with those charged with governance certain matters in relation to an audit. In addition to the points communicated within this letter, the table below summarizes these additional required communications.

Communication Required	Auditors' Response
Potential effect on the financial statements of any material risks and exposures, such as pending litigation, that are required to be disclosed in the consolidated financial statements.	No such items noted.
The final draft of the representation letter.	Provided to management
Material uncertainties related to events and conditions that may cast significant doubt on the Town's ability to continue as a going concern.	No such items noted.
Disagreements with management about matters that, individually or in aggregate, could be significant to the Town's consolidated financial statements or our audit report.	No such instances were noted.
Matters involving non compliance with laws and regulations	No such matters were noted.
Significant related party transactions that are not in the normal course of operations and which involve significant judgments made by management concerning measurement or disclosure.	No such transactions were noted.
Subsequent events that have caused changes to the audit report	We are not aware of any such events.
Significant matters arising from the audit that were discussed or subject to correspondence with management.	No such matters other than those discussed above.
Significant accounting policies, estimates and judgments	As disclosed in the financial statements.
Unreasonable management's refusal to allow the auditor to send a confirmation request, or the inability to obtain relevant and reliable audit evidence from alternative audit procedures.	No such instances were noted.
Limitation of the scope of the audit imposed by management.	No such instances were noted.



Findings from the group audit.

Management consultation with other accountants about significant auditing and accounting matters.

No items noted.

No such instances of which we are aware.

## BDO RESOURCES

BDO is one of Canada's largest accounting services firms providing assurance and accounting, taxation, financial advisory, risk advisory, financial recovery and consulting services to a variety of publicly traded and privately held companies.

BDO serves its clients through 105 offices across Canada. As a member firm of BDO International Limited, BDO serves its multinational clients through a global network of over 1,100 offices in more than 100 countries. Commitment to knowledge and best practice sharing ensures that expertise is easily shared across our global network and common methodologies and information technology ensures efficient and effective service delivery to our clients.

Outlined below is a summary of certain BDO resources which may be of interest to the Audit Committee.

### PUBLICATIONS

<http://www.bdo.ca/en/Library/Services/assurance-and-accounting/pages/PSAB-at-a-Glance.aspx>

### TAX BULLETINS, ALERTS AND NEWSLETTERS

BDO's national tax department issues a number of bulletins, alerts and newsletters relating to corporate federal, personal, commodity, transfer pricing and international tax matters.

For additional information on tax matters and links to archived tax publications, please refer to the following link: [Tax Library | BDO Canada](#).





## DRAFT - For Discussion Purposes Only

# APPENDIX A Draft Auditor's Report

## Independent Auditor's Report

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### To the Mayor and Councilors of The Corporation of the Town of Newmarket

We have audited the accompanying consolidated financial statements of The Corporation of the Town of Newmarket which comprise the statement of financial position as at December 31, 2014, and the statement of operations and accumulated surplus, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Corporation of the Town of Newmarket as at December 31, 2014 and the results of its operations, changes in net assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



## DRAFT - For Discussion Purposes Only

Chartered Professional Accountants, Licensed Public Accountants

June 22, 2015  
Newmarket, Ontario

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**DRAFT - For Discussion Purposes Only**

## **APPENDIX B**

### **Unadjusted Differences**

## SUMMARY OF UNADJUSTED DIFFERENCES

The following is a summary of uncorrected misstatements noted during the course of our audit engagement:

	Decrease (Increase)			
	Assets	Liabilities	Equity	Net Income
Developer deposit interest	\$	\$ 264,896	\$	\$ (264,896)
Excess allowance for doubtful accounts	88,632			(88,632)
Difference in firefighters accrual	(29,416)	73,929		(44,513)
Extra accrual for interest and penalties			(68,438)	68,438
Tax Write-off difference	(79,088)			79,088
Total	(19,872)	338,825	(68,438)	(250,515)
Effect of Prior Year's Reversing Errors	0	0	0	0
	\$ (19,872)	\$ 338,825	\$ (68,438)	\$ (250,515)



**The Corporation of the  
Town of Newmarket  
Consolidated Financial Statements  
Year ended December 31, 2014**

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## Independent Auditor's Report

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**To the Mayor and Councilors of The Corporation of the Town of Newmarket**

We have audited the accompanying consolidated financial statements of The Corporation of the Town of Newmarket which comprise the statement of financial position as at December 31, 2014, and the statement of operations and accumulated surplus, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Consolidated Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

### **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Corporation of the Town of Newmarket as at December 31, 2014 and the results of its operations, changes in net assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

**Chartered Professional Accountants, Licensed Public Accountants**

June 22, 2015  
Newmarket, Ontario

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**THE CORPORATION OF THE TOWN OF NEWMARKET**  
**Consolidated Statement of Financial Position**

**December 31, 2014**

	<u>2014</u>	<u>2013</u>
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents (Note 6)	\$ 71,146,192	\$ 78,496,589
Temporary investments (Note 7)	5,000,000	5,000,000
Taxes receivable (Note 8)	5,010,235	5,807,313
Unbilled user charges	4,269,884	4,030,017
Accounts receivable (Note 8)	6,668,697	4,425,109
Inventory for resale (Note 9)	99,515	103,681
Surplus land (Note 10)	155,285	33,598
Loans receivable (Note 8)	2,420,517	2,962,285
Investment in Newmarket Hydro Holdings Inc. (Note 11)	64,513,188	62,967,404
	<u>159,283,513</u>	<u>163,825,996</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 12)	22,363,796	23,884,445
Interest payable on debt	975,887	1,087,990
Employee future benefits payable (Note 13)	4,683,264	4,407,979
Deferred revenue (Note 14)	27,349,578	28,241,107
Long-term debt (Note 15)	42,618,901	45,537,657
	<u>97,991,426</u>	<u>103,159,178</u>
<b>NET FINANCIAL ASSETS</b>	<u>61,292,087</u>	<u>60,666,818</u>
<b>NON FINANCIAL ASSETS</b>		
Inventory (Note 9)	301,892	242,081
Prepaid expenses	867,888	808,840
Tangible capital assets (Note 25)	458,240,103	438,113,140
	<u>459,409,883</u>	<u>439,164,061</u>
<b>ACCUMULATED SURPLUS (Note 21)</b>	<u>\$ 520,701,970</u>	<u>\$ 499,830,879</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, 2014

	2014		2013
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
<b>REVENUES</b>			
<b>Taxation and user charges</b>			
Residential and farm taxation	\$ 41,863,879	\$ 42,241,614	\$ 40,478,367
Commercial, industrial and business taxation	8,923,905	8,302,701	8,615,543
Taxation from other governments	681,000	650,276	654,125
User charges	39,670,728	37,589,903	37,653,477
	91,139,512	88,784,494	87,401,512
<b>Government Transfers</b>			
Government of Canada	1,441,715	529,167	218,457
Federal Gas Tax Allocation	4,252,407	2,216,552	2,027,314
Province of Ontario	3,226,425	913,822	690,166
	8,920,547	3,659,541	2,935,937
<b>Other</b>			
Contribution from developers	5,456,396	22,503,219	13,046,148
Investment income	3,694,589	4,028,115	4,315,850
Fine, penalties and interest	1,311,630	1,143,034	1,153,277
Rent and other	2,469,465	3,345,466	3,206,857
Land sales	-	-	2,123,071
Loss on disposal of tangible capital assets	-	(562,647)	(597,688)
	12,932,080	30,457,187	23,247,515
<b>TOTAL REVENUES</b>	<b>\$ 112,992,139</b>	<b>\$ 122,901,222</b>	<b>\$ 113,584,964</b>

## THE CORPORATION OF THE TOWN OF NEWMARKET

## Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2014

	<u>2014</u>		<u>2013</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
<b>EXPENSES</b>			
General government	\$ 14,410,101	\$ 15,705,895	\$ 13,495,807
Protection to persons and property	15,722,129	15,496,242	15,053,840
Transportation services	12,002,981	11,591,629	10,343,426
Environmental services	31,269,108	29,890,566	29,726,083
Recreation and cultural services	28,957,336	28,199,770	27,208,730
Planning and development	2,558,410	2,691,813	2,353,760
	<u>104,920,065</u>	<u>103,575,915</u>	<u>98,181,646</u>
<b>Net equity in earnings of Newmarket Hydro Holdings Inc.</b>	<u>1,000,000</u>	<u>1,545,784</u>	<u>1,343,532</u>
<b>ANNUAL SURPLUS</b>	<u>9,072,074</u>	<u>20,871,091</u>	<u>16,746,850</u>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<u>499,830,879</u>	<u>499,830,879</u>	<u>483,084,029</u>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<u>\$ 508,902,953</u>	<u>\$ 520,701,970</u>	<u>\$ 499,830,879</u>

THE CORPORATION OF THE TOWN OF NEWMARKET  
Consolidated Statement of Changes in Net Financial Assets  
Year ended December 31, 2014

	2014		2013
	Budget	Actual	Actual
<b>Annual surplus</b>	\$ 9,072,074	\$ 20,871,091	\$ 16,746,850
Acquisition of tangible capital assets	(15,787,954)	(18,128,932)	(12,140,391)
Contributed tangible capital assets	-	(18,599,230)	(10,500,800)
Amortization of tangible capital assets	15,760,615	15,890,594	15,294,143
Proceeds from sale of tangible capital assets	-	147,958	72,348
Loss on sale of tangible capital assets	-	562,647	597,688
	(27,339)	(20,126,963)	(6,677,012)
Changes due to inventory	(4,842)	(59,811)	47,083
Changes due to prepaid expenses	(16,177)	(59,048)	(313,379)
	(21,019)	(118,859)	(266,296)
<b>CHANGE IN NET FINANCIAL ASSETS</b>	9,023,716	625,269	9,803,542
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	60,666,818	60,666,818	50,863,276
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	\$ 69,690,534	\$ 61,292,087	\$ 60,666,818

## THE CORPORATION OF THE TOWN OF NEWMARKET

## Consolidated Statement of Cash Flows

Year ended December 31, 2014

	2014		2013
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
<b>CASH PROVIDED BY (USED IN):</b>			
<b>OPERATING ACTIVITIES</b>			
Cash received from			
Taxation	\$ 52,533,379	\$ 49,692,665	\$ 51,073,029
User charges	39,348,327	36,723,176	37,540,115
Government transfers	3,806,589	3,696,853	1,174,400
Contributions from developers	5,554,024	4,166,210	10,806,332
Investment income	3,744,589	4,115,940	1,555,610
Fine, penalties and interest	1,311,630	1,146,296	1,275,094
Rent and other	2,469,465	3,334,540	3,649,904
Aurora's share of Central York Fire Services	8,808,584	8,808,584	8,227,017
	117,576,587	111,684,264	115,301,501
Cash paid for			
Salaries, wages and employee benefits	47,821,866	52,652,477	47,115,138
Materials, goods, and supplies	8,354,733	5,813,902	8,047,140
Utilities	4,412,083	4,226,492	4,325,572
Contracted and general services	24,052,971	26,931,314	23,697,954
Capital repairs and maintenance	5,092,766	6,988,012	4,861,597
Interest on long-term debt	2,359,308	2,359,308	2,475,070
Rents and financial	809,063	(778,092)	246,305
	92,902,790	98,193,413	90,768,776
<b>Net change in cash from operating activities</b>	<b>24,673,797</b>	<b>13,490,851</b>	<b>24,532,725</b>
<b>CAPITAL ACTIVITIES</b>			
Land sales	-	-	3,262,844
Proceeds on disposal of tangible capital assets	-	26,271	72,348
Acquisition of tangible capital assets	(15,787,954)	(18,128,932)	(12,140,391)
<b>Net change in cash from capital activities</b>	<b>(15,787,954)</b>	<b>(18,102,661)</b>	<b>(8,805,199)</b>

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**THE CORPORATION OF THE TOWN OF NEWMARKET**
**Consolidated Statement of Cash Flows****Year ended December 31, 2014**


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	<u>2014</u>		<u>2013</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
<b>FINANCING ACTIVITIES</b>			
Temporary investments	(20,000,000)	-	(5,000,000)
Principal repayment on long-term debt	(2,738,587)	(2,738,587)	(2,622,221)
<b>Net change in cash from financing activities</b>	<b>(22,738,587)</b>	<b>(2,738,587)</b>	<b>(7,622,221)</b>
<b>NET CHANGE IN CASH</b>	<b>(13,852,744)</b>	<b>(7,350,397)</b>	<b>8,105,305</b>
<b>CASH, BEGINNING OF YEAR</b>	<b>78,496,589</b>	<b>78,496,589</b>	<b>70,391,284</b>
<b>CASH, END OF YEAR</b>	<b>\$ 64,643,845</b>	<b>\$ 71,146,192</b>	<b>\$ 78,496,589</b>
<b>Supplementary information:</b>			
Interest paid		\$ 2,359,308	\$ 2,475,070
Interest received		\$ 1,220,633	\$ 1,306,435

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# THE CORPORATION OF THE TOWN OF NEWMARKET

## Notes to the Consolidated Financial Statements

December 31, 2014

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 of the Corporation of the Town of Newmarket (the "Town") are the representation of management prepared in accordance with generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board ("PSAB").

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 generally accepted accounting principles as recommended by PSAB for government business enterprises. Under the modified equity basis of accounting, the business enterprise's accounting principles are not adjusted to conform 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 statement of financial operations 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 municipality are not consolidated, but are reported separately in the "Trust Fund Statement of Continuity" and "The Trust Fund Statement of Financial Position".

(b) *Basis of accounting*

(i) *Accrual accounting*

Sources of financing 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.

# THE CORPORATION OF THE TOWN OF NEWMARKET

## Notes to the Consolidated Financial Statements

December 31, 2014

### 1. SIGNIFICANT ACCOUNTING POLICIES (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	3 - 20
Library collection	7
Linear assets	
- Road base	40
- Road paved surface	25
- Sewer	50
- Watermain	50
- Sidewalks	25
- Trails and walkways	25
- Bridges and structures	25 - 75

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 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 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.

# THE CORPORATION OF THE TOWN OF NEWMARKET

## Notes to the Consolidated Financial Statements

December 31, 2014

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### 1. SIGNIFICANT ACCOUNTING POLICIES (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) *Accounting for property capping provisions resulting from the Ontario Fair Assessment System*

The net decrease/increase in property taxes as a result of the application of capping provisions does not affect the Consolidated Statement of Operations as the full amount of the property taxes were levied. However, the capping adjustment is reported on the Consolidated Statement of Financial Position as an asset/liability to be received from/paid to the Region. More detailed information is disclosed in Note 4.

(v) *Deferred revenue*

Deferred revenues represent user charges and fees which have been collected but for which the related services have yet to be performed. These amounts will be recognized as revenues in the fiscal year the services are performed. The 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 14 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) *Pension Plan*

The Municipality 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 Municipality has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles. The Municipality records as pension expense the current service cost, amortization of past service costs and interest costs related to the future employer contributions to the Plan for past employee service.

(viii) *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 development charges (obligatory reserve funds) is added to the fund balance and forms part of the deferred revenue balance.

# THE CORPORATION OF THE TOWN OF NEWMARKET

## Notes to the Consolidated Financial Statements

December 31, 2014

### 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *(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.

#### *(ix) 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. Actual results could differ from these estimates.

#### *(x) 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. 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 expense amounts.

#### *(xi) Comparative figures*

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

### 2. BUDGET RECONCILIATION

The authority of Council is required before moneys can be spent by the Municipality. Approvals are given in the form of an annually approved budget. The budget approved by Council differs from the budget in the Consolidated Statement of Operations. 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.

	(Unaudited)	
	Revenue	Expenses
Council approved budget:		
Operating fund - December 9, 2013	\$ 106,077,009	\$ 106,077,009
Principal payment on long-term debt	-	(2,798,034)
Transfers to / from other funds	(6,575,362)	(17,961,366)
Capital budget - New - December 9, 2013	23,730,863	23,730,863
Capital budget carried over from previous years	27,683,262	27,683,262
Transfers to / from other funds	(39,222,676)	-
Reserves and reserve funds - May 25, 2014	19,035,409	45,064,379
Transfers to / from other funds	(17,736,366)	(45,064,379)
<b>TOTAL COUNCIL APPROVED BUDGET</b>	<b>112,992,139</b>	<b>136,731,734</b>
Less: Tangible Capital Assets Capitalized	-	(47,842,284)
Plus: Budgeted amortization expense	-	15,760,615
Plus: Post-employment benefit expenses	-	270,000
<b>Adjusted Budget per Consolidated Statement of Operations</b>	<b>\$ 112,992,139</b>	<b>\$ 104,920,065</b>

# THE CORPORATION OF THE TOWN OF NEWMARKET

## Notes to the Consolidated Financial Statements

December 31, 2014

### 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	\$ 43,336,405	\$ 54,402,580

### 4. THE CONTINUED PROTECTION FOR PROPERTY TAXPAYERS ACT

Effective 1998, the provincial government implemented the Ontario Fair Assessment System and redefined the services which are funded from the property tax base. As a result of this, certain taxpayers have experienced significant changes in their property taxes. Provincial legislation empowered municipalities with tools to lessen the immediate impact of these assessment related property tax changes. These programs are administered by the Region of York for all constituent area municipalities. Within the Region of York a residential phase-in program was not adopted. For multi-residential, commercial and industrial property owners, the Province of Ontario instituted a mandatory capping program through the provisions of Bill 140, the Continued Protection for Property Taxpayers Act (2001), which limited reform-related tax increases to 5% per year from 2001 to 2004.

Effective from the 2005 taxation year, municipalities can implement the greater of an increase to the annual capped taxes of up to 10%, or an annual increase for capped properties of up to 5% of CVA taxes. Multi-residential, commercial, and industrial property owners experiencing decreases are also capped at appropriate levels to fund the phasing-in of increases. The limit remains in place until capped and clawed-back properties are within \$250 of their current value assessment ("CVA"). Municipal levy increases are applied in addition to the limit.

### 5. PHASE-IN OF ELIGIBLE ASSESSMENT INCREASES

The Government of Ontario made a number of changes to the property assessment system, which took effect for the 2009 property tax year, including the phase-in of eligible assessment increases.

To provide an additional level of property tax stability and predictability, market increases in assessed value between the January 1, 2008 and January 1, 2012 valuation dates are phased in over four years (2013-2016). The phase-in program does not apply to decreases in assessed value. The full benefit of any decrease is applied immediately.

### 6. 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. Included in our designated cash is a \$20,000,000 redeemable guaranteed investment certificate, with an interest rate of 1.43%, maturing in February, 2015.

Cash is segregated as follows:

	2014	2013
Restricted - obligatory reserve funds (refer to Note 14)	\$ 26,532,144	\$ 26,274,988
Designated - reserve funds (refer to Note 21)	31,764,619	34,144,411
Unrestricted and undesignated	12,849,429	18,077,190
	<u>\$ 71,146,192</u>	<u>\$ 78,496,589</u>

### 7. TEMPORARY INVESTMENTS

Temporary investments are recorded at the lower of cost and market value. The \$5,000,000 non-redeemable guaranteed investment certificate, with an annual interest rate of 2%, matures November, 2015.

	2014	2013
Non-redeemable guaranteed investment certificate	\$ 5,000,000	\$ 5,000,000

# THE CORPORATION OF THE TOWN OF NEWMARKET

## Notes to the Consolidated Financial Statements

December 31, 2014

### 8. RECEIVABLES

(a) *Taxes receivable*

	2014	2013
Current year	\$ 3,544,815	\$ 4,189,315
Arrears previous years	1,877,051	1,919,629
	5,421,866	6,108,944
Less allowance	411,631	301,631
	\$ 5,010,235	\$ 5,807,313

(b) *Accounts receivable*

	2014	2013
Government entities	\$ 4,166,361	\$ 2,314,115
Newmarket Hydro Holdings Inc.	1,336,000	1,352,149
Trade receivables, user fees and other receivables	1,267,940	860,449
	6,770,301	4,526,713
Less allowance	101,604	101,604
	\$ 6,668,697	\$ 4,425,109

(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.

On December 19, 2013 the Town entered in to an agreement with the Newmarket Soccer Club to loan the club \$2.8 million for a term of 3 years, with the Town having an option to extend the loan for two additional periods of one 1 year, at a rate of prime plus 2%. This loan was fully paid up in January 19, 2015.

### 9. INVENTORY

Inventory for resale includes water meters sold to developers and transit passes and tickets. Inventory included in non-financial assets includes salt and sand used in winter control of area roads.

### 10. 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.

# THE CORPORATION OF THE TOWN OF NEWMARKET

## Notes to the Consolidated Financial Statements

December 31, 2014

### 11. 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 electric utility 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.

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.

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

	2014	2013
Share capital		
Newmarket Hydro Holdings Inc. - 201 Common Shares	\$ 29,609,342	\$ 29,609,342
Promissory note	22,000,000	22,000,000
Due from subsidiary	87,412	87,412
Retained earnings, end of the year		
Newmarket Hydro Holdings Inc.	12,816,434	11,270,650
<b>Total investment</b>	<b>\$ 64,513,188</b>	<b>\$ 62,967,404</b>

The following summarizes the Municipality'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.

	2014	2013
Revenues:		
Investment income	\$ 1,205,600	\$ 1,205,600
Rent, property tax and other	375,601	386,770
Expenses:		
Energy purchases	3,596,417	2,995,243
Services - street light capital & maintenance	325,574	279,956
Dividends received	1,336,000	1,836,000
Dividends accrued	1,336,000	1,336,000
Accounts payable	380,484	333,155

# THE CORPORATION OF THE TOWN OF NEWMARKET

## Notes to the Consolidated Financial Statements

December 31, 2014

### 11. INVESTMENT IN NEWMARKET HYDRO HOLDINGS INC. (continued)

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

	2014	2013
<b>Financial position</b>		
Current assets	\$ 35,232,249	\$ 33,099,043
Capital assets and future income taxes	58,812,336	58,788,116
<b>Total assets</b>	<b>94,044,585</b>	<b>91,887,159</b>
Current liabilities	14,585,416	12,596,148
Long term liabilities	32,598,192	34,084,743
<b>Total liabilities</b>	<b>47,183,608</b>	<b>46,680,891</b>
Non-controlling interest	3,099,201	2,990,276
Shareholder equity		
Share capital	29,609,342	29,609,342
Retained earnings	14,152,434	12,606,650
	<b>43,761,776</b>	<b>42,215,992</b>
	<b>\$ 94,044,585</b>	<b>\$ 91,887,159</b>
<b>Results of operations</b>		
Revenues	\$ 86,283,720	\$ 82,333,671
Operating expenses	(80,705,091)	(76,241,721)
Financing expenses	(1,352,395)	(1,344,336)
Other income	(35,051)	(103,273)
Non-controlling interest	(108,925)	(93,702)
Income tax	(1,099,474)	(1,232,473)
<b>Net earnings</b>	<b>2,982,784</b>	<b>3,318,166</b>
Retained earnings, beginning of year	12,606,650	11,263,118
Net income	2,982,784	3,318,166
Dividends paid	(1,437,000)	(1,974,634)
<b>Retained earnings, end of the year</b>	<b>\$ 14,152,434</b>	<b>\$ 12,606,650</b>
<b>In Town's books</b>		
Retained earnings, end of the year - per Hydro	\$ 14,152,434	\$ 12,606,650
Less: Dividends accrued	(1,336,000)	(1,336,000)
<b>Adjusted retained earnings, end of year</b>	<b>12,816,434</b>	<b>11,270,650</b>
Change in adjusted retained earnings	<b>\$ 1,545,784</b>	<b>\$ 1,343,532</b>



# THE CORPORATION OF THE TOWN OF NEWMARKET

## Notes to the Consolidated Financial Statements

December 31, 2014

### 12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities include an accrual of \$170,000 for land remediation costs on Town-owned land.

	2014	2013
Government entities	\$ 7,306,033	\$ 8,653,938
Payroll liabilities	3,640,003	5,317,974
Trade payables and other accrued liabilities	11,417,760	9,912,533
	<u>\$ 22,363,796</u>	<u>\$ 23,884,445</u>

### 13. EMPLOYEE FUTURE BENEFITS PAYABLE

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 future liabilities for employee future benefits has been completed and forms the basis for the estimated liability reported in these financial statements.

	2014	2013
Employee future benefits	\$ 4,474,440	\$ 4,176,897
Vacation pay	208,824	231,082
	<u>\$ 4,683,264</u>	<u>\$ 4,407,979</u>

Employee Future Benefits are health and dental benefits that are provided to early retirees, future 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 \$3,854,203 was determined by the last actuarial valuation carried out as at December 31, 2012, using a discount rate of 3.75%.

Total benefit payments to retirees during the year were \$101,635 (2013 - \$101,023). The plan is substantially unfunded and requires no contributions from employees. The retirement benefit liability at December 31 includes the following components:

	2014	2013
Accrued benefits obligation	\$ 4,787,549	\$ 4,493,573
Unamortized actuarial gain/(loss)	(313,109)	(316,676)
Employee future benefits payable	<u>\$ 4,474,440</u>	<u>\$ 4,176,897</u>
Employee future benefits, beginning of the year	\$ 4,176,897	\$ 3,854,203
Annual amortization of actuarial loss	3,567	3,600
Current period service cost	233,398	269,534
Interest cost	162,213	150,583
Benefits paid for the period	(101,635)	(101,023)
Employee future benefits, end of the year	<u>\$ 4,474,440</u>	<u>\$ 4,176,897</u>

# THE CORPORATION OF THE TOWN OF NEWMARKET

## Notes to the Consolidated Financial Statements

December 31, 2014

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### 13. EMPLOYEE FUTURE BENEFITS PAYABLE (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, 2012. The unamortized actuarial loss relates to an actuarial loss of \$666,606 at January 1, 2012 (\$541,617 as at December 31, 2014) which is being amortized over the estimated remaining service life of the active employees, less an unamortized actuarial gain of \$457,000 at January 1, 2009 (\$228,490 as at December 31, 2014) which is being amortized over twelve years. The average remaining service period of the active employees covered by the benefit plan is sixteen years.

The assumptions used in the December 31, 2012 actuarial valuation were:

(a) *Interest (discount) rate*

The present value of the future benefits as at December 31, 2014 was determined using a discount rate of 3.75% (2013-3.75%).

(b) *Health costs*

Health cost premiums were assumed to decrease at a 7.0% (2013 - 7.25%) rate for 2014 and continue to decrease thereafter to 5.0% over the next 8 years.

(c) *Dental costs*

Dental cost premiums were assumed to increase at a 4.0% (2013 - 4.0%) rate.

The Town used the actual benefit increase percentage of 1.65% in its calculations for 2014.

# THE CORPORATION OF THE TOWN OF NEWMARKET

## Notes to the Consolidated Financial Statements

December 31, 2014

### 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 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 Investing in Ontario and the Gas Tax grants are restricted to infrastructure and require annual reporting. The following funds have statutory restrictions and as such are classified as deferred contributions:

	Beginning Balance 2014	2014 Inflows	2014 Outflows	Ending Balance 2014
Parkland	\$ 1,455,475	\$ 126,755	\$ 250,000	\$ 1,332,230
Development Charges	21,477,223	2,140,215	1,949,075	21,668,363
Engineering Administration	1,147,284	693,966	699,086	1,142,164
Gas Tax Grant	2,035,750	2,408,250	2,216,552	2,227,448
Investing in Ontario Grant from Province	159,256	2,683	-	161,939
	26,274,988	5,371,869	5,114,713	26,532,144
Other	1,966,119	5,290,630	6,439,315	817,434
<b>Total</b>	<b>\$ 28,241,107</b>	<b>\$ 10,662,499</b>	<b>\$ 11,554,028</b>	<b>\$ 27,349,578</b>

### 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:

			2014	2013
Long-term debt incurred by the Town			\$ 42,618,901	\$ 45,537,657
Purpose	Rates	Dates	2014	2013
Water and sewermain project	variable	2014	\$ -	\$ 126,000
Land for recreation facilities	5.724%	2024	7,840,773	8,408,139
Youth Centre	5.724%	2024	1,816,764	1,948,228
Downtown renewal	5.724%	2024	576,265	617,964
Recreation facility	5.246%	2024	7,519,705	8,079,096
Parklands	5.246%	2024	1,598,564	1,717,481
Traffic flow improvements	5.246%	2024	921,164	989,689
Downtown revitalization	5.246%	2024	250,657	269,303
Recreation facility	4.756%	2026	10,222,063	10,841,461
Consolidated Operations Centre	5.000%	2019	10,124,631	10,706,410
FCM loan for Operations Centre	2.000%	2031	1,748,315	1,833,886
			<b>\$ 42,618,901</b>	<b>\$ 45,537,657</b>

# THE CORPORATION OF THE TOWN OF NEWMARKET

## Notes to the Consolidated Financial Statements

December 31, 2014

### 15. LONG-TERM DEBT (continued)

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

2015	\$	2,801,071
2016		2,936,627
2017		3,079,140
2018		3,228,829
2019		10,989,557
2020 and thereafter		19,583,677
	\$	<u>42,618,901</u>

(c) Interest expense on long-term debt amounted to \$ 2,247,206 (2013 - \$2,368,108).

### 16. INSURANCE COVERAGE

The Municipality 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 during the year amounted to \$36,920 (2013 - \$32,535).

Contributions have been made to the fund for claims in excess of \$10,000 and under \$50,000,000. These contributions have been reported as expenses on the "Consolidated Statement of Operations". The contributions for the year were \$885,338 (2013 - \$675,674).

### 17. CONTINGENCIES

#### *Contingencies*

The Town has been named as a defendant in certain legal actions in which damages have been sought. 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.

A claim has been initiated against the Town by a party whose lands were expropriated. The recommended statutory compensation has been paid in connection with two of the three affected lots. Approximately \$5,000 remains to be paid in connection with the third affected parcel. However, the affected landowner still has a potential claim for additional damages over and above the statutory compensation. It is too early in the litigation to determine the likelihood of success or estimate the extent of any future payments of the potential claim.

The Town has been named as a defendant in a procurement matter in which damages have been sought. The claim is for lost profits in connection with the termination of a janitorial services contract. The claim has not been substantiated and it is too early in the litigation to determine the likelihood of success or estimate the extent of any future payments of the potential claim. Accordingly, no provision has been made in these financial statements for any liability which may arise.

The Town has been put on notice by a party to a contract of a claim for damages. The claim is for delay damages in connection with construction performed at a Town facility. Litigation has not been commenced at this time. It is too early in the claim process to determine the likelihood of success or estimate the extent of any future payments of the potential claim.

# THE CORPORATION OF THE TOWN OF NEWMARKET

## Notes to the Consolidated Financial Statements

December 31, 2014

### 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:

2015	\$	184,043
2016		177,243
2017		121,773
	\$	<u>483,059</u>

### 19. CONTRACTUAL OBLIGATIONS

During the year the Town had work done on several major projects with contract values totaling approximately \$28,199,407. These contracts relate to the construction, repair and replacement of certain facilities and infrastructure. Approximately \$11,411,707 relating to these contracts had not been expended as at December 31, 2014.

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 \$25,428,572, of which expenses of approximately \$7,780,624 were outstanding as at December 31, 2014.

### 20. PENSION AGREEMENTS

OMERS provides pension services to approximately 450,000 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 at December 31, 2014. The results of this valuation disclosed total actuarial liabilities of \$76.9 billion in respect of benefits accrued for service with actuarial assets at that date of \$69.8 billion indicating an actuarial deficit of \$7.1 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 2014 ranged from 9% to 15.9% depending on the proposed retirement age and level of earnings. The 2014 operating expense for OMERS was \$4,037,385 (2013- \$3,630,746).

# THE CORPORATION OF THE TOWN OF NEWMARKET

## Notes to the Consolidated Financial Statements

December 31, 2014

### 21. ACCUMULATED SURPLUS

The Accumulated Surplus is comprised of the following:

	2014	2013
<b>Reserves set aside for specific purposes by Council</b>		
Cash flow reserves	\$ -	\$ 1,101,458
Reserves for operating purposes	4,719,091	5,819,864
Reserves for capital purposes	1,173,308	505,567
Newmarket Public Library	543,697	590,995
Building Code Act Fees	5,316,860	5,488,245
Water & Sewer Rate Stabilization	1,089,450	-
<b>Total Reserves</b>	<b>12,842,406</b>	<b>13,506,129</b>
<b>Reserve funds set aside for specific purposes by Council</b>		
Asset replacement funds	15,905,427	14,539,143
Reserve funds for operating purposes	3,941,608	4,465,363
Reserve funds for capital purposes	4,787,710	8,827,635
Self-insured long-term disability	7,129,874	6,312,270
<b>Total Reserve Funds</b>	<b>31,764,619</b>	<b>34,144,411</b>
<b>Total Reserves and Reserve Funds</b>	<b>44,607,025</b>	<b>47,650,540</b>
Invested in tangible capital assets	458,240,103	438,113,140
Less: amount financed by long-term debt	(42,618,901)	(45,537,657)
Surplus land	155,285	33,598
Operating surplus	-	61,696
Funds available for future capital expenses	156,878	900,457
Funds to be provided from future revenues	(1,085,870)	(1,245,825)
Equity in Newmarket Hydro Holdings Inc. (Note 12)	64,513,188	62,967,404
Employee future benefits to be recovered	(3,265,738)	(3,112,474)
<b>Accumulated Surplus</b>	<b>\$ 520,701,970</b>	<b>\$ 499,830,879</b>

# THE CORPORATION OF THE TOWN OF NEWMARKET

## Notes to the Consolidated Financial Statements

December 31, 2014

### 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 15). 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:

	2014	2013
Cost-sharing agreements	\$ 1,018,749	\$ 430,146
Grants with stipulations	2,216,552	2,027,314
Other grants	424,240	478,477
	<u>\$ 3,659,541</u>	<u>\$ 2,935,937</u>

### 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.

	2014	2013
Net expenses before allocation	\$ 22,049,022	\$ 20,439,794
Less: Aurora's allocation (2014 - 40.0%; 2013 - 40.3%)	(8,808,584)	(8,227,017)
Newmarket's net allocation	<u>\$ 13,240,438</u>	<u>\$ 12,212,777</u>

### 24. TRUST FUND

The Trust fund administered by the Town amounting to \$317,031 (2013 - \$312,128) is presented in a separate financial statement of trust balances and operations. 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.

### 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 of the assets controlled.

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 2014 road network had 227 kilometers (2013 - 218 km).

**THE CORPORATION OF THE TOWN OF NEWMARKET**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2014**

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**25. TANGIBLE CAPITAL ASSETS (continued)**

b) Capitalization of interest

No interest was capitalized in 2014 (2013 - nil).

c) Construction in Process

The financial statements and accompanying schedules include \$14,872,447 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. The value of contributed assets received during the year was \$18,599,230 (2013 - \$10,500,800). Contributed assets included streetlights (\$282,935) and linear assets (\$18,316,295) of subdivisions assumed by the Town in 2014. The 2013 contributed assets consisted of land, street lighting, sanitary sewer pumping station and linear assets by developers.

**26. SEGMENTED INFORMATION**

Certain allocation methodologies are employed 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 23). 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.



**THE CORPORATION OF THE TOWN OF NEWMARKET**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2014**

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**26. SEGMENTED INFORMATION (continued)**

*Bylaw & 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.

*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.

The Corporation of the Town of Newmarket  
Tangible Capital Assets - Summary By Asset Category  
December 31, 2014

Schedule 1

	Cost				Accumulated Amortization				2014	
	2014 Opening Balance	Additions and Betterments	Disposals/ Transfers	Write Downs	2014 Closing Balance	2014 Opening Balance	2014 Amortization Expense	Accumulated Amortization on Disposals	2014 Ending Balance	Net Book Value
<b>General Capital Assets</b>										
Land	\$ 74,714,503	\$ 22,633	\$ 19,161		\$ 74,717,975	\$ -			\$ -	\$ 74,717,975
Land improvements	9,342,460	515,338			9,857,798	1,371,638	280,221	-	1,651,859	8,205,939
Building	83,072,275	876,044			83,948,319	28,730,559	2,232,952		30,963,511	52,984,808
Machinery and Equipment	10,155,712	1,807,186	393,416		11,569,482	6,126,837	941,202	393,416	6,674,623	4,894,859
Vehicles	5,186,485	504,468	94,685		5,596,268	1,985,494	383,936	94,685	2,274,745	3,321,523
Other - Library Collections	1,782,214	208,028	223,336		1,766,906	942,090	221,685	223,336	940,639	826,267
	<u>\$ 184,253,649</u>	<u>\$ 3,933,697</u>	<u>\$ 730,598</u>	<u>\$ -</u>	<u>\$ 187,456,748</u>	<u>\$ 39,156,618</u>	<u>\$ 4,060,196</u>	<u>\$ 711,437</u>	<u>\$ 42,505,377</u>	<u>\$ 144,951,371</u>
<b>Infrastructure Assets</b>										
Land	\$ 16,016,205	\$ 9	\$ 121,687		\$ 15,894,527	\$ -			\$ -	\$ 15,894,527
Land improvements	23,551,760				23,551,760	18,485,855	563,894		17,049,749	6,502,031
Buildings	24,050,529				24,050,529	2,381,704	760,726		3,142,430	20,908,099
Machinery & Equipment	1,425,480				1,425,480	675,713	134,389		810,102	615,378
Vehicles	2,137,343	183,773			2,321,116	1,106,032	312,044		1,418,078	903,040
Linear Assets	414,338,522	27,691,934	1,602,542		440,427,914	177,808,145	10,059,345	1,032,787	188,834,704	253,593,210
	<u>\$ 481,519,859</u>	<u>\$ 27,875,716</u>	<u>\$ 1,724,229</u>	<u>\$ -</u>	<u>\$ 507,671,346</u>	<u>\$ 198,457,449</u>	<u>\$ 11,830,398</u>	<u>\$ 1,032,787</u>	<u>\$ 209,255,061</u>	<u>\$ 298,416,285</u>
<b>Assets under construction</b>	<u>\$ 9,953,699</u>	<u>\$ 10,208,286</u>	<u>\$ 5,289,538</u>		<u>\$ 14,872,447</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,872,447</u>
<b>Total Tangible Capital Assets</b>	<u>\$ 675,727,207</u>	<u>\$ 42,017,699</u>	<u>\$ 7,744,365</u>	<u>\$ -</u>	<u>\$ 710,000,541</u>	<u>\$ 237,614,067</u>	<u>\$ 15,890,594</u>	<u>\$ 1,744,224</u>	<u>\$ 251,760,438</u>	<u>\$ 458,240,103</u>

The Corporation of the Town of Newmarket  
Tangible Capital Assets - Summary By Asset Category  
December 31, 2013

Schedule 1

	Cost				Accumulated Amortization				2013	
	2013 Opening Balance	Additions and Betterments	Disposals/ Transfers	Write Downs	2013 Closing Balance	2013 Opening Balance	2013 Amortization Expense	Accumulated Amortization on Disposals	2013 Ending Balance	Net Book Value
<b>General Capital Assets</b>										
Land	\$ 74,714,503			\$ -	\$ 74,714,503	\$ -	\$ -	\$ -	\$ -	\$ 74,714,503
Land improvements	9,320,073	22,387		-	9,342,460	1,102,282	269,356		1,371,638	7,970,822
Building	83,072,275			-	83,072,275	26,494,661	2,235,698		28,730,359	54,341,716
Machinery and Equipment	9,407,840	1,119,755	342,843	29,040	10,155,712	5,546,848	989,981	409,992	6,126,837	4,028,875
Vehicles	4,493,920	833,254	140,689	-	5,186,485	1,768,271	357,912	140,689	1,985,494	3,200,991
Other - Library Collections	1,755,802	211,523	185,111	-	1,782,214	989,125	88,048	115,083	942,090	840,124
	<b>\$ 182,764,413</b>	<b>\$ 2,186,919</b>	<b>\$ 668,643</b>	<b>\$ 29,040</b>	<b>\$ 184,253,649</b>	<b>\$ 35,881,187</b>	<b>\$ 3,941,195</b>	<b>\$ 665,764</b>	<b>\$ 39,156,618</b>	<b>\$ 145,097,031</b>
<b>Infrastructure Assets</b>										
Land	\$ 15,505,708	\$ 510,497		\$ -	\$ 16,016,205	\$ -	\$ -	\$ -	\$ -	\$ 16,016,205
Land improvements	23,551,780			-	23,551,780	15,887,123	598,732		16,485,855	7,065,925
Buildings	22,154,160	1,896,369		-	24,050,529	1,652,580	729,124		2,381,704	21,668,825
Machinery & Equipment	1,522,954	26,236	123,710	-	1,425,480	665,033	134,390	123,710	675,713	749,767
Vehicles	2,137,343			-	2,137,343	795,144	310,888		1,106,032	1,031,311
Linear Assets	401,585,333	15,561,488	2,808,299	-	414,338,522	170,398,517	9,579,814	2,170,186	177,808,145	238,530,377
	<b>\$ 466,457,278</b>	<b>\$ 17,984,590</b>	<b>\$ 2,932,009</b>	<b>\$ -</b>	<b>\$ 481,519,858</b>	<b>\$ 189,398,397</b>	<b>\$ 11,352,948</b>	<b>\$ 2,293,896</b>	<b>\$ 198,457,449</b>	<b>\$ 283,062,410</b>
<b>Assets under construction</b>	<b>\$ 7,494,016</b>	<b>\$ 7,532,454</b>	<b>\$ 5,072,771</b>		<b>\$ 9,953,699</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,953,699</b>
<b>Total Tangible Capital Assets</b>	<b>\$ 666,716,707</b>	<b>\$ 27,713,963</b>	<b>\$ 8,673,423</b>	<b>\$ 29,040</b>	<b>\$ 676,727,207</b>	<b>\$ 226,279,684</b>	<b>\$ 16,294,143</b>	<b>\$ 2,959,860</b>	<b>\$ 237,614,067</b>	<b>\$ 438,113,140</b>

The Corporation of the Town of Newmarket  
Segment Disclosures - Service Bundle  
Year Ended December 31, 2014

Schedule 2

	Fire & Emergency Services		Water, Wastewater & Solid Waste		Bylaw & Licensing Services		Roads, Bridges & Sidewalks	
	2014	2013	2014	2013	2014	2013	2014	2013
<b>EXPENSES</b>								
Salaries and wages	\$ 18,743,473	\$ 17,774,141	\$ 2,109,033	\$ 1,659,622	\$ 960,924	\$ 880,518	\$ 1,999,590	\$ 2,363,085
Materials, goods and supplies	694,145	599,381	620,759	698,526	61,969	54,691	973,081	925,756
Utilities	140,141	147,125	28,668	25,503	-	-	1,452,129	1,475,777
Contracted and general services	861,861	743,638	19,295,194	18,375,591	266,739	222,356	730,470	563,063
Rents and financial	-	-	47,511	39,384	-	-	-	-
Interest on long-term debt	-	-	586,464	598,091	-	-	-	-
Capital repairs and maintenance	418,560	733,987	644,413	977,582	-	-	1,948,294	2,276,742
Amortization expenses	317,038	298,547	4,988,783	4,754,782	-	-	5,388,875	5,872,431
Allocations	(6,849,123)	(6,295,059)	2,816,253	3,718,692	873,964	811,358	1,458,932	629,381
<b>Total expenses</b>	<b>14,326,095</b>	<b>13,999,760</b>	<b>31,137,078</b>	<b>30,847,773</b>	<b>2,163,596</b>	<b>1,968,923</b>	<b>13,951,370</b>	<b>14,106,234</b>
<b>REVENUES</b>								
Taxation	12,888,362	12,815,498	2,778,312	2,814,910	1,439,251	1,231,450	10,385,028	9,857,655
User charges	262,801	249,949	28,931,785	26,710,271	384,242	426,995	167,411	58,093
External non-tax revenues	55,225	43,252	12,226,770	7,518,274	280,933	265,724	10,522,444	6,608,569
Gain / (loss) on sale of tangible capital assets	3,018	6,289	(218,933)	(352,427)	-	-	(350,823)	(245,156)
<b>Total revenues</b>	<b>13,209,407</b>	<b>13,114,987</b>	<b>43,717,934</b>	<b>38,691,028</b>	<b>2,104,426</b>	<b>1,924,169</b>	<b>20,724,060</b>	<b>16,279,161</b>
Net surplus of Gov't. Business Enterprise	-	-	-	-	-	-	-	-
<b>Annual Surplus (Deficit)</b>	<b>\$ (1,116,689)</b>	<b>\$ (884,772)</b>	<b>\$ 12,580,856</b>	<b>\$ 5,843,255</b>	<b>\$ (59,170)</b>	<b>\$ (44,754)</b>	<b>\$ 6,772,690</b>	<b>\$ 2,172,927</b>

**The Corporation of the Town of Newmarket**  
**Segment Disclosures - Service Bundle**  
**Year Ended December 31, 2014**

Schedule 2

	Planning & Development Services		Community Programs and Events		Facilities, Parks & Trails		Corporate Support & Governance	
	2014	2013	2014	2013	2014	2013	2014	2013
<b>EXPENSES</b>								
Salaries and wages	3,647,666	\$ 3,430,425	\$ 4,638,805	\$ 4,208,536	\$ 7,243,901	\$ 7,182,395	\$ 9,699,122	\$ 8,717,147
Materials, good and supplies	266,484	301,986	138,396	158,952	1,650,123	1,383,683	582,654	387,955
Utilities	-	-	3,759	4,622	2,125,170	2,015,301	534,240	580,620
Contracted and general services	283,066	302,396	828,488	812,259	403,453	626,942	4,216,482	2,682,250
Rents and financial	-	-	30,569	34,539	41,504	112,707	61,955	67,403
Interest on long-term debt	-	-	-	-	-	-	1,660,742	1,770,017
Capital repairs and maintenance	85,289	111,974	77,360	37,398	2,395,731	1,978,127	425,843	375,460
Amortization expenses	-	-	-	-	4,214,227	3,315,228	676,548	646,598
Allocations	2,242,853	1,969,891	2,018,051	1,378,591	2,410,334	3,201,051	(14,272,021)	(14,119,206)
<b>Total expenses</b>	<b>6,525,358</b>	<b>6,116,673</b>	<b>7,735,428</b>	<b>6,634,897</b>	<b>20,484,443</b>	<b>19,815,434</b>	<b>3,585,565</b>	<b>1,108,244</b>
<b>REVENUES</b>								
Taxation	3,597,061	3,244,425	4,364,077	3,794,424	12,534,252	12,831,262	-	-
User charges	1,911,273	4,431,558	2,869,930	2,615,451	2,675,441	2,737,369	319,451	256,711
External non-tax revenues	811,237	692,294	394,068	228,275	2,545,600	1,309,548	7,561,500	9,954,464
Gain / (loss) on sale of tangible capital assets	-	-	-	-	4,092	22,647	-	(29,041)
<b>Total revenues</b>	<b>6,319,572</b>	<b>8,368,277</b>	<b>7,628,074</b>	<b>6,638,150</b>	<b>17,759,385</b>	<b>16,900,826</b>	<b>7,880,950</b>	<b>10,182,133</b>
<b>Net surplus of Gov't. Business Enterprise</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,545,784</b>	<b>1,343,532</b>
<b>Annual Surplus (Deficit)</b>	<b>\$ (205,787)</b>	<b>\$ 2,251,604</b>	<b>\$ (107,354)</b>	<b>\$ 3,253</b>	<b>\$ (2,725,057)</b>	<b>\$ (2,914,608)</b>	<b>\$ 5,841,169</b>	<b>\$ 10,417,421</b>

The Corporation of the Town of Newmarket  
Segment Disclosures - Service Bundle  
Year Ended December 31, 2014

Schedule 2

	Public Library Services		Main Street District BIA		Consolidated	
	2014	2013	2014	2013	2014	2013
<b>EXPENSES</b>						
Salaries and wages	\$ 2,296,359	\$ 2,158,417	\$ -	\$ -	\$ 51,338,873	\$ 48,374,286
Materials, good and supplies	251,007	238,273	9,759	9,374	5,248,377	4,758,578
Utilities	92,466	79,936	-	-	4,376,573	4,328,884
Contracted and general services	102,294	110,440	18,689	21,889	27,006,736	24,460,822
Rents and financial	-	-	-	-	181,539	254,033
Interest on long-term debt	-	-	-	-	2,247,206	2,368,108
Capital repairs and maintenance	99,112	78,541	-	-	6,094,601	6,569,810
Amortization expenses	305,123	408,555	-	-	15,890,594	15,294,143
Allocations	492,173	478,283	-	-	(8,808,584)	(8,227,018)
<b>Total expenses</b>	<b>3,638,534</b>	<b>3,552,445</b>	<b>28,448</b>	<b>31,263</b>	<b>103,575,915</b>	<b>98,181,646</b>
<b>REVENUES</b>						
Taxation	3,178,248	3,128,408	30,000	30,003	51,194,591	49,748,035
User charges	67,570	70,282	-	1,385	37,589,903	37,558,063
External non-tax revenues	276,898	256,153	4,700	-	34,679,374	26,876,554
Gain / (loss) on sale of tangible capital assets	-	-	-	-	(562,647)	(597,688)
<b>Total revenues</b>	<b>3,522,715</b>	<b>3,454,843</b>	<b>34,700</b>	<b>31,388</b>	<b>122,901,222</b>	<b>113,584,964</b>
Net surplus of Gov't. Business Enterprise	-	-	-	-	1,545,784	1,343,532
<b>Annual Surplus (Deficit)</b>	<b>\$ (115,819)</b>	<b>\$ (97,602)</b>	<b>\$ 6,252</b>	<b>\$ 125</b>	<b>\$ 20,871,091</b>	<b>\$ 16,746,850</b>



**Mike Mayes, Director  
Financial Services/Treasurer**

TOWN OF NEWMARKET  
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P.O. Box 328  
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June 22, 2015

BDO Canada LLP  
Chartered Professional Accountants  
The Gates of York Plaza  
17310 Yonge Street, Unit 11  
Newmarket, ON L3Y 7R9  
Canada

Dear Sir:

This representation letter is provided in connection with your audit of the consolidated statement of financial position as at December 31, 2014, and the consolidated statement of operations and accumulated surplus, changes in net assets and cash flows for the year then ended of The Corporation of the Town of Newmarket for the purpose of expressing an opinion as to whether the consolidated financial statements present fairly, in all material respects, the financial position as at December 31, 2014 and the results of operations and cash flows for the year then ended of The Corporation of the Town of Newmarket in accordance with Canadian public sector accounting standards.

We confirm that:

#### **Financial Statements**

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated January 4, 2013, for the preparation of the consolidated financial statements in accordance with Canadian public sector accounting standards; in particular the consolidated financial statements are fairly presented in accordance therewith.
2. Significant assumptions used by us in making accounting estimates, including those measured at fair value are reasonable.
3. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Canadian public sector accounting standards.
4. All events subsequent to the date of the consolidated financial statements and for which Canadian public sector accounting standards require adjustment or disclosure have been adjusted or disclosed.
5. The consolidated financial statements of the municipality use appropriate accounting policies that have been properly disclosed and consistently applied.

#### **Information Provided**

6. We have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the consolidated financial statements, such as records, documentation and other matters;
  - additional information that you have requested from us for the purpose of the audit; and
  - unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
7. We are responsible for the design, implementation and maintenance of internal controls to prevent, detect and correct fraud and error, and have communicated to you all deficiencies in internal control of which we are aware.
  8. The minute books of the municipality are a complete record of all meetings and resolutions of the Council throughout the year and to the present date.
  9. We have disclosed to you all significant matters contained in the minutes of all meetings and resolutions of the Council throughout the year and to the present date.
  10. All transactions have been recorded in the accounting records and are reflected in the consolidated financial statements.
  11. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing consolidated financial statements.
  12. We have identified to you:
    - guarantees;
    - indemnifications against damages, liabilities, costs, charges or expenses suffered or incurred by officers or directors as a result of their service, and/or by any subsidiaries; and
    - non-monetary transactions and transactions for no consideration.
  13. We have disclosed to you the identity of the entity's related parties and the related party relationships and transactions of which we are aware.
  14. We are aware of the environmental laws and regulations that impact our municipality and we are in compliance. There are no known environmental liabilities or contingencies that have not been accrued for or disclosed in the consolidated financial statements.

#### **Fraud and Error**

15. We have disclosed to you the results of our assessment of the risk that the consolidated financial statements may be materially misstated as a result of fraud, and have determined such risk to be low.
16. 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:

- management;
- employees who have significant roles in internal control; or
- others where the fraud could have a material effect on the consolidated financial statements.

17. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's consolidated financial statements communicated by employees, former employees, analysts, regulators, or others.
18. The effects of unadjusted misstatements are immaterial, both individually and in the aggregate, to the consolidated financial statements taken as a whole. A list of the uncorrected misstatements is attached to the representation letter.

#### **Existence, Completeness and Valuation of Specific Financial Statement Balances**

19. All assets, wherever located, to which the municipality had satisfactory title at the year end, have been fairly stated and recorded in the consolidated financial statements. There are no liens or encumbrances on the municipality's assets.
20. All financial instruments have been appropriately recognized and measured in accordance with Canadian public sector accounting standards. Significant assumptions used in arriving at fair value of financial instruments are reasonable and appropriate in the circumstances.
21. Where the value of any asset has been impaired, an appropriate provision has been made in the consolidated financial statements or has otherwise been disclosed to you.
22. The inventories as set out in the consolidated financial statements represent all of the inventories to which the municipality held title as at the balance sheet date. Inventories do not include any goods consigned to the municipality, merchandise billed to customers or any items for which the liability has not been provided in the books. Appropriate provisions have been made for obsolete, slow-moving and defective inventories.
23. The employee future benefit costs, assets and obligation have been determined, accounted for and disclosed in accordance with Canadian public sector accounting standards. The source data and plan provisions provided are complete and accurate. The plans included in the valuation are complete. The determination of the discount rate and the use of specific actuarial assumptions are our best estimate assumptions. We feel that the extrapolations are accurate and have properly reflected the effects of changes and events occurring subsequent to the most recent valuation that had a material effect on the extrapolation.

### General Representations

24. The nature of all material uncertainties have been appropriately measured and disclosed in the consolidated financial statements, 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 consolidated financial statements.
25. There were no direct contingencies or provisions (including those associated with guarantees or indemnification provisions), unusual contractual obligations nor any substantial commitments, whether oral or written, other than in the ordinary course of business, which would materially affect the consolidated financial statements or financial position of the municipality, except as disclosed in the consolidated financial statements.
26. We have informed you of all outstanding and possible claims, whether or not they have been discussed with legal counsel. When applicable, these claims have been appropriately disclosed in the consolidated financial statements.
27. We confirm that there are no derivatives or off-balance sheet financial instruments held at year end that have not been properly recorded or disclosed in the consolidated financial statements.
28. We have disclosed to you all significant customers and/or suppliers of the municipality who individually represent a significant volume of business with the municipality. We are of the opinion that the volume of business (sales, services, purchases, borrowing and lending) done by the municipality with any one party is not of sufficient magnitude that discontinuance would have a material negative effect on the ongoing operations of the municipality.
29. There have been no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
30. We confirm that operating segments are appropriately identified and disclosed in accordance with Canadian public sector accounting standards.
31. No significant matters, other than those disclosed in the consolidated financial statements, have arisen that would require a restatement of the comparative consolidated financial statements.

Yours truly,



Bob Shelton, Chief Administrative Officer

6/19/15  
Date



Mike Mayes, Director, Financial Services/Treasurer

Jun 19/15  
Date

**The Corporation of the  
Town of Newmarket  
Main Street District BIA  
Financial Statements  
Year ended December 31, 2014**

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## Independent Auditor's Report

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### To the Mayor and Councilors of The Corporation of the Town of Newmarket

We have audited the accompanying financial information of The Corporation of the Town of Newmarket Main Street District BIA, which comprise the statement of financial position as at December 31, 2014, and the statement of continuity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial information has been prepared by management based on the basis of accounting described in Note 2.

#### Management's Responsibility for the Financial Information

Management is responsible for the preparation of this financial information in accordance with the basis of accounting described in Note 2, and for such internal control as management determines is necessary to enable the preparation of the financial information that is free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

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

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

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

#### Opinion

In our opinion, the financial information of The Corporation of the Town of Newmarket Main Street District BIA for the year ended December 31, 2014 is prepared, in all material respects, in accordance with the basis of accounting described in Note 2.

#### Basis of Accounting and Restriction on Distribution and Use

Without modifying our opinion, we draw attention to Note 2 which describes the basis of accounting. The financial information is prepared solely for the use of The Corporation of the Town of Newmarket. Our report is intended solely for The Corporation of the Town of Newmarket and should not be distributed to or used by parties other than The Corporation of the Town of Newmarket.

Chartered Professional Accountants, Licensed Public Accountants

June 22, 2015  
Newmarket, Ontario

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**THE CORPORATION OF THE TOWN OF NEWMARKET**  
**Main Street District BIA**  
**Statement of Continuity**  
Year Ended December 31, 2014

DRAFT

	2014	2013
<b>FUND BALANCE, BEGINNING OF PERIOD</b>	<b>\$ 6,558</b>	<b>\$ 6,433</b>
<b>REVENUES</b>		
Taxation	30,000	30,003
Events	4,700	1,385
<b>Total revenues</b>	<b>34,700</b>	<b>31,388</b>
<b>EXPENDITURES</b>		
Promotion and events	9,759	9,374
Advertising	18,689	21,889
<b>Total expenditures</b>	<b>28,448</b>	<b>31,263</b>
<b>FUND BALANCE, END OF PERIOD</b>	<b>\$ 12,810</b>	<b>\$ 6,558</b>

**Statement of Financial Position**

December 31, 2014

	2014	2013
<b>ASSET</b>		
Cash	\$ 12,810	\$ 6,558
<b>FUND BALANCE</b>	<b>\$ 12,810</b>	<b>\$ 6,558</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 Flow**  
Year Ended December 31, 2014

DRAFT

	<u>2014</u>	<u>2013</u>
<b>Cash received from</b>		
Taxation	\$ 30,000	\$ 30,003
Rent and other	4,700	1,385
	<u>34,700</u>	<u>31,388</u>
<b>Cash paid for</b>		
Materials, goods and supplies	9,759	9,374
Contract and general services	18,689	21,889
	<u>28,448</u>	<u>31,263</u>
<b>Net Change in Cash</b>	6,252	125
<b>Cash, Beginning of Year</b>	6,558	6,433
<b>Cash, End of Year</b>	\$ 12,810	\$ 6,558

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

## DRAFT

**THE CORPORATION OF THE TOWN OF NEWMARKET**  
**Main Street District BIA**  
**Notes to the Financial Statements**

December 31, 2014

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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 BIA are the representation of management prepared in accordance with the accounting principle discussed below:

*Basis of Accounting*

Taxation revenue is recognized in the calendar year it is raised from ratepayers by the Town. Revenue from donations and events is recognized when the cash is collected. Expenditures are reported on the cash basis of accounting with the exception of administrative expenditures which are reported on the accrual basis of accounting. The accrual basis of accounting recognizes expenditures 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.



**Mike Mayes, Director  
Financial Services/Treasurer**

TOWN OF NEWMARKET  
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June 22, 2015

BDO Canada LLP  
Chartered Professional Accountants  
The Gates of York Plaza  
17310 Yonge Street, Unit 11  
Newmarket, ON L3Y 7R9  
Canada

Dear Sir:

This representation letter is provided in connection with your audit of the statement of financial position as at December 31, 2014, and the statement of continuity, and cash flows for the year then ended of The Corporation of the Town of Newmarket BIA for the purpose of expressing an opinion as to whether the financial information is prepared, in all material respects for the year ended of The Corporation of the Town of Newmarket BIA in accordance with the basis of accounting noted in the financial information.

We confirm that:

**Financial information**

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated January 4, 2013, for the preparation of the financial information in accordance with basis of accounting noted in financial information; in particular the financial information is presented in accordance therewith.
2. Significant assumptions used by us in making accounting estimates, including those measured at fair value are reasonable.
3. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of basis of accounting noted in financial information.
4. All events subsequent to the date of the financial information and for which basis of accounting noted in financial information require adjustment or disclosure have been adjusted or disclosed.
5. The financial information of the not-for-profit organization use appropriate accounting policies that have been properly disclosed and consistently applied.

**Information Provided**

6. We have provided you with:
  - access to all information of which we are aware that is relevant to the preparation of the



financial information, such as records, documentation and other matters;

- additional information that you have requested from us for the purpose of the audit; and
  - unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
7. We are responsible for the design, implementation and maintenance of internal controls to prevent, detect and correct fraud and error, and have communicated to you all deficiencies in internal control of which we are aware.
  8. The minute books of the not-for-profit organization are a complete record of all meetings and resolutions of Board of Directors throughout the year and to the present date.
  9. We have disclosed to you all significant matters contained in the minutes of all meetings and resolutions of Board of Directors throughout the year and to the present date.
  10. All transactions have been recorded in the accounting records and are reflected in the financial information.
  11. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial information.
  12. We have identified to you:
    - guarantees;
    - indemnifications against damages, liabilities, costs, charges or expenses suffered or incurred by officers or directors as a result of their service, and/or by any subsidiaries; and
    - non-monetary transactions and transactions for no consideration.
  13. We have disclosed to you the identity of the entity's related parties and the related party relationships and transactions of which we are aware.
  14. We are aware of the environmental laws and regulations that impact our not-for-profit organization and we are in compliance. There are no known environmental liabilities or contingencies that have not been accrued for or disclosed in the financial information.

#### **Fraud and Error**

15. We have disclosed to you the results of our assessment of the risk that the financial information may be materially misstated as a result of fraud, and have determined such risk to be low.
16. 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:

- management;
- employees who have significant roles in internal control; or
- others where the fraud could have a material effect on the financial information.

17. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial information communicated by employees, former employees, analysts, regulators, or others.
18. The effects of unadjusted misstatements are immaterial, both individually and in the aggregate, to the financial information taken as a whole.

#### **Existence, Completeness and Valuation of Specific Financial Statement Balances**

19. All assets, wherever located, to which the not-for-profit organization had satisfactory title at the end, have been fairly stated and recorded in the financial information. There are no liens or encumbrances on the not-for-profit organization's assets.
20. All financial instruments have been appropriately recognized and measured in accordance with basis of accounting noted in financial information. Significant assumptions used in arriving at fair value of financial instruments are reasonable and appropriate in the circumstances.
21. Where the value of any asset has been impaired, an appropriate provision has been made in the financial information or has otherwise been disclosed to you.

#### **General Representations**

22. The nature of all material uncertainties have been appropriately measured and disclosed in the financial information, 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 information.
23. There were no direct contingencies or provisions (including those associated with guarantees or indemnification provisions), unusual contractual obligations nor any substantial commitments, whether oral or written, other than in the ordinary course of business, which would materially affect the financial information or financial position of the not-for-profit organization, except as disclosed in the financial information.
24. We have informed you of all outstanding and possible claims, whether or not they have been discussed with legal counsel. Since there are no outstanding or possible claims, no disclosure is required in the financial information.
25. We confirm that there are no derivatives or off-balance sheet financial instruments held at end that have not been properly recorded or disclosed in the financial information.
26. We have disclosed to you all significant customers and/or suppliers of the not-for-profit

organization who individually represent a significant volume of business with the not-for-profit organization. We are of the opinion that the volume of business (sales, services, purchases, borrowing and lending) done by the not-for-profit organization with any one party is not of sufficient magnitude that discontinuance would have a material negative effect on the ongoing operations of the not-for-profit organization.

27. There have been no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
28. No significant matters, other than those disclosed in the financial information, have arisen that would require a restatement of the comparative financial information.

Yours truly,



Bob Shelton  
Chief Administrative Officer

6/19/15  
Date



Mike Mayes  
Director, Financial Services/Treasurer

Jun 19/15  
Date

**The Corporation of the  
Town of Newmarket  
Trust Fund  
Financial Statements  
Year ended December 31, 2014**

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## Independent Auditor's Report

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### To the Mayor and Councilors of The Corporation of the Town of Newmarket

We have audited the accompanying financial information of The Corporation of the Town of Newmarket Trust Fund, which comprise the statement of financial position as at December 31, 2014, and the statement of continuity and cash flow for the year then ended and a summary of significant accounting policies and other explanatory information. The financial information has been prepared by management on the basis of accounting described in the Note 1.

#### Management's Responsibility for the Financial Information

Management is responsible for the preparation of this financial information in accordance with the basis of accounting described in Note 1, and for such internal control as management determines is necessary to enable the preparation of the financial information that is free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

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

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

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

#### Opinion

In our opinion, the financial information of The Corporation of the Town of Newmarket Trust Fund for the year ended December 31, 2014 is prepared, in all material respects, in accordance with the basis of accounting described in Note 1.

#### Basis of Accounting and Restriction on Distribution and Use

Without modifying our opinion, we draw attention to Note 1 which describes the basis of accounting. The financial information is prepared solely for the use of The Corporation of the Town of Newmarket. Our report is intended solely for The Corporation of the Town of Newmarket and should not be distributed to or used by parties other than The Corporation of the Town of Newmarket.

Chartered Professional Accountants, Licensed Public Accountants

June 22, 2015  
Newmarket, Ontario

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**THE CORPORATION OF THE TOWN OF NEWMARKET  
TRUST FUND**

**Statement of Continuity**

**DRAFT**

December 31, 2014

	<u>2014</u>	<u>2013</u>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>\$ 312,128</b>	<b>\$ 308,253</b>
<b>REVENUES</b>		
Interest earned	4,903	3,875
<b>Total revenues</b>	<b>4,903</b>	<b>3,875</b>
<b>EXPENDITURES</b>		
Transfer to Capital Fund	-	-
<b>Total expenditures</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 317,031</b>	<b>\$ 312,128</b>

**Statement of Financial Position**

December 31, 2014

	<u>2014</u>	<u>2013</u>
<b>ASSET</b>		
Cash	14,663	312,128
Investment interest receivable	2,368	-
Investments (Note 3)	300,000	-
<b>Fund Balance (Note 2)</b>	<b>\$ 317,031</b>	<b>\$ 312,128</b>

**THE CORPORATION OF THE TOWN OF NEWMARKET  
TRUST FUND**

**Statement of Cash Flow**

**Year Ended December 31, 2014**

**DRAFT**

	<u>2014</u>	<u>2013</u>
<b>Cash received from</b>		
Investment Income	\$ 2,535	\$ 3,875
	<u>2,535</u>	<u>3,875</u>
<b>Cash paid for</b>		
Materials, goods and supplies	-	-
	<u>-</u>	<u>-</u>
<b>Net change in cash from operating activities</b>	<b>2,535</b>	<b>3,875</b>
<b>Financing Activities</b>		
Investment	(300,000)	-
<b>Net change in cash from financing activities</b>	<b>(300,000)</b>	<b>-</b>
<b>Net Change In Cash</b>	<b>(297,465)</b>	<b>3,875</b>
<b>Cash, Beginning of Year</b>	<b>312,128</b>	<b>308,253</b>
<b>Cash, End of Year</b>	<b>\$ 14,663</b>	<b>\$ 312,128</b>

*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

DRAFT

December 31, 2014

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### 1 SIGNIFICANT ACCOUNTING POLICIES

The Trust Fund financial statements of the Corporation of the Town of Newmarket (the "Trust Fund") are the representation of management prepared in accordance with the accounting principle discussed below:

#### *Basis of Accounting*

Capital receipts and income are reported on the cash basis of accounting. Expenditures are reported on the cash basis of accounting with the exception of administrative expenditures which are reported on the accrual basis of accounting. The accrual basis of accounting recognizes expenditures 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 municipality, 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. The Town is required to have the Museum Fund audited annually.

### 3 INVESTMENTS

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

	2014	2013
Guaranteed investment certificate	\$ 300,000	-

Non-redeemable guaranteed investment certificate, interest at 2.15%, matures August, 2019, 20% maturing annually on each anniversary date.

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**Mike Mayes, Director  
Financial Services/Treasurer**

TOWN OF NEWMARKET  
395 Mulock Drive  
P.O. Box 328  
Newmarket, ON L3Y 4X7

www.newmarket.ca  
mmayes@newmarket.ca  
905.953.5300 Ext: 2102

June 22, 2015

BDO Canada LLP  
Chartered Professional Accountants  
The Gates of York Plaza  
17310 Yonge Street, Unit 11  
Newmarket, ON L3Y 7R9  
Canada

Dear Sir:

This representation letter is provided in connection with your audit of the statement of financial position as at December 31, 2014, and the statement of continuity, and cash flows for the year then ended of The Corporation of the Town of Newmarket Trust Fund for the purpose of expressing an opinion as to whether the financial information is prepared, in all material respects, for the year ended of The Corporation of the Town of Newmarket Trust Fund in accordance with the basis of accounting noted in the financial information.

We confirm that:

#### **Financial information**

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated January 4, 2013, for the preparation of the financial information in accordance with basis of accounting noted in the financial information; in particular the financial information are fairly presented in accordance therewith.
2. Significant assumptions used by us in making accounting estimates, including those measured at fair value are reasonable.
3. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of basis of accounting noted in the financial information.
4. All events subsequent to the date of the financial information and for which basis of accounting noted in the financial information require adjustment or disclosure have been adjusted or disclosed.
5. The financial information of the trust use appropriate accounting policies that have been properly disclosed and consistently applied.

#### **Information Provided**

6. We have provided you with:
  - access to all information of which we are aware that is relevant to the preparation of the

financial information, such as records, documentation and other matters;

- additional information that you have requested from us for the purpose of the audit; and
  - unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
7. We are responsible for the design, implementation and maintenance of internal controls to prevent, detect and correct fraud and error, and have communicated to you all deficiencies in internal control of which we are aware.
  8. All transactions have been recorded in the accounting records and are reflected in the financial information.
  9. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial information.
  10. We have identified to you:
    - guarantees;
    - indemnifications against damages, liabilities, costs, charges or expenses suffered or incurred by officers or directors as a result of their service, and/or by any subsidiaries; and
    - non-monetary transactions and transactions for no consideration.
  11. We have disclosed to you the identity of the entity's related parties and the related party relationships and transactions of which we are aware.
  12. We are aware of the environmental laws and regulations that impact our trust and we are in compliance. There are no known environmental liabilities or contingencies that have not been accrued for or disclosed in the financial information.

#### **Fraud and Error**

13. We have disclosed to you the results of our assessment of the risk that the financial information may be materially misstated as a result of fraud, and have determined such risk to be low.
14. 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:
  - management;
  - employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the financial information.

15. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial information communicated by employees, former employees, analysts, regulators, or others.
16. The effects of unadjusted misstatements are immaterial, both individually and in the aggregate, to the financial information taken as a whole.

#### **Existence, Completeness and Valuation of Specific Financial Statement Balances**

17. All assets, wherever located, to which the trust had satisfactory title at the end, have been fairly stated and recorded in the financial information. There are no liens or encumbrances on the trust's assets.
18. All financial instruments have been appropriately recognized and measured in accordance with basis of accounting noted in the financial information. Significant assumptions used in arriving at fair value of financial instruments are reasonable and appropriate in the circumstances.
19. Where the value of any asset has been impaired, an appropriate provision has been made in the financial information or has otherwise been disclosed to you.

#### **General Representations**

20. The nature of all material uncertainties have been appropriately measured and disclosed in the financial information, 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 information.
21. There were no direct contingencies or provisions (including those associated with guarantees or indemnification provisions), unusual contractual obligations nor any substantial commitments, whether oral or written, other than in the ordinary course of business, which would materially affect the financial information or financial position of the trust, except as disclosed in the financial information.
22. We have informed you of all outstanding and possible claims, whether or not they have been discussed with legal counsel. Since there are no outstanding or possible claims, no disclosure is required in the financial information.
23. We confirm that there are no derivatives or off-balance sheet financial instruments held at end that have not been properly recorded or disclosed in the financial information.
24. We have disclosed to you all significant customers and/or suppliers of the trust who individually represent a significant volume of business with the trust. We are of the opinion that the volume of business (sales, services, purchases, borrowing and lending) done by the trust with any one party is not of sufficient magnitude that discontinuance would have a material negative effect on the ongoing operations of the trust.
25. There have been no plans or intentions that may materially affect the carrying value or

classification of assets and liabilities.

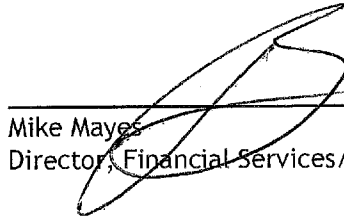
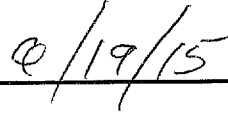
26. No significant matters, other than those disclosed in the financial information, have arisen that would require a restatement of the comparative financial information.

Yours truly,



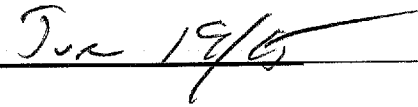
Bob Shelton  
Chief Administrative Officer

Date



Mike Mayes  
Director, Financial Services/Treasurer

Date



## Financial statement discussion and analysis

The consolidated financial statements provide a picture of the Town's financial position as at December 31, 2014 and report the revenue and expenses for the year. Besides the Town of Newmarket, the statements also include:

- Newmarket Public Library Board;
- The Main Street District Business Improvement Association;
- 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.

Themes reflected in the consolidated statements include:

- Town cost drivers and unforeseen expenses
- Investment strategy
- Sustainable financial strategy

2014 Financial Indicators	2014	2013
Financial Position	\$520,701,790	\$499,830,879
Receivables as % of total taxes levied	3.36%	3.98%
Asset consumption ratio	35.46%	35.16%
Capital reserves as a % of accumulated amortization	6.32%	6.12%
Capital reserve contribution/amortization	87.94%	86.41%
Debt service costs as a % of own source revenues	5.31%	5.19%

**Financial Position:**

This term refers to the ending net position of assets in excess of all 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 Town has improved this ratio from 2009. Continued focus on increasing assets and tangible capital asset additions and replacements, while lowering liabilities will keep this indicator on a positive trend.

**Receivables as % of taxes levied:**

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. The Ministry of Municipal Affairs and Housing considers a ratio below 10% to be low risk. In a financial sustainability indicator review of 23 municipalities in the Greater Toronto Area from the 2014 BMA study, the average was 6.4%.

**Asset consumption ratio:**

The asset consumption ratio expresses the accumulated amortization of depreciable assets as a percentage of the total reported value of depreciable assets. This ratio highlights the aged condition of the Town's physical assets and potential asset replacement needs. Out of 95 municipalities in the 2014 BMA study, the average was 37.6%.

**Capital reserve as % of accumulated amortization, and % of reserve contribution:**

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 less the infrastructure gap grows.

The breakdown of the capital reserve contribution/amortization in 2014 was as follows:

Tax-supported	85.1%
Utility supported	94.1%

**Debt service costs as % of own source revenues:**

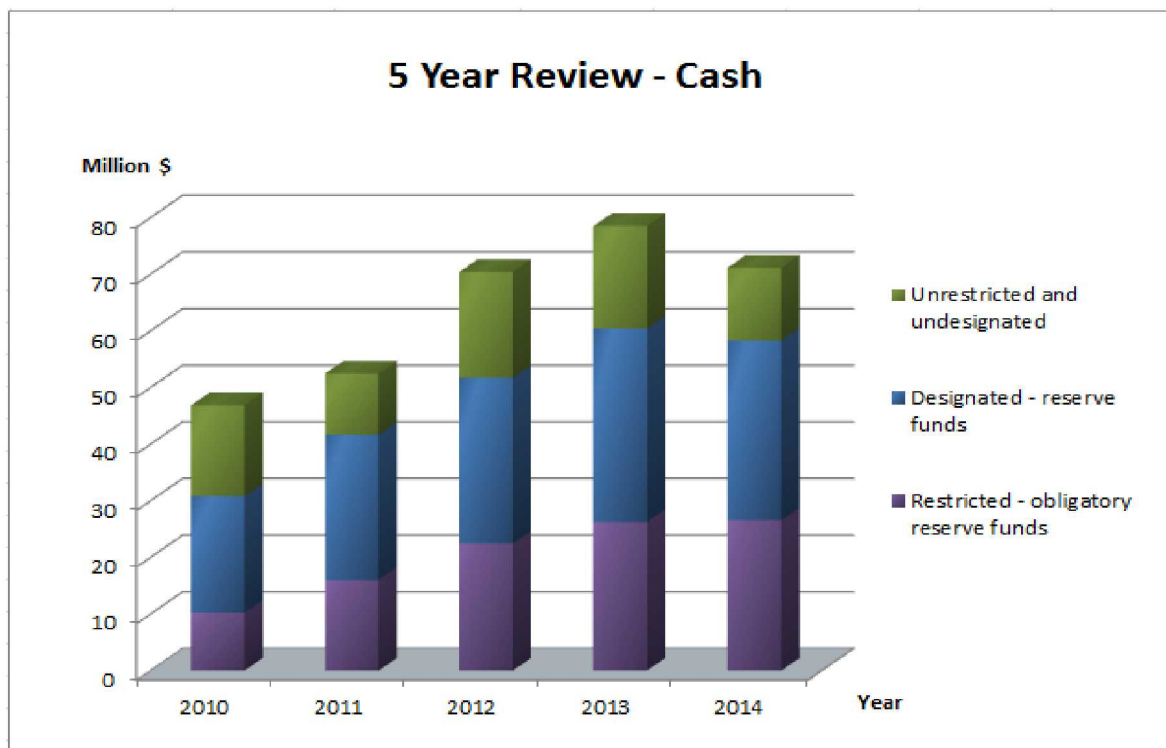
This ratio indicates the extent to which the Town's own source revenues are committed to debt charges. The Ministry of Municipal Affairs and Housing considers a ratio between 5% and 10% to be a moderate risk. This is the same calculation as used for the Annual Repayment Limit.

## Consolidated statement of financial position: Highlights

The statement of financial position is similar to a private enterprise's balance sheet. It reports the municipality's financial position at the end of the accounting period (December 31).

### **Cash**

The Town ended the year with a cash position \$7.3 million lower than that of 2013 but \$6.5 million higher than the year-end position budgeted. Cash includes our \$20 million non-redeemable guaranteed investment certificate, as it was due within 3 months of the end of the year and therefore considered as a cash equivalent. Contributions from developers, at \$4.2 million, were below the budget of \$5.6 million and \$6.6 million less than 2013's level of \$10.8 million. Investment income was \$4.1 million compared to \$1.6 million in 2013. \$26.9 million was spent on contracted and general services compared to last year's level of \$23.7million. \$7.0 million was spent on capital repairs and maintenance compared to a budget of \$5.0 million and 2013's level of \$4.9 million. \$18.1 million was spent on capital projects compared to a budget of \$15.8 million; \$12.1 million was spent in 2013.

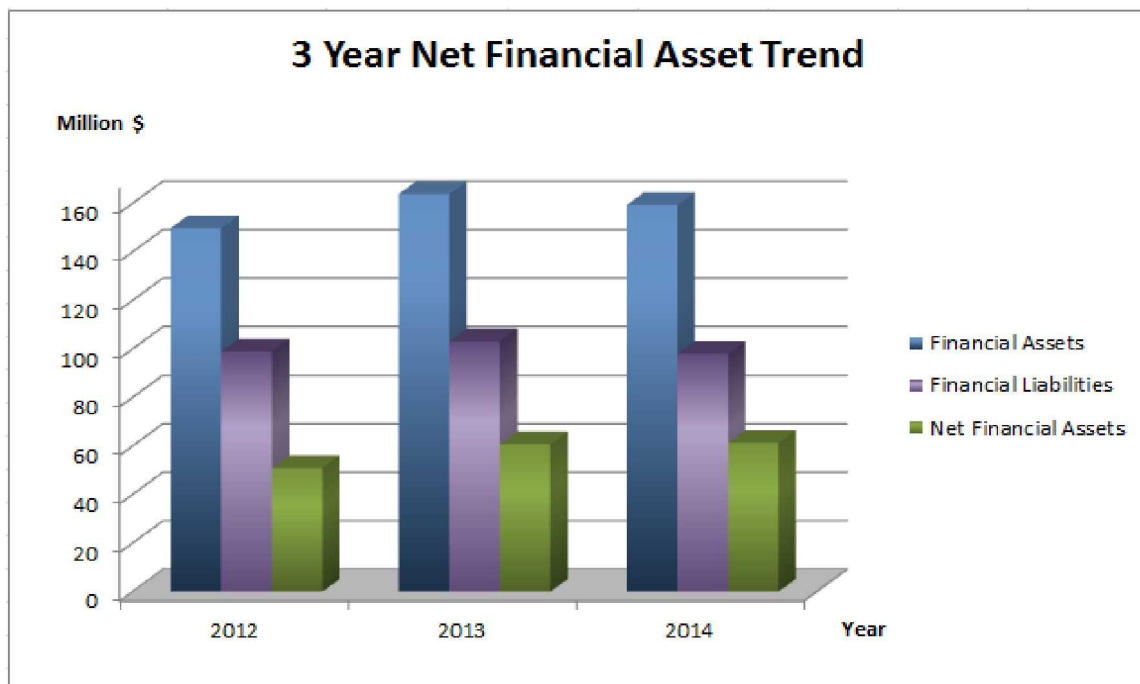


### ***Net Financial Assets***

The difference between financial assets and liabilities is a strong measure of the financial position of the Town. Positive balances indicate the Town's ability to meet long term commitments and have funds set aside for future sustainability.

The Town's net financial assets were only \$625,000 higher than last year's level. Development charges collected from developers were \$3.9 million lower than last year, and \$4 million below budget. Funding of \$1.9 million (budget \$2.9 million) was applied to the associated capital projects and \$18.1 million in tangible capital assets were acquired.

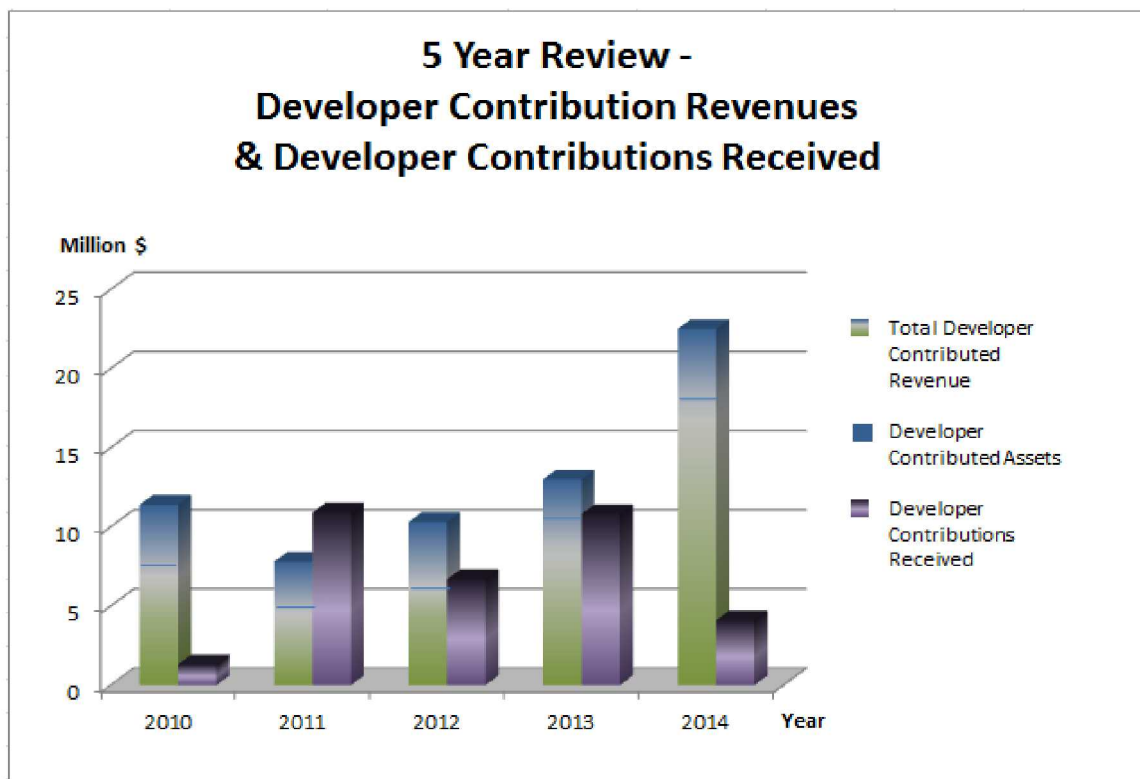
We deferred \$118,000 in building permit revenue, as per our policy, as we do not deem building permit revenue to be earned until 90 days after collection of the fees with issuance of the permit. This is the average time for the building department to perform the majority of its duties and for the refund period to expire. Last year's deferred building permit fees of \$669,000 were recognized in 2014.





### ***Deferred revenue***

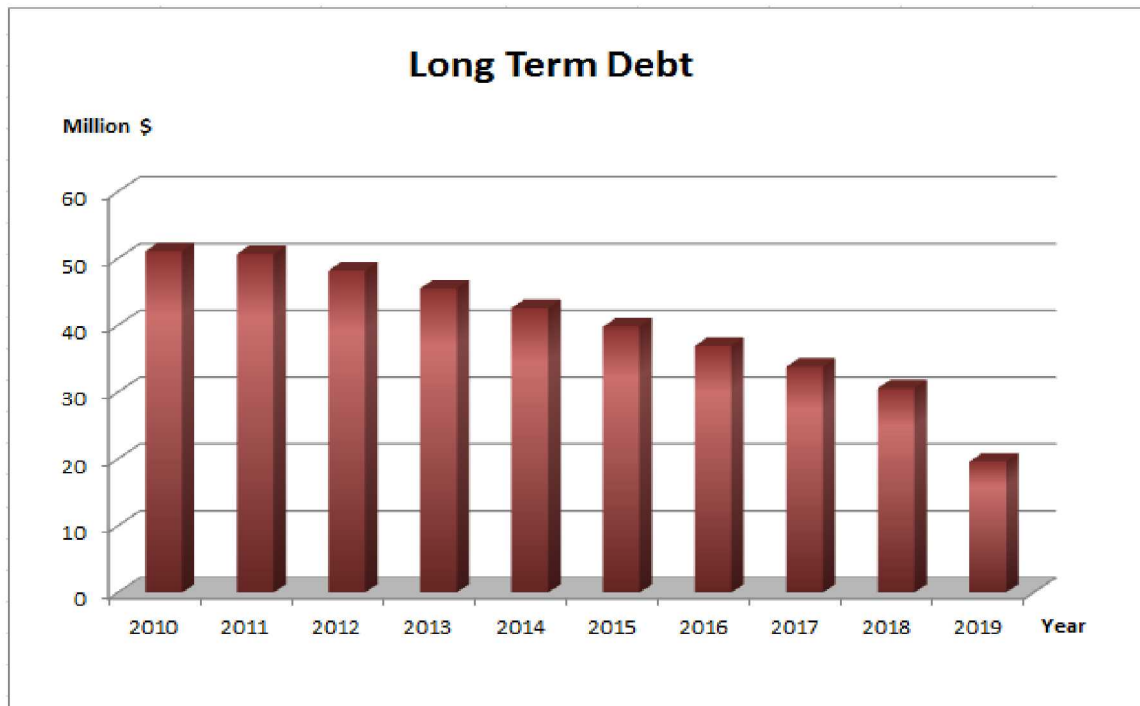
Deferred revenue represents unexpended development charge and engineering administration revenues, unspent restricted grants from the Federal and Provincial governments, and prepaid building permit revenue. In 2014, the Town collected \$4.1 million in cash contributions from developers and \$18.6 million in capital contributions were transferred to the Town. Of this total, \$22.5 million was recognized as revenue. These contributed assets are not budgeted for. In 2013 \$10.8 million was collected from developers, \$13.0 million was recognized as revenue, \$10.5 million of which was tangible capital assets assumed by the Town.



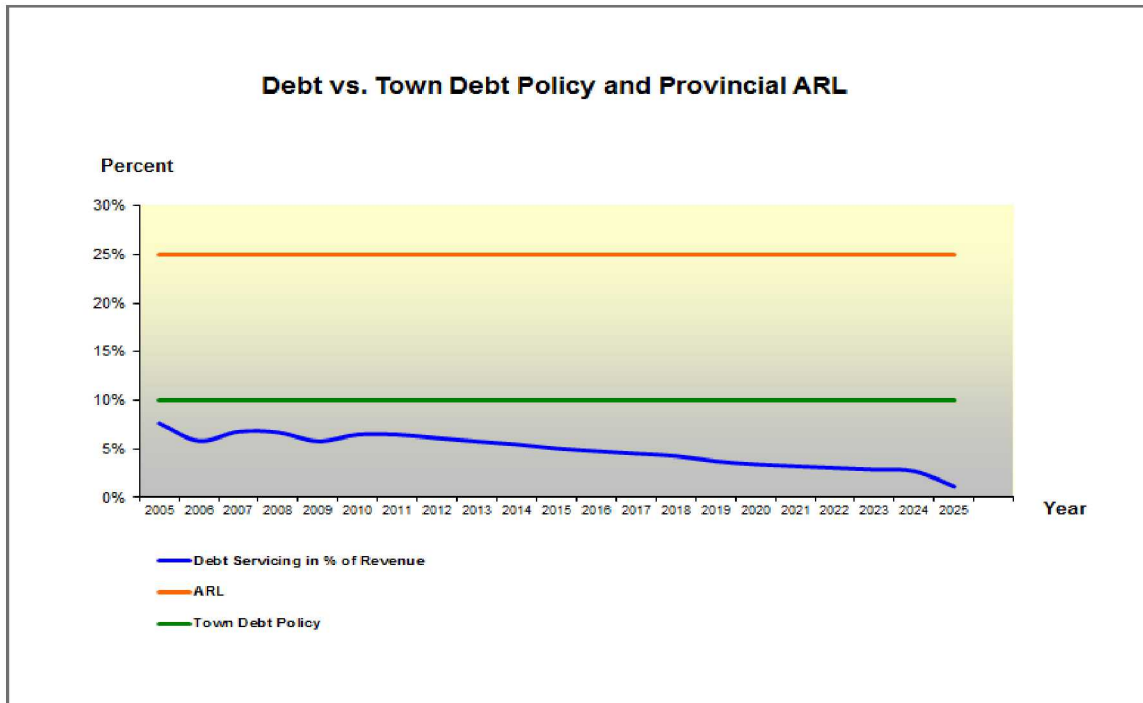
Prior to 2011 the gas tax and engineering administration reserves were not recognized as deferred revenue and were included in accumulated surplus.

### ***Long-term debt***

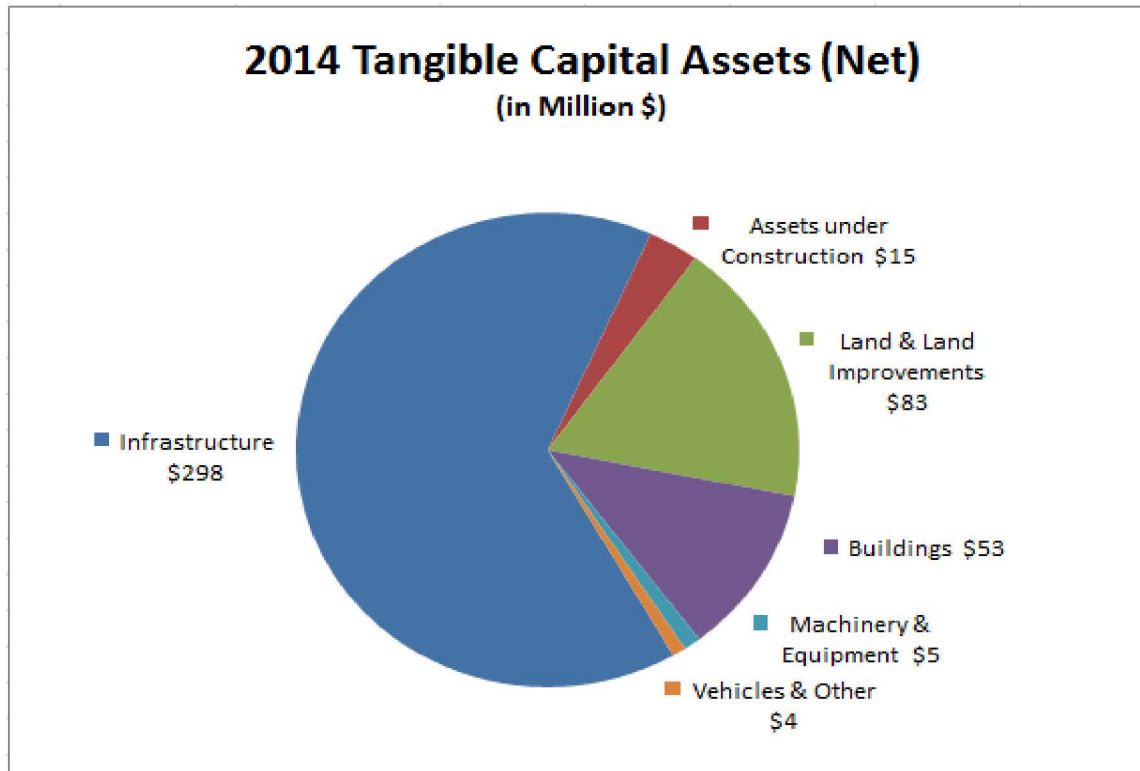
A significant component of the financial liabilities is the Town's long-term debt. In accordance with the Town's Debt Policy, the amount of debt is limited to the purchase of land and other capital assets when other sources of financing are not available. The Policy also limits the servicing limit (principle and interest) to 10% of the Town's own source revenues which is lower than the 25% limit that the province allows municipalities. As part of our financial sustainability strategy, the debt policy will be updated in 2015. In 2014, the Town's actual debt servicing was 5.3% (2013 – 5.2%) - well within policy limits. At an annual interest rate of 5% with a term of 20 years, the Town could borrow another \$79.6 million and still remain within its 10% debt servicing (borrowing) limit. \$2.7 million of principal was repaid in 2014.



The Town's long-term debt position reflects the pattern of investment in major infrastructure projects. In 2015, \$2.8 million of debt retirement is expected. Debt represents 9.3% of the net book value of Town's tangible capital assets (2013 – 10.4%).



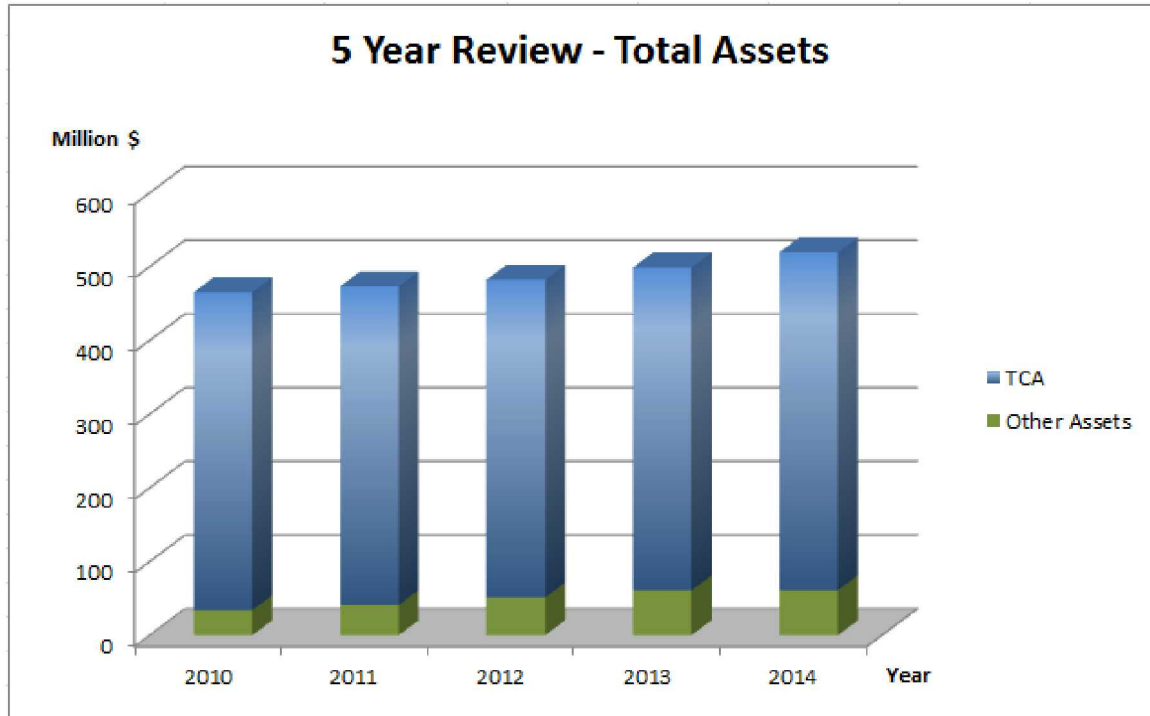
## Non-financial assets



The 2014 capital budget was \$51.4 million, including carry-overs of \$27.7 million. \$47.8 million of the \$51.4 million were expenditures for tangible capital assets (TCA), with the remainder being major repair and maintenance expenses, annual program costs, and items below the threshold for TCA. Of the TCA budget, 33% or \$15.8 million was projected to be completed in 2014. However, \$18.1 million (35%) of TCA were added in 2014.

One of the Town's goals has been to develop a sustainable capital financing strategy. The review has been done and included a review of the Town's asset replacement funds 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 0.8% (2013), 0.74% (2014) and 1% (2015) were added in recent years.

The Town has a TCA policy and consideration is being given to adjusting the life expectancy of some infrastructure categories, in light of recommendations that came out of the Capital Financing Sustainability Strategy and our historical spending patterns. An asset management plan was developed in 2014. A charter for an Asset Management Committee has been created and there are plans to expand and enhance the plan.



The Town increased their tangible capital assets by \$18.1 million in 2014 compared to \$12.1 million in 2013. In 2014, many road rehabilitation projects were completed, a replacement Pumper for CYFS was acquired, \$2.5 million was spent on the Old Town Hall Restoration, and \$4.3 million was spent on the Honeywell Streetlight Retrofit.

## *Accumulated surplus*

The accumulated surplus is the Town's ending net position of assets in excess of liabilities. The three most significant components of the accumulated surplus are the investment in tangible capital assets, the Town's equity in Newmarket Hydro Holdings Inc., and reserves and reserve funds.

### **THE CORPORATION OF THE TOWN OF NEWMARKET** **Notes to the Consolidated Financial Statements** **December 31, 2014**

The Accumulated Surplus is comprised of the following:

	2014	2013
<b>Reserves set aside for specific purposes by Council</b>		
Cash flow reserves	\$ -	\$ 1,101,458
Reserves for operating purposes	4,719,091	5,819,864
Reserves for capital purposes	1,173,308	505,567
Newmarket Public Library	543,697	590,995
Building Code Act Fees	5,316,860	5,488,245
Water & Sewer Rate Stabilization	1,089,450	-
<b>Total Reserves</b>	<b>12,842,406</b>	<b>13,506,129</b>
<b>Reserve funds set aside for specific purposes by Council</b>		
Asset replacement funds	15,905,427	14,539,143
Reserve funds for operating purposes	3,941,608	4,465,363
Reserve funds for capital purposes	4,787,710	8,827,635
Self-insured long-term disability	7,129,874	6,312,270
<b>Total Reserve Funds</b>	<b>31,764,619</b>	<b>34,144,411</b>
<b>Total Reserves and Reserve Funds</b>	<b>44,607,025</b>	<b>47,650,540</b>
Invested in tangible capital assets	458,240,103	438,113,140
Less: amount financed by long-term debt	(42,618,901)	(45,537,657)
Surplus land	155,285	33,598
Operating surplus	-	61,696
Funds available for future capital expenses	156,878	900,457
Funds to be provided from future revenues	(1,085,870)	(1,245,825)
Equity in Newmarket Hydro Holdings Inc.	64,513,188	62,967,404
Employee future benefits to be recovered	(3,265,738)	(3,112,474)
<b>Accumulated Surplus</b>	<b>\$520,701,970</b>	<b>\$ 499,830,879</b>

### ***Reserve and reserve funds***

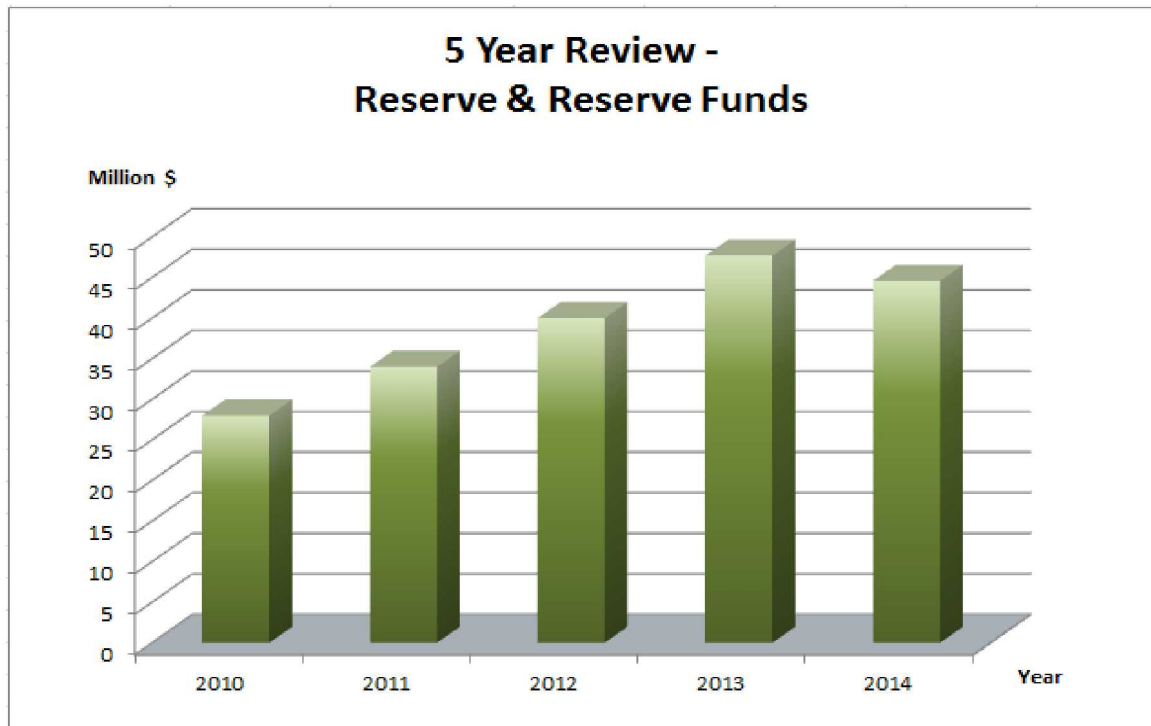
Reserve and reserve funds are used to set aside funding for the future replacement of the Town's assets, as well as other expected and unexpected obligations. It is a key component of the Town's strategy of being financially sustainable. They also help to minimize potential fluctuations in the tax rate, which is commonly referred to as Rate Stabilization.

The five year picture shows that beginning in 2011, a significant increase in the reserves and reserve funds were achieved. In 2011, the increase is comprised of \$2 million in debt financing received from FCM, \$770,000 from the Park Shop sale and \$2 million in allocated, but unspent, ARF contributions. In 2012 the Town increased several operating contingency reserves, nearly \$1.4 million was added to the Building Permits Reserve and there continued to be large allocated, but unspent, ARF contributions. In 2013 another \$1.65 million was added to the Building Permits Reserve and designated capital reserve funds increased due to the sale of the Rawluk Property. Discretionary operating reserves increased due to the transfer of the receipt of a \$500,000 supplementary dividend from Newmarket Hydro Holdings and operational contingency reserves were increased for the Ontario Municipal Board hearing associated with property along the Yonge/Davis corridor.

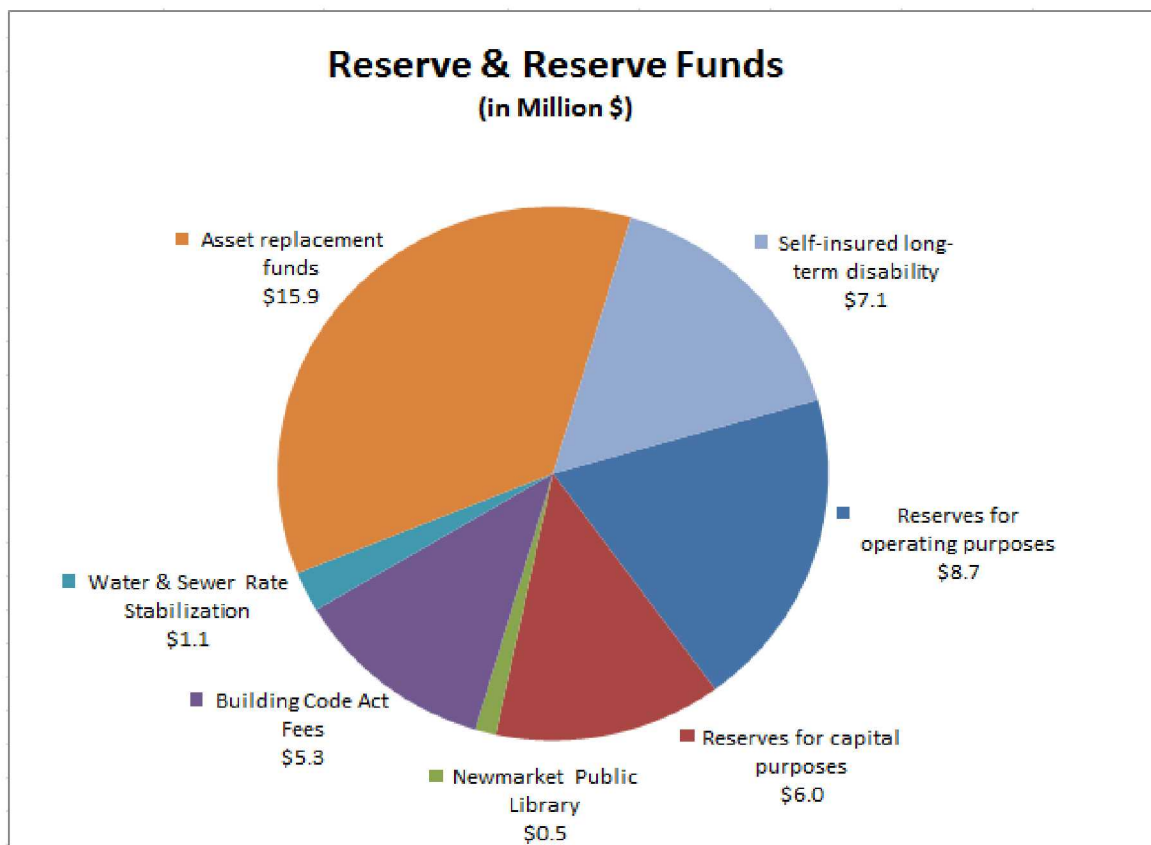
2014 was impacted by a number of extraordinary factors, including costs above the rate of inflation and unforeseen one-time costs. Our financial sustainability strategy and fiscal policies placed the Town in a position where these unexpected events could be covered by drawing on our reserves. Operational contingency reserves decreased by \$1.3 million, due to draws for insurance (higher premiums and an unforeseen OMEX supplementary assessment for prior years), legal (OMB related costs associated with the Glenway property), and winter control. General capital reserves decreased by \$3.8 million to finance the Honeywell streetlighting retrofit project. Discretionary operating reserves were used to cover portions of the OMEX supplementary assessment and the NEER summary, as well as higher tax adjustments and write offs. The transfer of the \$1.1 million working fund reserve balance mitigated these decreases.

A water and wastewater surplus of \$1.1 million was recognized in 2014 and transferred to the rate stabilization reserves. The target, as incorporated in to the 6-year plan, is 5 to 10% of annual revenues which would represent combined reserves of up to \$3 million.





The total of the Town's reserves and reserve funds at the end of 2014 was \$44.6 million, a decrease of \$3 million from the beginning of the year.





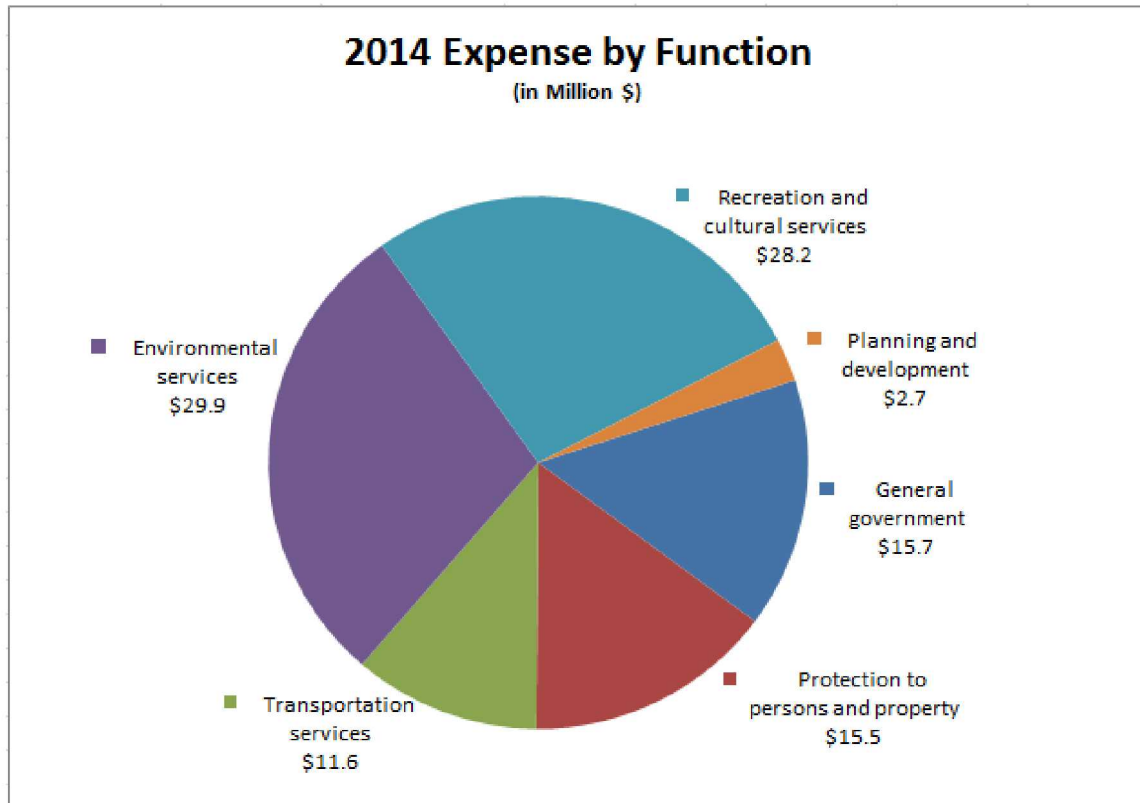
## Consolidated statement of operations and surplus: Highlights

The consolidated statement of operations reports the annual surplus or deficit from operations during the year. The statement shows the revenues recognized, the cost of government services provided, and the difference between them.

Annual Surplus Reconciliation	
<b>Surplus based on operating fund</b>	<b>\$ (61,696)</b>
<b>Add:</b> Principal payment on long-term debt	<b>2,918,756</b>
Contributed tangible capital assets	<b>18,599,230</b>
<b>Acquisition of tangible capital assets</b>	<b>18,128,932</b>
<b>Net equity in earnings of Newmarket Hydro Holdings Inc.</b>	<b>1,545,784</b>
<b>Capital Fund revenues</b>	<b>(609,894)</b>
<b>Reserves and reserve funds revenues</b>	<b>(3,043,515)</b>
<b>Less: Financing from future revenue</b>	<b>(153,264)</b>
<b>Amortization expenses</b>	<b>(15,890,594)</b>
<b>Loss on disposal of tangible capital assets</b>	<b>(562,647)</b>
<b>Surplus Per Consolidated Statement of Operations</b>	<b>\$ 20,871,092</b>

## Expenses

The Town provides a wide variety of municipal services to its residents. The chart below provides an overview of these services and shows the relative proportion of the Town's budget that is allocated to these services.



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

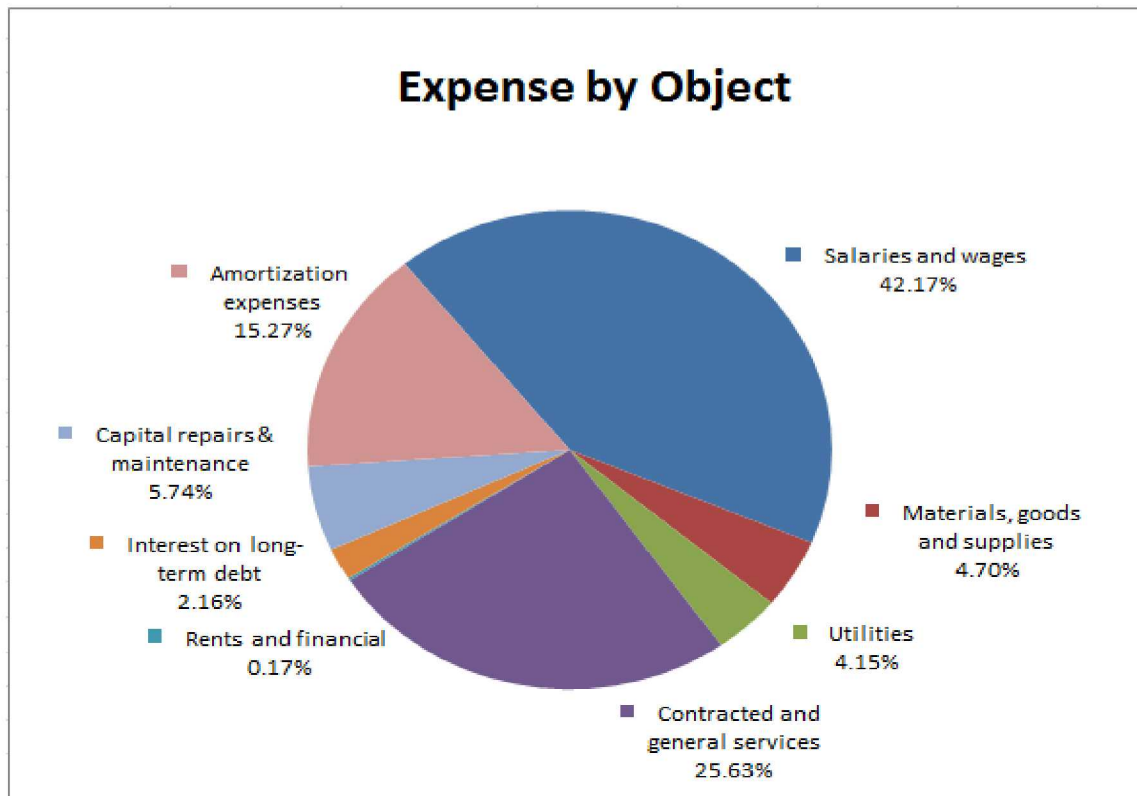
**Recreational and cultural services:**

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 27-29) shows a breakdown of these costs by service bundle.*



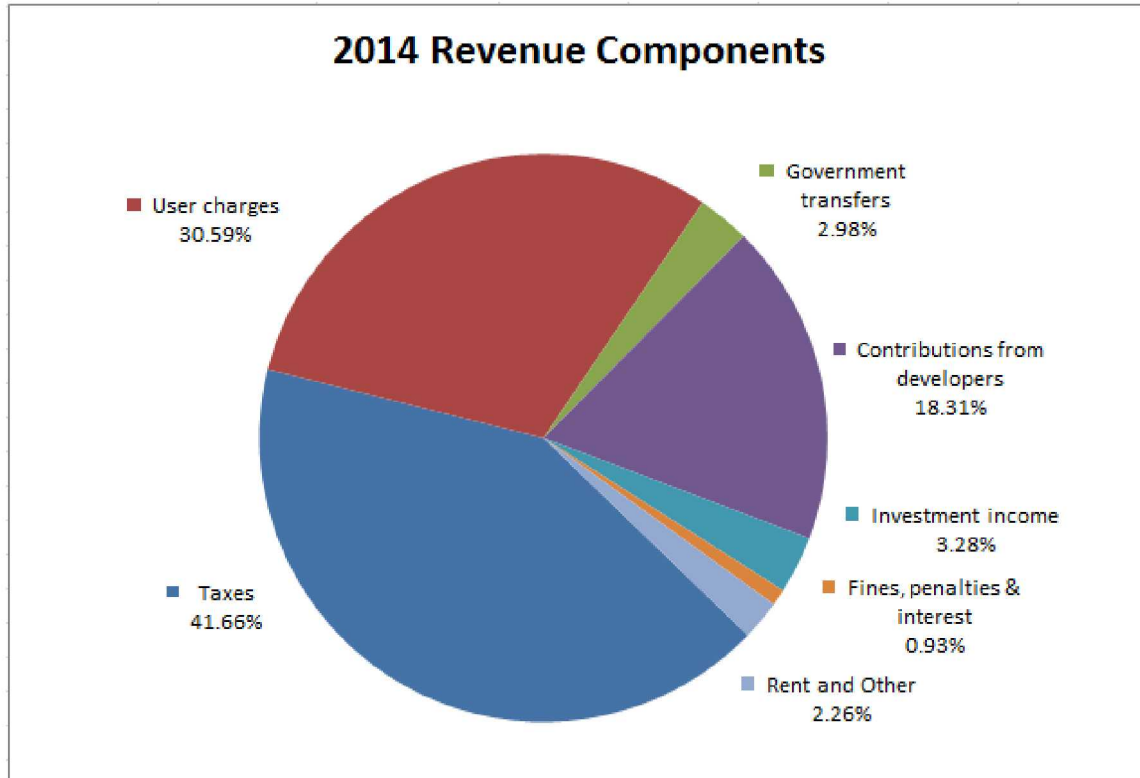
Some highlights of the Town's 2014 expenses include:

- Salaries, wages and benefits are the most significant component of the Town's costs and have increased by \$2.96 million over 2013. The economic increase in 2014 was 2.0% and the rate for OMERS remained unchanged from 2013's level. The increase to salaries and benefits for Central York Fire Services was 2.35% in 2014 and all payouts for prior years were previously accrued. The Workplace Safety and Insurance Board (WSIB) have an experience rating program that surcharges employers that perform worse than other participants in the rate group. An unanticipated NEER summary for 2014 in the amount of \$598,000 was received and accrued to WSIB expense.

- Materials, goods and supplies were 10.3% higher than 2013 levels. Minor capital, water meters and materials for main replacement, rental of voting and other equipment, and repairs and maintenance are included here.
- Contracted and general services have increased by 10.4% from 2013 levels. Both cost and volume increases were factors. Charges from the Region for water and wastewater are the biggest component of this expense category. Rate increases of 10% were partially offset by a 0.99% decrease in consumption volumes. The Town adopted its first 6 year water and wastewater financial plan in 2012. Higher insurance premiums, as well as an \$877,000 supplementary insurance assessment from OMEX for prior years (2002 to 2012) were also included here. \$437,000 in costs for the Ontario Municipal Board (OMB) hearing associated with the Glenway development were incurred, but \$540,000 was transferred to reserves in 2013 to offset the anticipated costs.
- Rents and financial expenses were 29% lower due mainly to the absence of the Tannery lease in 2014 which we had for the first part of 2013.
- 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 \$475,000 or 7.2% lower than 2013 levels.
- Amortization (aka depreciation) has increased by 1.4% over 2013 due to additions of new tangible capital assets. As part of the implementation of our asset management plan, we will be reviewing our estimates for the expected useful life of our assets. It may be that for some asset classes we are amortizing them quicker than we normally replace them, therefore, some changes may be required to bring the two closer together.

## Revenues

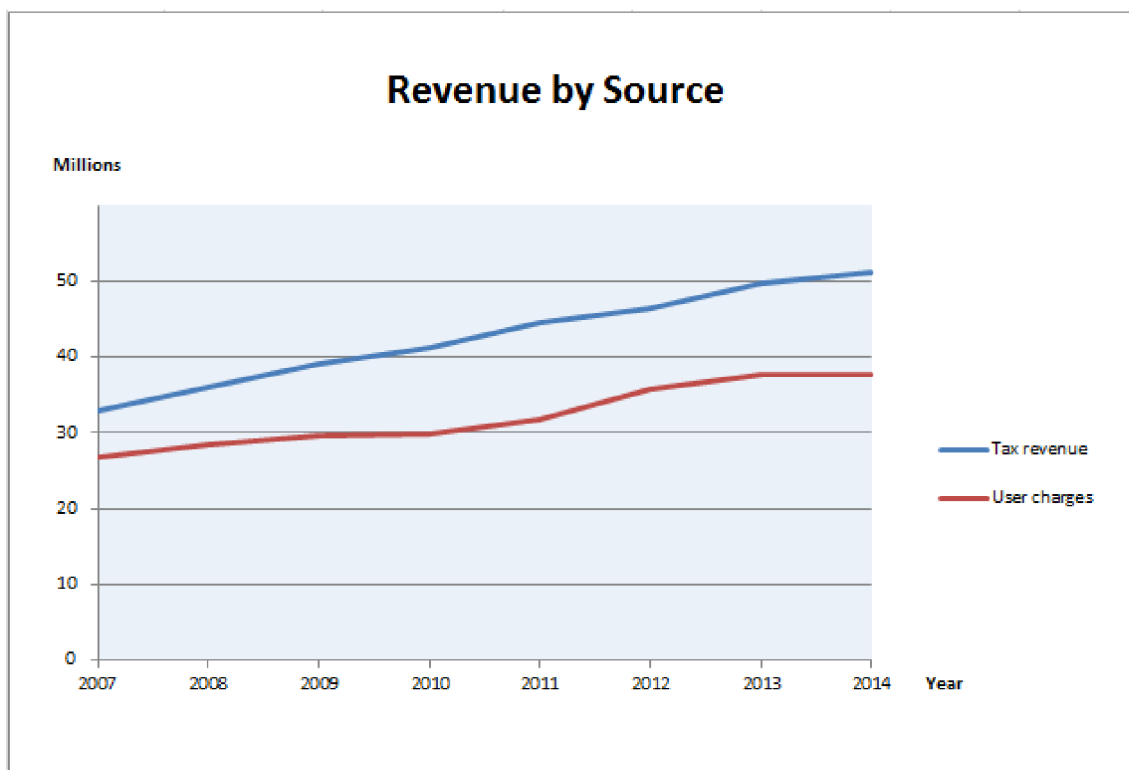
The Town pays for the services it delivers through a variety of revenue streams including property taxes, user charges, government transfers, contributions from developers, investment income; fines, penalties and interest; rent, land sales, and the sale of goods.



Revenue highlights for 2014 include:

- Property taxes as a percentage of the Town's revenue have decreased by 2.1% due to abnormally high tax write-offs. Because supplementary taxes are difficult to predict and sustain, a conservative amount of \$391,000 was budgeted in 2014. Actual collections in 2014 were \$752,000 and over the previous four years have ranged from a high of \$1.2 million in 2013 to a low of \$402,000 in 2012. Write offs, which reduce tax revenues, were significantly higher than budget and the prior year and this trend is expected to continue in 2015. Of significance was one Assessment Review Board (ARB) appeal that was settled for the last 6 years (2009 to 2014) and resulted in approximately \$4 million of assessment lost each year. Charity rebates were at the same level as 2014. Vacancy rebates, at \$554,000, were higher than 2013's level of \$469,000 and have prompted the decision to employ a more diligent verification process in 2015. A proactive assessment management plan has been started and will be fully implemented with a full staff compliment.

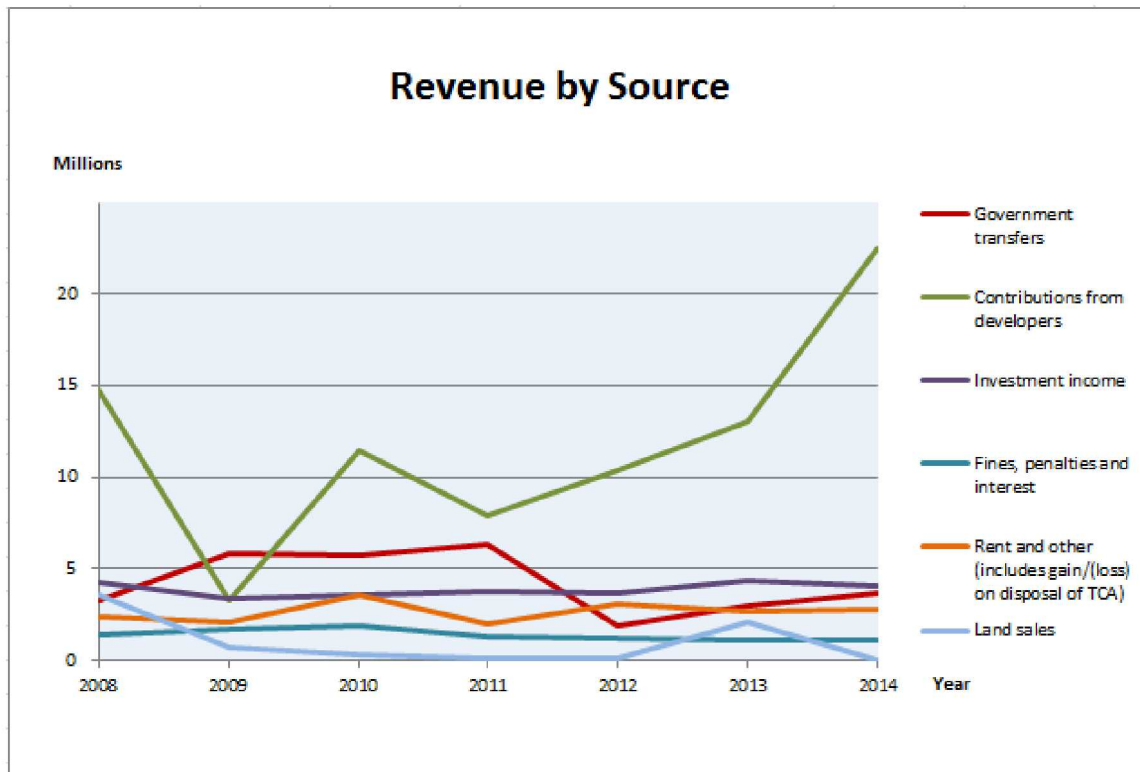
- User charges include water and wastewater revenues, recreation program revenues, license fees, and building permit fees. The majority of user charges are water and wastewater revenues where the average resident's bill increased by 8.4% from 2013, due to a combination of an increase in consumption fees of 4% for water and 6% for wastewater and an increase of \$2 to the basic monthly charge for each. Building permit revenues were 49% lower than in 2013, while they were 50% more than the budgeted amount. There has been no price increase to the fees since 2010, yet the reserve has continued to increase over the last several years. A review of the fee structure is being undertaken. Fees and charges for recreation and culture programs and services were increased by an average of 3% over 2013.



- Government transfers were 63% below budget, but higher than 2013 levels. Most grant funding is only received after costs have been incurred. There is also a lag between the completion of the claims and the receipt of the grant funding. There have been delays on the Old Town Hall Restoration project which will receive \$1.4 million from each of the Provincial and Federal governments. Road projects financed from the Federal Gas Tax were also lower than budget by \$2.8 million. 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 \$9.5 million higher than in 2013 and \$17 million over budget. Tangible capital assets equaling \$18.3 million were constructed between 2002 and 2009 and contributed to the Town in 2014. The contributed assets included many road segments and the associated infrastructure. The assumption of subdivisions is not budgeted for, as the amounts and timing are difficult to predict (see the green line on the chart below). Capital fund developer contributions are mostly development charges (DC's) and are driven by financing requirements for capital projects. \$1 million in DC funding for capital projects has been carried forward for use in 2014. Contributions by developers to reserve funds were 41% over the budgeted level. The voluntary trails levy brought in \$628,000 compared to a budget of \$600,000 and \$202,000 in 2013. The budgets are fiscally prudent in these areas due to the unpredictability of results.



- Lower interest was earned on the Operating Fund which came in \$171,000 below budget. Reserve Fund balances were higher than expected due to lower capital spending and earned an additional \$372,000 to offset the Operating Fund deficiency. In 2013 we implemented our investment strategy. In our first (part) year, our return on investment was \$88,171. 2014 had a favorable return on investment of \$575,918, which was \$221,951 above our benchmark return. Our investments included two non-redeemable GIC's totalling \$25 million, as well as a number of non-traditional investments – loan for the deferral of development charges and planning fees, 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 in 2015 by creating multi-year budgets/forecasts and/or a more aggressive short-term investing strategy.

- Rent and Other came in 35% higher than the budget due to a number of unbudgeted amounts. Magna made 2 payments of \$500,000, twice the annual budget, in 2014 for naming rights. The payment for 2015, the final year of the contract, was transferred to reserves and will be recognized as income in 2015. Unbudgeted amounts totalling \$330,000 were received from York Region and Sun Life as our benefit premiums and amounts on deposit were reconciled. These amounts were also transferred to reserves. Partially offsetting these unbudgeted income amounts was \$662,000 from future parking revenue for Property Acquisition along Holland River which has not been realized since first budgeted in 2011 and has been carried forward.
- There were no budgeted land sales in 2014 and the 2013 amount relates to the finalization of the sale of the Rawluk property.
- 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. In 2014, net losses were recognized due to road and the underlying infrastructure reconstruction.