

Additions & Corrections to the Agenda

Declarations of Pecuniary Interest

Presentations

Approval of Minutes

1. Audit Committee Minutes of January 20, 2016. p. 1

Items

2. Review of 2015 Financial Statements.

Ms. Trudy White and Mr. Michael Jones, BDO Canada LLP and the Director of Financial Services/Treasurer and Manager of Accounting/Finance to review:

- a) Town of Newmarket Consolidated Financial Statements. p. 5
- b) Town of Newmarket Main Street District BIA Financial Statements, Independent Auditor's Report dated June 27, 2016. p. 33
- c) Town of Newmarket Trust Fund Financial Statements, Independent Auditor's Report dated June 27, 2016. p. 38
- d) Financial Statement Discussion and Analysis (FSD&A). p. 43

The Director of Financial Services/Treasurer recommends:

a) THAT the Town of Newmarket's Draft 2015 Consolidated Financial Statements, Trust Fund Financial Statements and Main Street District BIA Financial Statements from BDO Canada LLP be received;

i) AND THAT the Audit Committee recommend to Council that the Town of Newmarket's Draft 2015 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)

3. 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 Wednesday, January 20, 2016 in the Davis Room, 395 Mulock Drive, Newmarket.

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

Staff Present: R.N. Shelton, Chief Administrative Officer
A. Moore, Commissioner of Corporate Services
M. Mayes, Director of Financial Services/Treasurer
D. Schellenberg, Manager of Finance and Accounting
L. Lyons, Deputy Clerk

Guests: P. Duggan, Director, Audit Services,
The Regional Municipality of York
T. Waite, Senior Internal Auditor, Audit Services,
The Regional Municipality of York

C. Prattas in the Chair.

The meeting was called to order at 9:31 a.m.

The Chief Administrative Officer introduced Mr. Paul Duggan and Mr. Travis Waite, Audit Services, The Regional Municipality of York.

Declarations of Pecuniary Interest

None.

Presentations/Deputations

1. Mr. Paul Duggan, Director, Audit Services, The Regional Municipality of York provided a PowerPoint presentation regarding the Audit Services Memorandum of Understanding. He advised of details related to the audit services and reviewed the assignments since the last report to the Audit Committee.

He provided feedback regarding the N6 project, the financial risk of OMEX and management of same, vehicle equipment replacement program, employee benefit programs and employee expense report controls.

Discussion ensued regarding the 2016 Audit Plan, the Infrastructure Levy Best Practices Review Northern 6 Project and the Risk Assessment Update. Mayor Van Bynen requested that the Audit Committee be involved in the Risk Assessment process.

Discussion ensued regarding potential internet information breaches and risks.

The Chief Administrative Officer explained the transparency policies in place and advised that information risks will form part of the Audit Committee discussions at the June, 2016 meeting.

Moved by: Mayor Van Bynen
Seconded by: Michael Tambosso

THAT the PowerPoint presentation by Mr. Paul Duggan, Director, Audit Services, The Regional Municipality of York be received and the information risk discussions be added as an item on the June 15, 2016 Audit Committee agenda.

Carried

2. The Director of Financial Services/Treasurer and the Manager of Finance and Accounting provided a verbal update overview of the financial statements and risk areas.

The Director of Financial Services reviewed the notes of the 2014 financial statements. He also identified areas and items of risk and future risk. He distributed copies of Corporate Services Information Report – Financial Services 2015-29 dated May 22, 2015 with respect to 2014 Reserves and Reserve Funds Continuity. He provided an overview of some prior period adjustments that would be reflected in the 2015 financial statements. Mr. Tambosso requested additional information regarding adjustments be circulated to Members of the Audit Committee within the next thirty days. Discussion ensued regarding portions of the Municipal Act which do not require financial reporting.

Moved by: Michael Tambosso
Seconded by: Councillor Bisanz

THAT the verbal update by the Director of Financial Services/Treasurer and the Manager of Finance and Accounting regarding the overview of the financial statements and risk areas be received.

Carried

Approval of Minutes

3. Audit Committee Minutes of October 13, 2015. An amendment was made by including the Manager of Finance and Accounting to the attendance list.

Moved by: Michael Tambosso

Seconded by: Terrance Alderson

THAT the Audit Committee Minutes of October 13, 2015, as amended, be approved.

Carried

Items

4. 2016 Schedule of Meetings.

The Audit Committee Members requested that financial statements be sent out in advance of meetings and be provided in hard copy as well. A suggestion was made to book the meeting room for a two hour period.

Moved by: Councillor Bisanz

Seconded by: Terrance Alderson

THAT the 2016 Schedule of Meetings be approved.

Carried

New Business

None.

Adjournment

Moved by: Councillor Bisanz

Seconded by: Councillor Hempen

THAT the meeting adjourn.

Carried

There being no further business, the meeting adjourned at 11:01 a.m.

Date

C. Prattas, Chair

**The Corporation of the
Town of Newmarket
Consolidated Financial Statements
Year ended December 31, 2015**

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Independent Auditor's Report

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, 2015, and the statement of operations and accumulated surplus, statement of changes in net financial 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, 2015 and the results of its operations, changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants, Licensed Public Accountants

June 27, 2016
Newmarket, Ontario

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

December 31, 2015

	<u>2015</u>	<u>2014</u> (Note 3 Restated)
FINANCIAL ASSETS		
Cash and cash equivalents (Note 8)	\$ 83,424,445	\$ 71,146,192
Temporary investments (Note 9)	5,000,000	5,000,000
Taxes receivable (Note 10)	4,846,050	5,010,235
Unbilled user charges	4,413,796	4,269,884
Accounts receivable (Note 10)	6,359,972	6,668,697
Inventory for resale (Note 11)	92,074	99,515
Surplus land (Note 12)	155,285	155,285
Loans receivable (Note 10)	6,640,294	2,420,517
Investment in Newmarket Hydro Holdings Inc. (Note 13)	66,317,053	64,645,924
	<u>177,248,969</u>	<u>159,416,249</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 14)	32,435,640	22,553,576
Interest payable on debt	862,092	975,887
Employee future benefits payable (Note 15)	4,958,165	4,683,264
Long-term disability benefits payable (Note 16)	4,719,337	4,573,222
Deferred revenue (Note 17)	33,078,366	27,349,578
Long-term debt (Note 18)	39,753,155	42,618,901
	<u>115,806,755</u>	<u>102,754,428</u>
NET FINANCIAL ASSETS	<u>61,442,214</u>	<u>56,661,821</u>
NON FINANCIAL ASSETS		
Inventory (Note 11)	400,124	301,892
Prepaid expenses	1,997,821	1,669,359
Tangible capital assets (Note 28)	465,439,466	458,240,103
	<u>467,837,411</u>	<u>460,211,354</u>
ACCUMULATED SURPLUS (Note 24)	<u>\$ 529,279,625</u>	<u>\$ 516,873,175</u>

Contingencies and lease agreements (Notes 20 and 21)

THE CORPORATION OF THE TOWN OF NEWMARKET

Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2015

	2015		2014
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u> (Note 3 Restated)
REVENUES			
Taxation and user charges			
Residential and farm taxation	\$ 44,728,073	\$ 44,190,993	\$ 42,241,614
Commercial, industrial and business taxation	8,754,302	8,685,966	8,302,701
Taxation from other governments	681,000	668,984	650,276
User charges	40,780,509	40,968,437	37,589,903
	<u>94,943,884</u>	<u>94,514,380</u>	<u>88,784,494</u>
Government Transfers			
Government of Canada	568,240	622,215	529,167
Federal Gas Tax Allocation	4,382,513	2,102,286	2,216,552
Province of Ontario	966,331	1,862,089	913,822
	<u>5,917,084</u>	<u>4,586,590</u>	<u>3,659,541</u>
Other			
Contribution from developers	11,945,194	11,772,593	22,503,219
Investment income	3,750,425	4,087,687	4,028,115
Fine, penalties and interest	1,327,300	1,224,456	1,143,034
Rent and other	4,707,593	1,804,079	3,345,466
Land sales	-	12,720	-
Loss on disposal of tangible capital assets	-	(67,014)	(562,647)
	<u>21,730,512</u>	<u>18,834,521</u>	<u>30,457,187</u>
TOTAL REVENUES	<u>\$ 122,591,480</u>	<u>\$ 117,935,491</u>	<u>\$ 122,901,222</u>

THE CORPORATION OF THE TOWN OF NEWMARKET

Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2015

	<u>2015</u>		<u>2014</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u> (Note 3 Restated)
EXPENSES			
General government	\$ 15,202,899	\$ 14,532,293	\$ 15,759,232
Protection to persons and property	15,941,205	15,988,842	15,552,421
Transportation services	12,460,272	12,699,761	11,591,629
Environmental services	33,569,663	32,554,496	29,890,566
Recreation and cultural services	30,570,085	28,797,876	28,199,770
Planning and development	3,154,970	2,626,902	2,691,813
	<u>110,899,094</u>	<u>107,200,170</u>	<u>103,685,431</u>
 Net equity in earnings of Newmarket Hydro Holdings Inc.	 1,200,000	 1,671,129	 1,678,520
 ANNUAL SURPLUS	 12,892,386	 12,406,450	 20,894,311
 ACCUMULATED SURPLUS, BEGINNING OF YEAR, AS PREVIOUSLY STATED	 -	 -	 499,830,879
 PRIOR PERIOD ADJUSTMENT (Note 3)	 -	 -	 (3,852,015)
 ACCUMULATED SURPLUS, BEGINNING OF YEAR, RESTATED	 516,873,175	 516,873,175	 495,978,864
 ACCUMULATED SURPLUS, END OF YEAR	 \$ 529,765,561	 \$ 529,279,625	 \$ 516,873,175

THE CORPORATION OF THE TOWN OF NEWMARKET
Consolidated Statement of Changes in Net Financial Assets
Year ended December 31, 2015

	2015		2014
	Budget	Actual	Actual (Note 3 Restated)
Annual surplus	\$ 12,892,386	\$ 12,406,450	\$ 20,894,311
Acquisition of tangible capital assets	(17,641,644)	(19,680,658)	(18,128,932)
Contributed tangible capital assets		(4,532,696)	(18,599,230)
Amortization of tangible capital assets	16,382,567	16,432,222	15,890,594
Proceeds from sale of tangible capital assets	-	514,755	147,958
Loss on sale of tangible capital assets	-	67,014	562,647
	(1,259,077)	(7,199,363)	(20,126,963)
Changes due to inventory	(6,038)	(98,232)	(59,811)
Changes due to prepaid expenses	(17,358)	(328,462)	(860,519)
	(23,396)	(426,694)	(920,330)
CHANGE IN NET FINANCIAL ASSETS	11,609,913	4,780,393	(152,982)
NET FINANCIAL ASSETS, BEGINNING OF YEAR			
AS PREVIOUSLY REPORTED	-	-	60,666,818
PRIOR PERIOD ADJUSTMENT (Note 3)	-	-	(3,852,015)
NET FINANCIAL ASSETS, BEGINNING OF YEAR, RESTATED	56,661,821	56,661,821	56,814,803
NET FINANCIAL ASSETS, END OF YEAR	\$ 68,271,734	\$ 61,442,214	\$ 56,661,821

THE CORPORATION OF THE TOWN OF NEWMARKET

Consolidated Statement of Cash Flows

Year ended December 31, 2015

	2015		2014
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
CASH PROVIDED BY (USED IN):			
OPERATING ACTIVITIES			
Cash received from			
Taxation	\$ 53,962,966	\$ 54,448,881	\$ 49,692,665
User charges	40,396,219	42,501,756	36,723,176
Government transfers	3,892,459	5,214,343	3,696,853
Contributions from developers	7,344,754	16,857,668	4,166,210
Investment income	3,750,425	5,001,709	4,115,940
Fine, penalties and interest	1,327,300	1,252,071	1,146,296
Rent and other	4,707,593	1,722,119	3,334,540
Aurora's share of Central York Fire Services	9,281,379	8,933,489	8,808,584
	124,663,095	135,932,036	111,684,264
Cash paid for			
Salaries, wages and employee benefits	53,705,527	52,792,202	52,652,477
Materials, goods, and supplies	5,930,181	5,690,574	5,813,902
Utilities	4,353,287	4,587,919	4,226,492
Contracted and general services	27,469,940	27,316,952	26,931,314
Capital repairs and maintenance	7,127,772	1,455,737	6,988,012
Interest on long-term debt	2,237,171	2,237,170	2,359,308
Rents and financial	825,244	1,200,945	(778,092)
	101,649,122	95,281,499	98,193,413
Net change in cash from operating activities	23,013,973	40,650,537	13,490,851
CAPITAL ACTIVITIES			
Land sales	-	12,720	-
Proceeds on disposal of tangible capital assets	-	514,755	26,271
Acquisition of tangible capital assets	(17,641,644)	(19,680,658)	(18,128,932)
Net change in cash from capital activities	(17,641,644)	(19,153,183)	(18,102,661)

THE CORPORATION OF THE TOWN OF NEWMARKET
Consolidated Statement of Cash Flows**Year ended December 31, 2015**

	<u>2015</u>		<u>2014</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
FINANCING ACTIVITIES			
Loans receivable	-	(6,491,307)	-
Principal repayment on long-term debt	(2,738,587)	(2,727,794)	(2,738,587)
Net change in cash from financing activities	(2,738,587)	(9,219,101)	(2,738,587)
NET CHANGE IN CASH	2,633,742	12,278,253	(7,350,397)
CASH, BEGINNING OF YEAR	71,146,192	71,146,192	78,496,589
CASH, END OF YEAR	\$ 73,779,934	\$ 83,424,445	\$ 71,146,192
Supplementary information:			
Interest paid		\$ 2,237,171	\$ 2,359,308
Interest received		\$ 887,685	\$ 1,220,633

THE CORPORATION OF THE TOWN OF NEWMARKET

Notes to the Consolidated Financial Statements

December 31, 2015

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.

(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.

THE CORPORATION OF THE TOWN OF NEWMARKET

Notes to the Consolidated Financial Statements

December 31, 2015

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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 6.

THE CORPORATION OF THE TOWN OF NEWMARKET
Notes to the Consolidated Financial Statements
December 31, 2015

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) *Liability for contaminated sites*

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

(vi) *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.

(vii) *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.

(viii) *Long Term Disability Benefits*

The municipality has a self-insurance program for Long Term Disability claims. On an annual basis a liability is actuarially determined, on a present value basis, for claims incurred, for claims incurred but not reported, and for internal and external adjustments. Actuarial gains and losses arising in a year are amortized into future years' expenses over the average expected period during which benefits will be paid.

(ix) *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.

(x) *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, 2015

(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.

(xi) 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 and significant accruals. Actual results could differ from these estimates.

(xii) 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.

(xiii) Comparative figures

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

2. CHANGE IN ACCOUNTING POLICY

Effective January 1, 2015, the Municipality adopted the Public Sector Accounting Standard Section PS 3260 Liability for Contaminated Sites. This change in accounting policy has been made in accordance with the transitional provisions of the standard which is to be applied either retroactively or prospectively. The Municipality has chosen to apply this standard prospectively. As a result of this change in accounting policy, there has been no effect on the financial statements.

3. PRIOR PERIOD ADJUSTMENT

Management has restated the consolidated financial statements for the comparative year to reclassify the long-term disability benefit obligation and fire reserves from accumulated surplus to liabilities and the health and dental deposits to prepaids. The impact of these restatements is as follows:

Statement of Financial Position

Increase in prepaid expenses	\$	801,471
Increase in accounts payable		(189,780)
Increase in long-term disability benefits obligation	\$	<u>(4,573,222)</u>
Increase (decrease) in accumulated surplus, December 31, 2014		<u>(3,961,531)</u>

Statement of Operations

Increase(decrease) in expense		
Health and dental deposits	\$	(30,885)
Long-term disability benefits		84,222
Central York Fire Services		<u>56,179</u>
Total increase (decrease) in expense		109,516
Increase (decrease) in annual surplus		(109,516)
Increase (decrease) in opening annual surplus, January 1, 2014		<u>(3,852,015)</u>

THE CORPORATION OF THE TOWN OF NEWMARKET

Notes to the Consolidated Financial Statements

December 31, 2015

4. 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.

	Revenue	Expenses
Council approved budget:		
Operating fund - April 20, 2015	\$ 112,127,407	\$ 112,127,407
Less: Principal payment on long-term debt	-	(2,927,071)
Less: Transfers to / from other funds	(8,111,331)	(19,079,764)
Capital budget - New - April 20, 2015	29,333,475	29,333,475
Plus: Capital budget carried over from previous years	28,132,006	28,132,006
Less: Transfers to / from other funds	(40,425,164)	-
Reserves and reserve funds - May 25, 2015	20,247,854	48,187,495
Less: Transfers to / from other funds	(18,712,767)	(48,187,495)
TOTAL COUNCIL APPROVED BUDGET	122,591,480	147,586,053
Less: Tangible Capital Assets Capitalized	-	(53,459,526)
Plus: Budgeted amortization expense	-	16,382,567
Plus: Post-employment benefit expenses	-	390,000
Adjusted Budget per Consolidated Statement of Operations	\$ 122,591,480	\$ 110,899,094

5. 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	\$ 43,538,215	\$ 56,102,742

6. 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 experienced significant changes in their property assessments. Provincial legislation empowered municipalities with tools to lessen the immediate impact of the related property tax changes. These programs are administered by the Region of York for all constituent area municipalities. For multi-residential, commercial and industrial property owners, the Province of Ontario instituted a mandatory capping program which continued in 2015.

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.

7. 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.

THE CORPORATION OF THE TOWN OF NEWMARKET

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8. 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 restricted and designated cash is a \$40,000,000 non-redeemable guaranteed investment certificate, with an interest rate of 1.25%, maturing in March, 2016.

Cash is segregated as follows:

	2015	2014
Restricted - obligatory reserve funds (refer to Note 17)	\$ 30,867,671	\$ 26,532,144
Designated - reserve funds (refer to Note 24)	26,321,997	31,764,619
Unrestricted and undesignated	26,234,777	12,849,429
	<u>\$ 83,424,445</u>	<u>\$ 71,146,192</u>

9. 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 1.5%, matures November, 2016.

	2015	2014
Non-redeemable guaranteed investment certificate	\$ 5,000,000	\$ 5,000,000

10. RECEIVABLES

(a) Taxes receivable

	2015	2014
Current year	\$ 3,358,376	\$ 3,544,815
Arrears previous years	2,153,417	1,877,051
	<u>5,511,793</u>	<u>5,421,866</u>
Less allowance	665,743	411,631
	<u>\$ 4,846,050</u>	<u>\$ 5,010,235</u>

(b) Accounts receivable

	2015	2014
Government entities	\$ 2,628,454	\$ 4,166,361
Newmarket Hydro Holdings Inc.	2,672,000	1,336,000
Trade receivables, user fees and other receivables	1,082,233	1,267,940
	<u>6,382,687</u>	<u>6,770,301</u>
Less allowance	22,715	101,604
	<u>\$ 6,359,972</u>	<u>\$ 6,668,697</u>

(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.

The June 16, 2015 site plan agreement with Green & Rose includes a deferral of the payment of development charges and other fees to three years from the issuance of the building permits, September 1, 2018. Of the \$6,640,294 receivable, \$4,557,753 is for Region development charges which will be payable to them.

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11. 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.

12. 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.

13. 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.

The financial statements of Newmarket Hydro Holdings Inc. (including comparatives) have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC). These are the company's first annual financial statements prepared in accordance with IFRS.

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

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

	2015	2014
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.	14,620,299	12,949,170
Total investment	\$ 66,317,053	\$ 64,645,924

THE CORPORATION OF THE TOWN OF NEWMARKET

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13. INVESTMENT IN NEWMARKET HYDRO HOLDINGS INC. (continued)

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.

	2015	2014
Revenues:		
Investment income	\$ 1,205,600	\$ 1,205,600
Rent, property tax and other	377,439	375,601
Expenses:		
Energy purchases	3,410,483	3,596,417
Services - street light capital & maintenance	342,318	325,574
Dividends received	-	1,336,000
Dividends accrued	2,672,000	1,336,000
Accounts payable	289,015	380,484

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

	2015	2014
Financial position		
Current assets	\$ 34,234,748	\$ 35,232,249
Capital assets, future income taxes and other	93,203,689	82,277,507
Regulatory deferral account debit balances	3,916,408	2,191,352
Total assets	131,354,845	119,701,108
Current liabilities	13,395,057	14,585,416
Long term liabilities	58,515,974	50,663,612
Total liabilities	71,911,031	65,249,028
Non-controlling interest	3,237,102	3,109,976
Shareholder equity		
Share capital	29,609,342	29,609,342
Retained earnings	15,993,683	14,242,313
Accumulated other comprehensive income	164,616	143,857
	45,767,641	43,995,512
Regulatory deferral account credit balances	10,439,071	7,346,592
Total liabilities and equity	\$ 131,354,845	\$ 119,701,108
Results of operations		
Revenues	\$ 89,372,496	\$ 85,173,205
Operating expenses	(83,435,557)	(81,228,035)
Financing expenses	(968,064)	(957,720)
Other income	857,843	1,031,619
Non-controlling interest	(228,126)	(220,700)
Income tax	(1,145,361)	(1,131,564)
Net movement on regulatory accounts	(1,367,423)	203,444
Net income	3,085,808	2,870,249
Comprehensive income	22,321	154,685
Net income and Comprehensive income	3,108,129	3,024,934
Retained earnings, beginning of year	14,285,170	12,697,236
Net income	3,108,129	3,024,934
Dividends paid	(1,437,000)	(1,437,000)
Retained earnings, end of the year	\$ 15,956,299	\$ 14,285,170
In Town's books		
Retained earnings, end of the year - per Hydro	\$ 15,956,299	\$ 14,285,170
Less: Dividends accrued	(1,336,000)	(1,336,000)
Adjusted retained earnings, end of year	14,620,299	12,949,170
Change in adjusted retained earnings	\$ 1,671,129	\$ 1,678,520

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Notes to the Consolidated Financial Statements

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14. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities to government entities includes water and wastewater charges, development charges, capital expenditures, and \$4.5 million in deferred development charges to Green and Rose.

	2015	2014
Government entities	\$ 17,174,638	\$ 7,495,813
Payroll liabilities	1,469,420	3,640,331
Trade payables and other accrued liabilities	13,791,582	11,417,432
	<u>\$ 32,435,640</u>	<u>\$ 22,553,576</u>

15. 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.

	2015	2014
Employee future benefits	\$ 4,745,729	\$ 4,474,440
Vacation pay	212,436	208,824
	<u>\$ 4,958,165</u>	<u>\$ 4,683,264</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 \$4,745,729 was determined by the last actuarial valuation carried out as at December 31, 2015, using a discount rate of 3.25%.

Total benefit payments to retirees during the year were \$173,744 (2014 - \$101,635). The plan is substantially unfunded and requires no contributions from employees. The retirement benefit liability at December 31 includes the following components:

	2015	2014
Accrued benefits obligation	\$ 5,453,445	\$ 4,787,549
Unamortized actuarial gain/(loss)	(707,716)	(313,109)
Employee future benefits payable	<u>\$ 4,745,729</u>	<u>\$ 4,474,440</u>
Employee future benefits, beginning of the year	\$ 4,474,440	\$ 4,176,897
Annual amortization of actuarial loss	9,697	3,567
Current period service cost	246,244	233,398
Interest cost	189,092	162,213
Benefits paid for the period	(173,744)	(101,635)
Employee future benefits, end of the year	<u>\$ 4,745,729</u>	<u>\$ 4,474,440</u>

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, 2015. The unamortized actuarial loss relates to an actuarial loss of \$666,606 at January 1, 2012 (\$481,519 as at December 31, 2015), plus an actuarial loss of \$308,773 at December 31, 2015 and an actuarial loss of \$115,451 at January 1, 2015 (\$107,754 as at December 31, 2015) which are being amortized over the estimated remaining service life of the active employees, less an unamortized actuarial gain of \$457,000 at January 1, 2009 (\$190,330 as at December 31, 2015) which is being amortized over twelve years. The average remaining service period of the active employees covered by the benefit plan is fifteen years.

The assumptions used in the December 31, 2015 actuarial valuation were:

(a) *Interest (discount) rate*

The present value of the future benefits as at December 31, 2015 was determined using a discount rate of 3.25% (2014 - 3.75%).

(b) *Health costs*

Health cost premiums are assumed to increase at a 6.25% (2014 - 7.0%) rate for 2016 and decrease by 0.25% per annum to an ultimate rate of 4.5% per annum.

(c) *Dental costs*

Dental cost premiums are assumed to increase at a 3.0% (2014 - 4.0%) rate.

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Notes to the Consolidated Financial Statements
December 31, 2015

16. LONG-TERM DISABILITY BENEFITS PAYABLE

The Town provides disabled employees who meet the requirements for Long Term Disability (LTD) a monthly disability income, life insurance, health, and dental benefits. An actuarial estimate of future liabilities for currently disabled employees was completed as at December 31, 2015 and forms the basis for the estimated liability reported in these financial statements.

	2015	2014
Accrued benefits obligation	\$ 2,164,403	\$ 4,669,983
Unamortized actuarial gain/(loss)	2,554,934	(96,761)
Employee future benefits payable	\$ 4,719,337	\$ 4,573,222
Employee future benefits, beginning of the year	\$ 4,573,222	\$ 4,489,000
Annual amortization of actuarial loss	14,886	
Current period service cost	527,656	516,556
Interest cost	128,463	144,906
Benefits paid for the period	(524,890)	(577,240)
Employee future benefits, end of the year	\$ 4,719,337	\$ 4,573,222

Actuarial valuations for accounting purposes are performed every two years using the projected benefit method. The most recent actuarial report was prepared at December 31, 2015. The unamortized actuarial gain will be amortized into future years' expenses over 7 years, the average expected period during which benefits will be paid.

The assumptions used in the December 31, 2015 actuarial valuation were:

(a) *Interest (discount) rate*

The present value of the future benefits as at December 31, 2015 was determined using a discount rate of 2.5% (2014 - 2.75%).

(b) *Health costs*

Health cost premiums are assumed to increase at 5.0% per annum.

17. 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

	Beginning Balance 2015	2015 Inflows	2015 Outflows	Ending Balance 2015
Parkland	\$ 1,332,230	\$ 266,838	\$ 506,906	\$ 1,092,162
Development Charges	21,668,363	10,236,217	5,409,739	26,494,841
Engineering Administration	1,142,164	345,715	675,821	812,058
Gas Tax Grant	2,227,448	2,343,448	2,102,286	2,468,610
Investing in Ontario Grant from Province	161,939	1,726	163,665	-
	26,532,144	13,193,944	8,858,417	30,867,671
Other	817,434	6,178,996	4,785,735	2,210,695
Total	\$ 27,349,578	\$ 19,372,940	\$ 13,644,152	\$ 33,078,366

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18. LONG-TERM DEBT

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

			2015	2014
Long-term debt incurred by the Town			\$ 39,753,155	\$ 42,618,901
Purpose	Rates	Mature Dates	2015	2014
Land for recreation facilities	5.724%	2024	7,240,466	7,840,773
Youth Centre	5.724%	2024	1,677,669	1,816,764
Downtown renewal	5.724%	2024	532,145	576,265
Recreation facility	5.246%	2024	6,930,583	7,519,705
Parklands	5.246%	2024	1,473,326	1,598,564
Traffic flow improvements	5.246%	2024	848,996	921,164
Downtown revitalization	5.246%	2024	231,020	250,657
Recreation facility	4.756%	2026	9,572,858	10,222,063
Consolidated Operations Centre	5.000%	2019	9,585,069	10,124,631
FCM loan for Operations Centre	2.000%	2031	1,661,023	1,748,315
			\$ 39,753,155	\$ 42,618,901

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

2016	2,936,627
2017	3,079,140
2018	3,228,829
2019	10,924,882
2020	3,000,979
2021 and thereafter	16,582,698
	\$ 39,753,155

(c) Interest expense on long-term debt amounted to \$2,123,376 (2014 - \$2,247,206).

19. 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 \$91,121 (2014 - \$36,920).

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 \$1,000,644 (2014 - \$885,338).

20. 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.

THE CORPORATION OF THE TOWN OF NEWMARKET

Notes to the Consolidated Financial Statements

December 31, 2015

20. CONTINGENCIES (continued)

The Town has been named as defendant in a tax re-assessment application in which an exemption from municipal taxation for the years 2013 and onward has been sought. 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 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 named as defendant in a complaint by a home owner in a subdivision development claiming loss of enjoyment of the property arising from alleged delays in grading and sod installation. 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 named as respondent in a human rights matter. 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.

21. 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:

2016	\$	177,243
2017		121,773
2018		73,272
	\$	372,288

22. CONTRACTUAL OBLIGATIONS

During the year the Town had work done on several major projects with contract values totaling approximately \$22,461,292. These contracts relate to the construction, repair and replacement of certain facilities and infrastructure. Approximately \$6,326,416 relating to these contracts had not been expended as at December 31, 2015.

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 \$26,803,924, of which expenses of approximately \$6,610,837 were outstanding as at December 31, 2015.

23. PENSION AGREEMENTS

OMERS provides pension services to approximately 461,000 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, 2015. The results of this valuation disclosed total actuarial liabilities of \$81.9 billion in respect of benefits accrued for service with actuarial assets at that date of \$74.9 billion indicating an actuarial deficit of \$7.0 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 2015 ranged from 9% to 15.9% depending on the proposed retirement age and level of earnings. The 2015 operating expense for OMERS was \$4,083,200 (2014- \$4,037,385).

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Notes to the Consolidated Financial Statements

December 31, 2015

24. ACCUMULATED SURPLUS

The Accumulated Surplus is comprised of the following:

	2015	2014
Reserves set aside for specific purposes by Council		
Reserves for operating purposes	\$ 4,507,618	\$ 4,719,091
Reserves for capital purposes	806,259	1,173,308
Newmarket Public Library	627,847	543,697
Building Code Act Fees	5,381,847	5,316,860
Water & Wastewater Rate Stabilization	2,832,711	1,089,450
Total Reserves	14,156,282	12,842,406
Reserve funds set aside for specific purposes by Council		
Asset replacement funds	18,394,533	15,905,427
Reserve funds for operating purposes	3,432,639	3,752,975
Reserve funds for capital purposes	948,736	4,786,563
Self-insured long-term disability	3,548,089	3,358,123
Total Reserve Funds	26,321,997	27,803,088
Total Reserves and Reserve Funds	40,478,279	40,645,494
Invested in tangible capital assets	465,439,466	458,240,103
Less: amount financed by long-term debt	(39,753,155)	(42,618,901)
Surplus land	155,285	155,285
Operating surplus	15,135	-
Funds available for future capital expenses	617,247	156,878
Funds to be provided from future revenues	(449,046)	(1,085,870)
Equity in Newmarket Hydro Holdings Inc. (Note 12)	66,317,053	64,645,924
Employee future benefits to be recovered	(3,540,639)	(3,265,738)
Accumulated Surplus	\$ 529,279,625	\$ 516,873,175

25. 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 17). 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:

Cost-sharing agreements	\$ 1,221,791	\$ 1,018,749
Grants with stipulations	2,102,286	2,216,552
Other grants	1,262,513	424,240
	\$ 4,586,590	\$ 3,659,541

26. 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.

	2015	2014
Net expenses before allocation	\$ 22,677,776	\$ 22,049,022
Less: Aurora's allocation (2015 - 40.23%; 2014 - 39.95%)	(9,123,269)	(8,808,584)
Newmarket's net allocation	\$ 13,554,507	\$ 13,240,438

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Notes to the Consolidated Financial Statements

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27. TRUST FUND

The Trust fund administered by the Town amounting to \$323,407 (2014 - \$317,031) 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.

28. 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 2015 road network had 227 kilometers (2014 - 227 km).

b) Capitalization of interest

No interest was capitalized in 2015 (2014 - nil).

c) Construction in Process

The financial statements and accompanying schedules include \$24,130,798 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 \$4,532,696 (2014 - \$18,599,230). Contributed assets included streetlights (\$325,530), storm water management pond (\$456,000) and underground linear assets (\$3,751,166) of subdivisions assumed by the Town in 2015. The 2014 contributed assets consisted of land, street lighting, and linear assets by developers.

29. 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 26). 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.

THE CORPORATION OF THE TOWN OF NEWMARKET

Notes to the Consolidated Financial Statements

December 31, 2015

29. SEGMENTED INFORMATION (continued)

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 26.

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.

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.

30. SUBSEQUENT EVENTS

On February 12, 2016 the Town acquired lands from the Church of Christ on Davis Drive for \$500,000. The Church also donated a parcel of land for which a donation receipt in the amount of \$360,000 was issued.

On February 12, 2016 the Town and the Town of Aurora purchased a four acre parcel of land in Aurora for the construction of a new fire facility. The purchase price of \$3,656,031 was split 59.8%, 40.2% by the respective municipalities.

The Corporation of the Town of Newmarket
Tangible Capital Assets - Summary By Asset Category
December 31, 2015

Schedule 1

	Cost				Accumulated Amortization				2015	
	2015 Opening Balance	Additions and Betterments	Disposals/ Transfers	Write Downs	2015 Closing Balance	2015 Opening Balance	2015 Amortization Expense	Accumulated Amortization on Disposals	2015 Ending Balance	Net Book Value
General Capital Assets										
Land	\$ 74,717,975				\$ 74,717,975	\$ -			\$ -	\$ 74,717,975
Land Improvements	9,857,799	365,839	128,908		10,094,729	1,651,859	297,381	128,908	1,820,332	8,274,397
Building	83,948,319	305,449	-		84,253,768	30,963,511	2,241,661	-	33,205,172	51,048,596
Machinery and Equipment	11,569,482	2,887,346	1,192,048		13,264,780	6,674,623	980,763	1,069,263	6,586,123	6,678,657
Vehicles	5,596,268	237,272	143,811		5,689,729	2,274,745	406,109	139,229	2,541,625	3,148,104
Other - Library Collections	1,766,906	207,507	219,417		1,754,996	940,639	220,301	219,417	941,523	813,473
	\$ 187,456,748	\$ 4,003,413	\$ 1,684,184	\$ -	\$ 189,775,977	\$ 42,505,377	\$ 4,146,215	\$ 1,556,817	\$ 45,094,775	\$ 144,681,202
Infrastructure Assets										
Land	\$ 15,894,527	\$ 2	\$ 205,851		\$ 15,888,678	\$ -			\$ -	\$ 15,888,678
Land Improvements	23,551,780	522,280	323,306		23,750,754	17,049,749	538,818	323,306	17,265,261	6,485,493
Buildings	24,050,529	857,762	61,630		24,848,461	3,142,430	773,918	61,630	3,654,516	20,991,945
Machinery & Equipment	1,425,480	438,607	-		1,864,087	810,102	142,487	-	952,589	911,498
Vehicles	2,321,116	167,772	212,588		2,276,300	1,418,076	315,099	209,659	1,523,516	752,784
Linear Assets	440,427,914	8,965,188	1,171,774		448,221,308	188,834,704	10,515,687	926,151	196,424,240	251,797,068
	\$ 507,671,346	\$ 10,951,591	\$ 1,975,349	\$ -	\$ 516,647,588	\$ 209,265,061	\$ 12,286,007	\$ 1,520,946	\$ 220,020,122	\$ 296,627,466
Assets under construction	\$ 14,872,447	\$ 10,481,577	\$ 1,223,226	\$ -	\$ 24,130,798	\$ -	\$ -	\$ -	\$ -	\$ 24,130,798
Total Tangible Capital Assets	\$ 710,000,541	\$ 25,436,581	\$ 4,882,759	\$ -	\$ 730,554,363	\$ 251,760,438	\$ 16,432,222	\$ 3,077,763	\$ 265,114,897	\$ 465,439,466

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
General Capital Assets										
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	260,221	-	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	6,128,837	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	221,885	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>
Infrastructure Assets										
Land	\$ 16,016,205	\$ 9	\$ 121,687		\$ 15,894,527	\$ -			\$ -	\$ 15,894,527
Land improvements	23,551,780				23,551,780	16,485,855	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	163,773			2,321,116	1,106,032	312,044		1,418,076	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>\$ 27,675,716</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>
Assets under construction										
	<u>\$ 9,953,699</u>	<u>\$ 10,208,286</u>	<u>\$ 5,269,538</u>		<u>\$ 14,872,447</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,872,447</u>
Total Tangible Capital Assets										
	<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
Segment Disclosures - Service Bundle
Year Ended December 31, 2015

Schedule 2

	Fire & Emergency Services		Water, Wastewater & Solid Waste		Bylaw & Licensing Services		Roads, Bridges & Sidewalks	
	2015	2014	2015	2014	2015	2014	2015	2014
EXPENSES								
Salaries and wages	\$ 19,381,664	\$ 18,743,473	\$ 2,203,634	\$ 2,109,033	\$ 1,033,998	\$ 960,924	\$ 2,427,530	\$ 1,999,590
Materials, goods and supplies	743,021	694,145	673,519	620,759	55,829	61,969	603,175	973,081
Utilities	161,218	140,141	29,283	28,668	-	-	1,201,327	1,452,129
Contracted and general services	749,008	861,861	20,986,340	19,295,194	355,055	266,739	1,098,174	730,470
Rents and financial	-	-	51,030	47,511	225	-	326	-
Interest on long-term debt	-	-	577,750	586,464	-	-	-	-
Capital repairs and maintenance	314,411	418,560	2,017,887	644,413	902	-	2,297,513	1,948,294
Amortization expenses	355,887	317,038	5,204,034	4,988,783	10,126	-	5,633,446	5,388,875
Allocations	(7,138,835)	(6,792,944)	2,816,253	2,816,253	873,964	873,964	1,458,932	1,458,932
Total expenses	14,566,374	14,382,274	34,559,730	31,137,078	2,330,099	2,163,596	14,720,423	13,951,371
REVENUES								
Taxation	14,495,552	12,888,362	2,846,037	2,778,312	1,241,931	1,439,251	10,902,703	10,385,028
User charges	270,564	262,801	31,176,117	28,931,785	400,988	384,242	106,143	167,411
External non-tax revenues	(193,379)	55,225	6,890,287	12,226,770	394,677	280,933	3,204,593	10,522,444
Gain / (loss) on sale of tangible capital assets	2,073	3,018	(101,153)	(218,933)	-	-	(13,191)	(350,823)
Total revenues	14,574,810	13,209,406	40,811,288	43,717,934	2,037,596	2,104,426	14,200,248	20,724,060
Net surplus of Gov't. Business Enterprise	-	-	-	-	-	-	-	-
Annual Surplus (Deficit)	\$ 8,436	\$ (1,172,868)	\$ 6,251,558	\$ 12,580,856	\$ (292,503)	\$ (59,170)	\$ (520,175)	\$ 6,772,689

The Corporation of the Town of Newmarket
Segment Disclosures - Service Bundle
Year Ended December 31, 2015

Schedule 2

	Planning & Development Services		Community Programs and Events		Facilities, Parks & Trails		Corporate Support & Governance	
	2015	2014	2015	2014	2015	2014	2015	2014
EXPENSES								
Salaries and wages	\$ 3,784,701	\$ 3,647,666	\$ 4,965,692	\$ 4,638,805	\$ 7,273,975	\$ 7,243,901	\$ 9,822,203	\$ 9,752,459
Materials, good and supplies	216,101	266,484	184,998	138,396	1,431,592	1,650,123	411,096	582,654
Utilities	-	-	3,949	3,759	2,304,719	2,125,170	606,388	534,240
Contracted and general services	218,064	283,066	979,290	828,488	768,955	403,453	3,094,944	4,216,482
Rents and financial	-	-	44,696	30,569	49,170	41,504	140,068	61,955
Interest on long-term debt	-	-	-	-	-	-	1,545,625	1,660,742
Capital repairs and maintenance	161,776	85,289	32,237	77,360	1,783,510	2,395,731	375,412	425,843
Amortization expenses	-	-	31,663	-	4,138,819	4,214,227	643,167	676,548
Allocations	2,242,853	2,242,853	2,018,051	2,018,051	2,410,334	2,410,334	(14,296,994)	(14,272,021)
Total expenditures	6,623,495	6,525,358	8,260,576	7,735,428	20,161,074	20,484,443	2,341,909	3,638,902
REVENUES								
Taxation	3,303,097	3,597,061	4,275,461	4,364,077	13,068,390	12,534,252	49,614	-
User charges	2,656,945	1,911,273	3,429,451	2,869,930	2,551,919	2,675,441	312,940	319,451
External non-tax revenues	794,566	811,237	389,790	394,068	5,379,061	2,545,600	6,349,765	7,561,500
Gain / (loss) on sale of tangible capital assets	-	-	-	-	45,257	4,092	-	-
Total revenues	6,754,608	6,319,571	8,094,702	7,628,075	21,044,627	17,759,385	6,712,319	7,880,951
Net surplus of Gov't. Business Enterprise	-	-	-	-	-	-	1,671,129	1,678,520
Annual Surplus (Deficit)	\$ 131,113	\$ (205,787)	\$ (165,874)	\$ (107,353)	\$ 883,553	\$ (2,725,058)	\$ 6,041,539	\$ 5,920,569

The Corporation of the Town of Newmarket
Segment Disclosures - Service Bundle
Year Ended December 31, 2015

Schedule 2

	Public Library Services		Main Street District BIA		Consolidated	
	2015	2014	2015	2014	2015	2014
EXPENSES						
Salaries and wages	\$ 2,182,466	\$ 2,298,359	\$ -	\$ -	\$ 53,075,863	\$ 51,392,210
Materials, good and supplies	268,831	251,007	8,221	9,759	4,596,383	5,248,377
Utilities	109,602	92,466	-	-	4,416,486	4,376,573
Contracted and general services	118,692	102,294	11,744	18,689	28,380,266	27,006,736
Rents and financial	-	-	-	-	285,515	181,539
Interest on long-term debt	-	-	-	-	2,123,375	2,247,206
Capital repairs and maintenance	29,681	99,112	-	-	7,013,329	6,094,601
Amortization expenses	415,080	305,123	-	-	16,432,222	15,890,594
Allocations	492,173	492,173	-	-	(9,123,269)	(8,752,405)
Total expenditures	3,616,525	3,838,534	19,955	28,448	107,200,170	103,685,431
REVENUES						
Taxation	3,333,158	3,178,248	30,000	30,000	53,545,943	51,194,591
User charges	63,370	67,570	-	-	40,968,437	37,589,904
External non-tax revenues	274,865	276,898	3,900	4,700	23,488,125	34,679,374
Gain / (loss) on sale of tangible capital assets	-	-	-	-	(67,014)	(562,647)
Total revenues	3,671,393	3,522,716	33,900	34,700	117,935,491	122,901,222
 Net surplus of Gov't. Business Enterprise	 -	 -	 -	 -	 1,671,129	 1,678,520
Annual Surplus (Deficit)	\$ 54,868	\$ (115,818)	\$ 13,935	\$ 6,252	\$ 12,406,450	\$ 20,894,311

**The Corporation of the
Town of Newmarket
Main Street District BIA
Financial Statements
Year ended December 31, 2015**

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Independent Auditor's Report

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, 2015, 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, 2015 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 27, 2016
Newmarket, Ontario

THE CORPORATION OF THE TOWN OF NEWMARKET
Main Street District BIA
Statement of Continuity
Year Ended December 31, 2015

DRAFT

	<u>2015</u>	<u>2014</u>
FUND BALANCE, BEGINNING OF PERIOD	\$ 12,810	\$ 6,558
REVENUES		
Taxation	30,000	30,000
Events	3,900	4,700
Total revenues	33,900	34,700
EXPENDITURES		
Promotion and events	8,221	9,759
Advertising	11,744	18,689
Total expenditures	19,965	28,448
FUND BALANCE, END OF PERIOD	\$ 26,745	\$ 12,810

Statement of Financial Position

December 31, 2015

	<u>2015</u>	<u>2014</u>
ASSET		
Cash	\$ 26,745	\$ 12,810
FUND BALANCE	\$ 26,745	\$ 12,810

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, 2015

DRAFT

	<u>2015</u>	<u>2014</u>
Cash received from		
Taxation	\$ 30,000	\$ 30,000
Rent and other	3,900	4,700
	<u>33,900</u>	<u>34,700</u>
Cash paid for		
Materials, goods and supplies	8,221	9,759
Contract and general services	11,744	18,689
	<u>19,965</u>	<u>28,448</u>
Net Change in Cash	13,935	6,252
Cash, Beginning of Year	12,810	6,558
Cash, End of Year	\$ 26,745	\$ 12,810

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

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

December 31, 2015

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.

**The Corporation of the
Town of Newmarket
Trust Fund
Financial Statements
Year ended December 31, 2015**

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Independent Auditor's Report

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, 2015, 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 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, 2015 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 27, 2016
Newmarket, Ontario

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

Statement of Continuity

DRAFT

December 31, 2015

	<u>2015</u>	<u>2014</u>
FUND BALANCE, BEGINNING OF YEAR	\$ 317,031	\$ 312,128
REVENUES		
Interest	357	2,535
Investment Income	6,019	2,368
Total revenues	6,376	4,903
EXPENDITURES		
Transfer to Capital Fund	-	-
Total expenditures	-	-
FUND BALANCE, END OF YEAR	\$ 323,407	\$ 317,031

Statement of Financial Position

December 31, 2015

	<u>2015</u>	<u>2014</u>
ASSET		
Cash	81,470	14,663
Investment interest receivable	1,937	2,368
Investments (Note 3)	240,000	300,000
Fund Balance (Note 2)	\$ 323,407	\$ 317,031

THE CORPORATION OF THE TOWN OF NEWMARKET TRUST FUND

Statement of Cash Flow

DRAFT

Year Ended December 31, 2015

	2015	2014
Cash received from		
Interest	\$ 357	\$ 2,535
Investment Income	6,450	-
	<u>6,807</u>	<u>2,535</u>
Cash paid for		
Materials, goods and supplies	-	-
	<u>-</u>	<u>-</u>
Net change in cash from operating activities	6,807	2,535
Financing Activities		
Investment	60,000	(300,000)
Net change in cash from financing activities	<u>60,000</u>	<u>(300,000)</u>
Net Change In Cash	66,807	(297,465)
Cash, Beginning of Year	<u>14,663</u>	<u>312,128</u>
Cash, End of Year	<u>\$ 81,470</u>	<u>\$ 14,663</u>

THE CORPORATION OF THE TOWN OF NEWMARKET TRUST FUND

Notes to the Financial Statements

DRAFT

December 31, 2015

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.

	2015	2014
Guaranteed investment certificate	\$ 240,000	\$300,000

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

Financial statement discussion and analysis

The consolidated financial statements provide a picture of the Town's financial position as at December 31, 2015 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.

2015 Financial Indicators	2015	2014
Financial Position	\$529,279,625	\$516,873,175
Receivables as % of total taxes levied	3.16%	3.36%
Asset consumption ratio	36.29%	35.46%
Capital reserves as a % of accumulated amortization	6.94%	6.32%
Capital reserve contribution/amortization	91.57%	87.94%
Debt service costs as a % of own source revenues	4.77%	5.12%

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 22 municipalities in the Greater Toronto Area from the 2015 BMA study, the average was 6%.

Asset consumption ratio:

The asset consumption ratio shows the value of the tangible capital assets that have been consumed. Total accumulated amortization is calculated as a percentage of the gross cost of depreciable assets. This ratio highlights the aged condition of the Town's physical assets and potential asset replacement needs. A higher ratio may indicate significant replacement needs. Out of 104 municipalities in the 2015 BMA study, the average was 39.2% (Newmarket 36.3%) which is considered to be moderately new.

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 was as follows:

Tax-supported	82.2%
Utility supported	113.2%

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

Tax-supported	-12.6%
Utility supported	38.0%

Debt service costs as % of own source revenues:

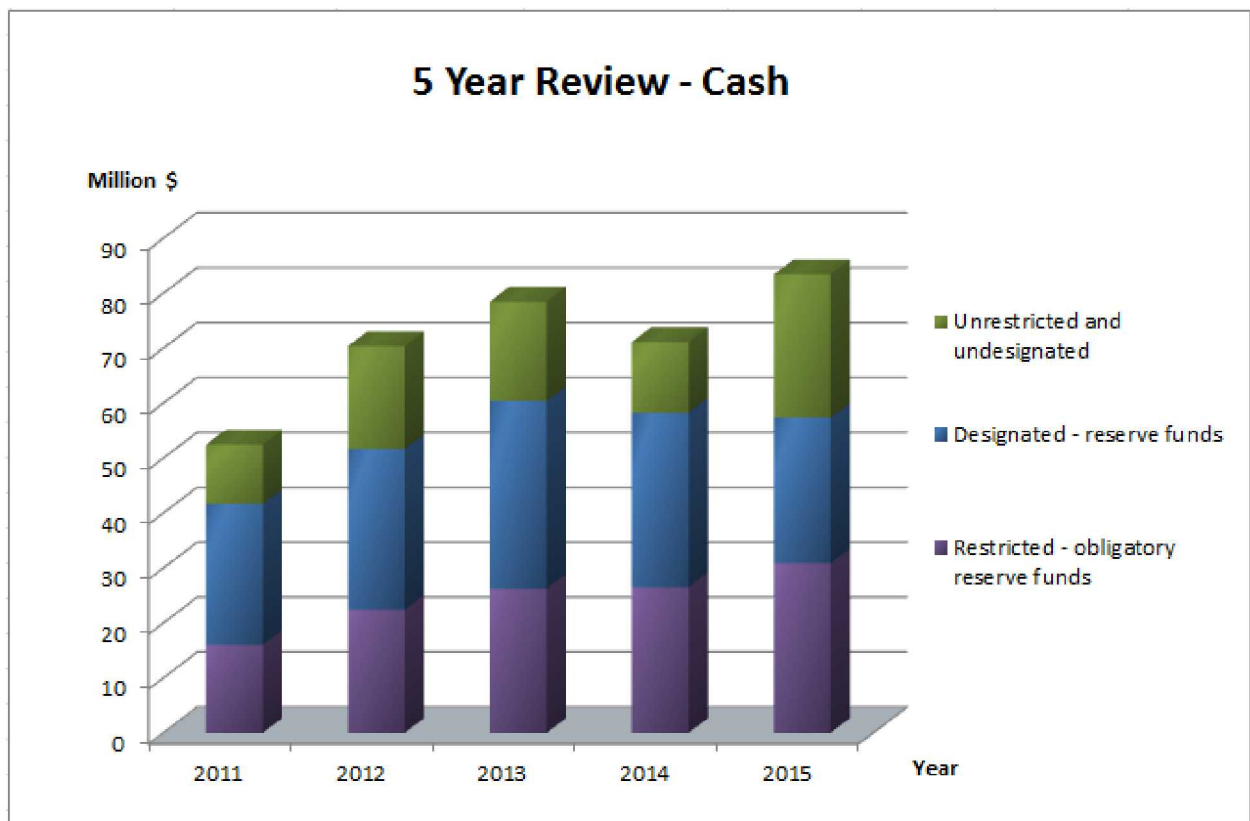
This ratio indicates the extent to which the Town's own source revenues are committed to debt charges. The Ministry of Municipal Affairs and Housing considers a ratio between 5% and 10% to be a moderate risk and a ratio below 5% to be low risk. This is the same calculation as used for the Annual Repayment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

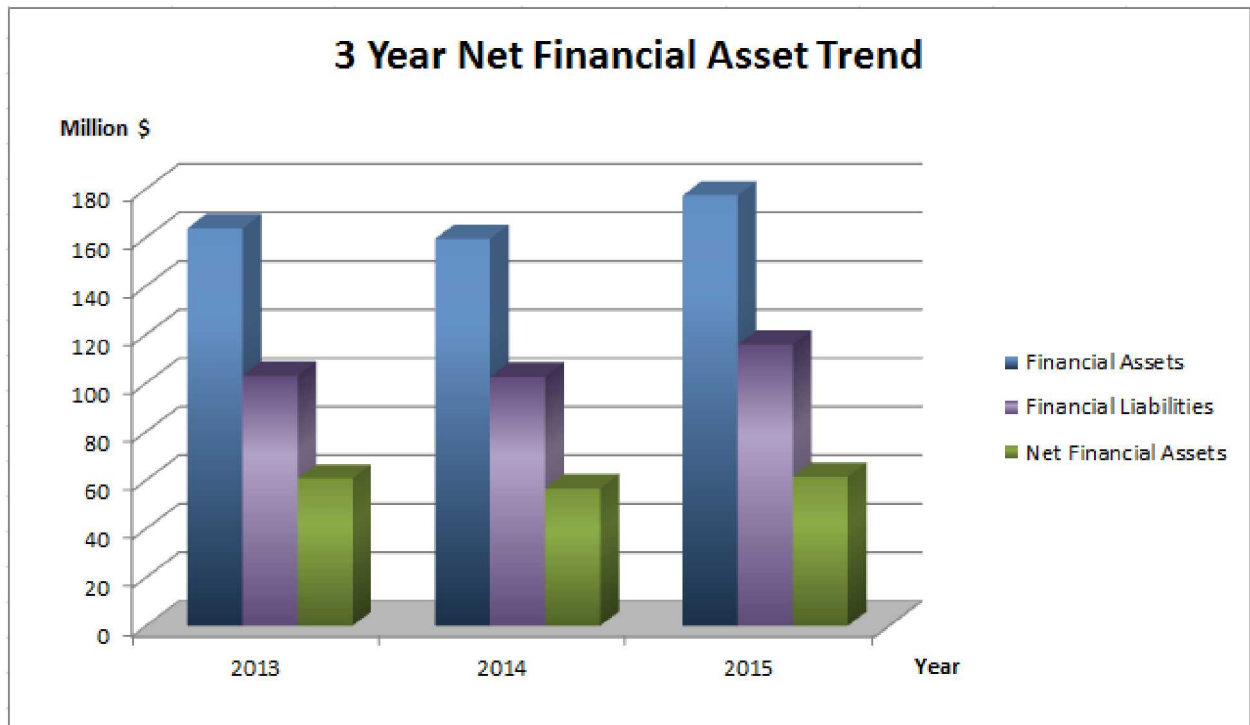
Cash

The Town ended the year with a cash position \$12.3 million higher than that of 2014 but \$6.5 million higher than the year-end position budgeted. Cash includes our \$40 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. Two factors for the increased cash position included the \$16.9 million in contributions from developers, as well as the higher accounts payable position of \$32.4 million. Unrestricted and undesignated cash has increased due to the change in accounting for a portion of our long-term disability benefits from a restricted reserve fund to a liability.



Net Financial Assets

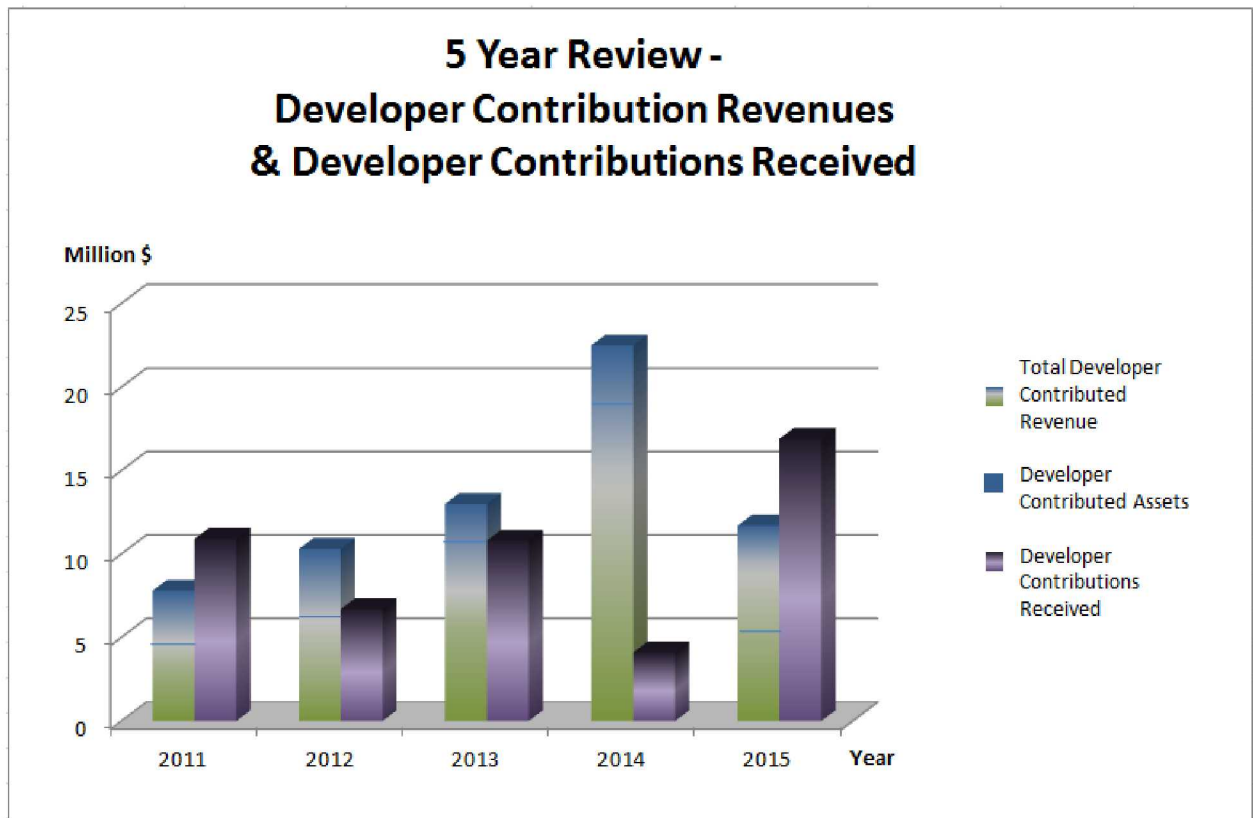
The difference between financial assets and liabilities is a strong measure of the financial position of the Town. Positive balances indicate the Town's ability to meet long term commitments and have funds set aside for future sustainability. The Town's net financial assets were \$4.8 million higher than last year's restated level.



Deferred revenue

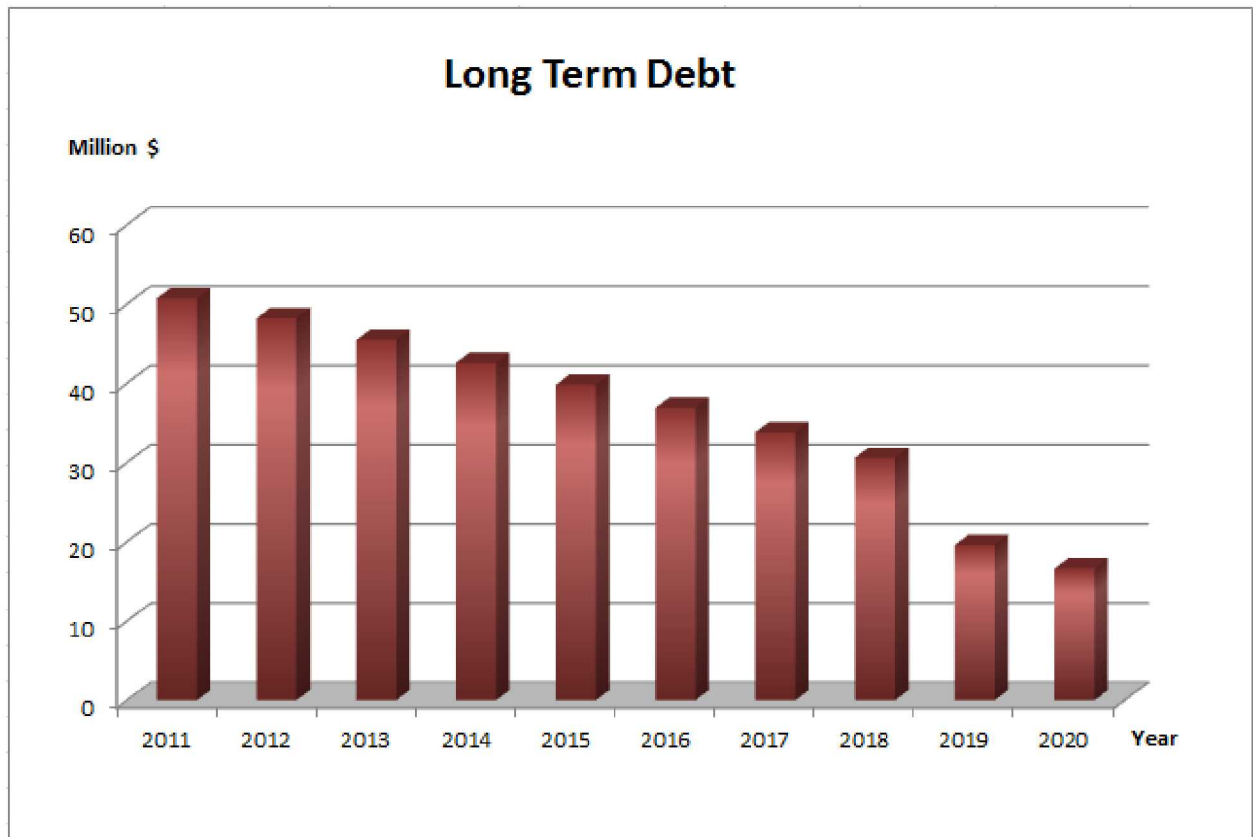
Deferred revenue represents unexpended development charge and engineering administration revenues, unspent restricted grants from the Federal and Provincial governments, and prepaid building permit revenue. In 2015, the Town collected \$16.9 million in cash contributions from developers and \$4.5 million in capital contributions were transferred to the Town. Of this total, \$11.8 million was recognized as revenue. Funding of \$5.4 million (budget \$9 million) was applied to the associated capital projects.

We deferred \$1.4 million 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 \$118,000 were recognized in 2015.



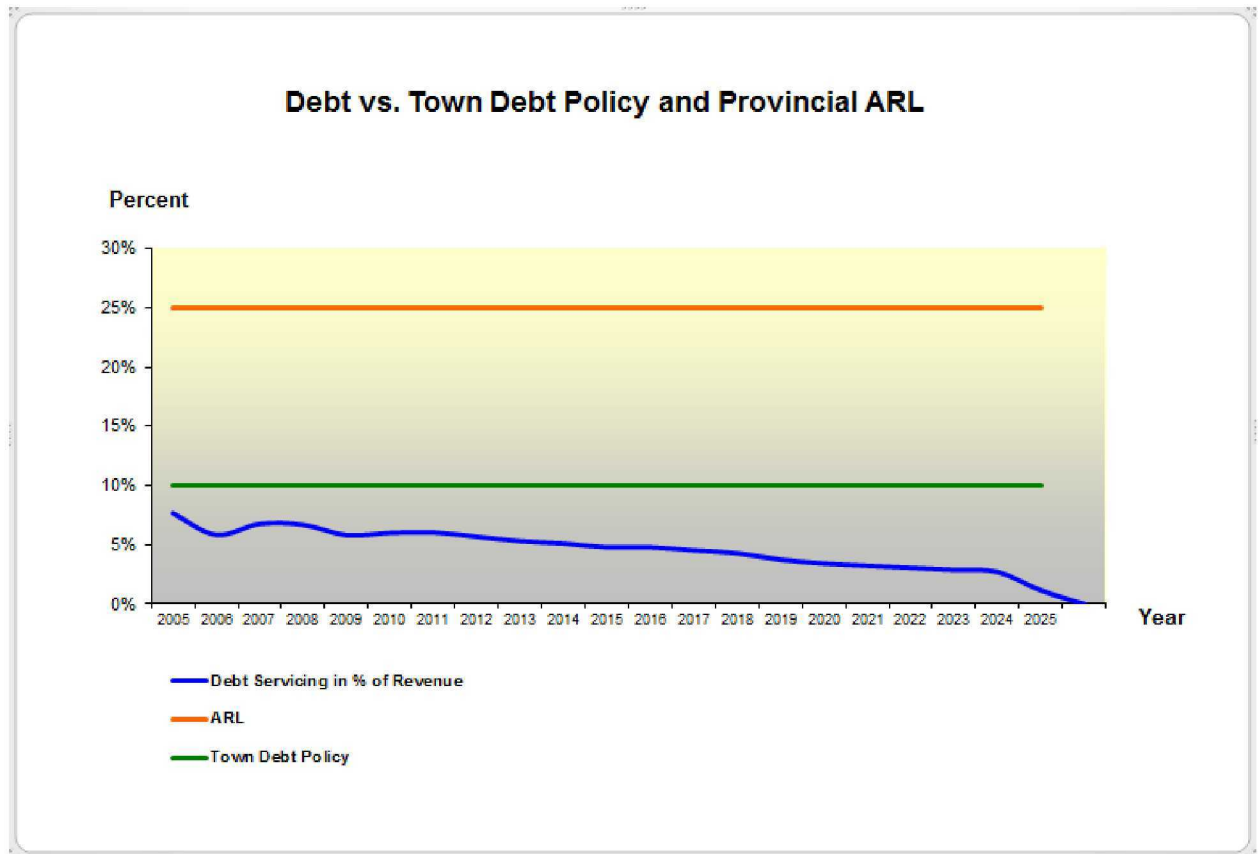
Long-term debt

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 2016. In 2015, the Town's actual debt servicing was 4.8% (2014 – 5.1%) - well within policy limits. At an annual interest rate of 5% with a term of 20 years, the Town could borrow another \$87.3 million and still remain within its 10% debt servicing (borrowing) limit. \$2.7 million of principal was repaid in 2015.

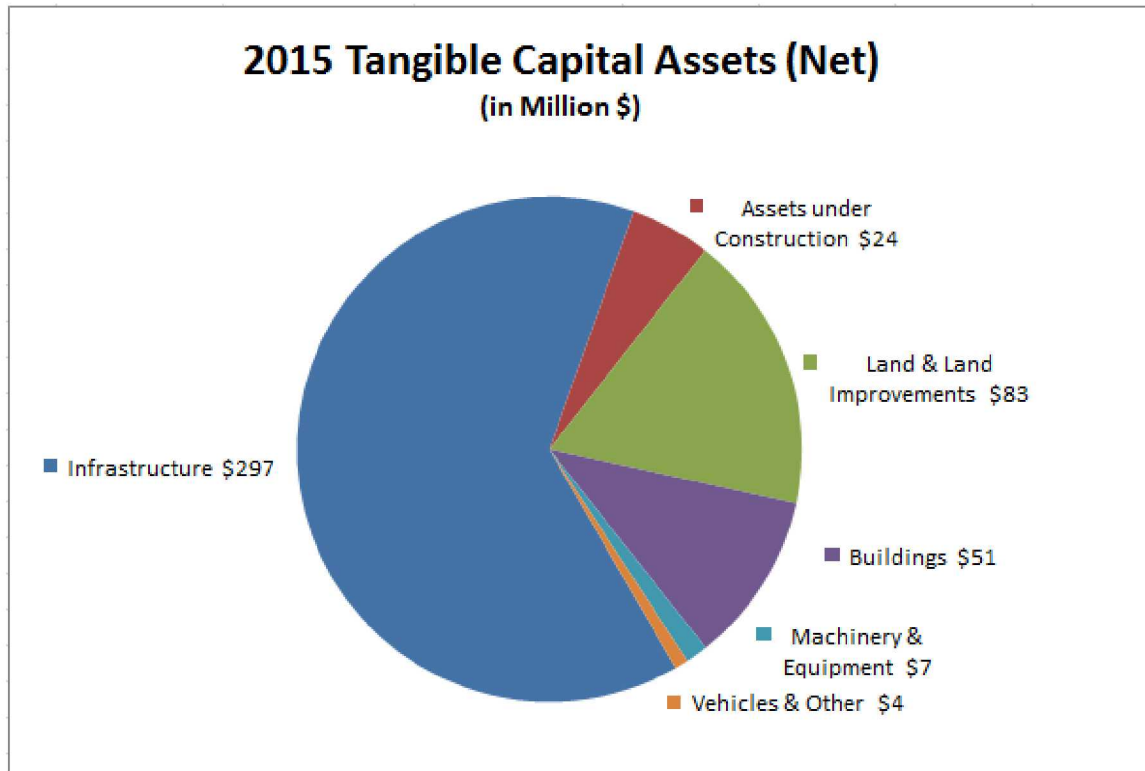


The Town's long-term debt position reflects the pattern of investment in major infrastructure projects. In 2016, \$2.9 million of debt retirement is expected. Debt represents 8.5% of the net book value of Town's tangible capital assets (2014 – 9.3%).

In 2019 the debentures for the Operations Centre are scheduled to be paid off which account for \$8 million of the repayments in that year.



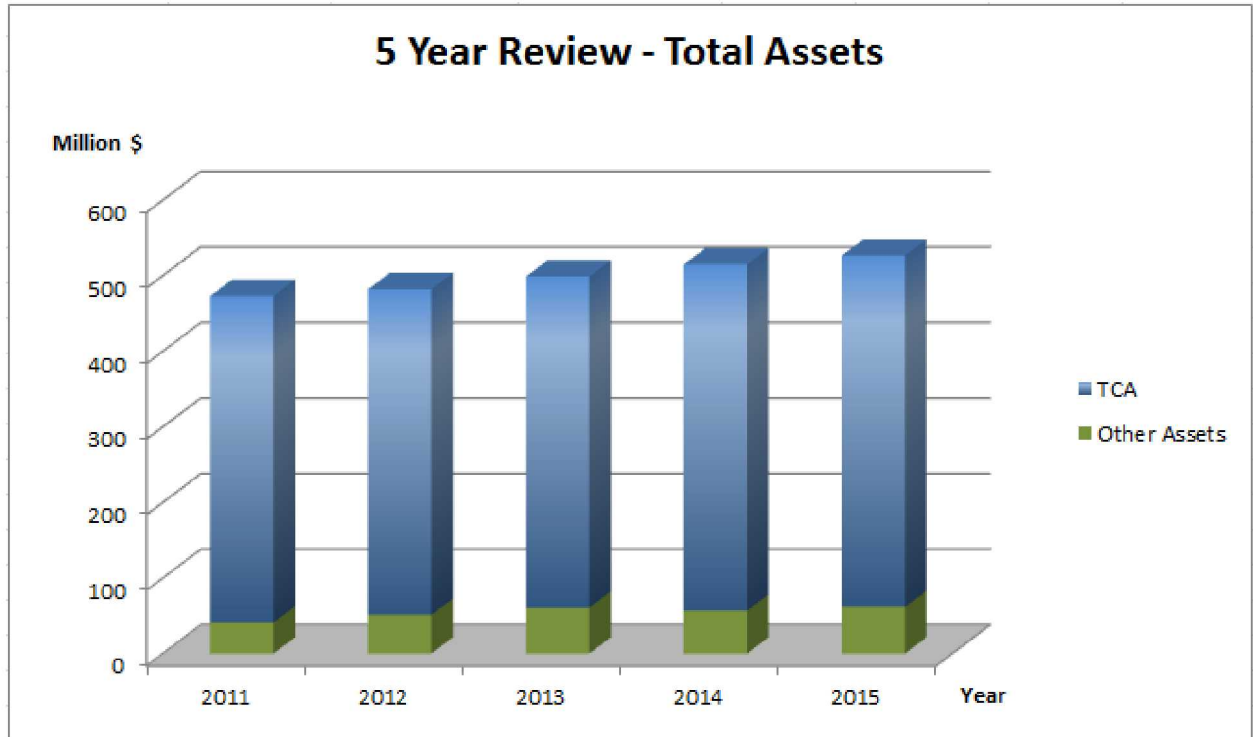
Non-financial assets



The 2015 capital budget was \$57.5 million, including carry-overs of \$28.1 million. \$53.5 million of this amount was budgeted 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 \$17.6 million was projected to be completed in 2015. However, \$19.7 million (34%) of TCA were added in 2015.

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), 1% (2015), and 0.8% (2016) 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 \$19.7 million in 2015, while \$18.1 million was added in 2014. In 2015, many road rehabilitation projects were completed, \$4.1 million was spent on the Old Town Hall Restoration, \$2.6 million was spent on the Honeywell Streetlight Retrofit, and \$1.5 million was spent on the Magna Solar Panel Project.

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, 2015**

Accumulated Surplus

The Accumulated Surplus is comprised of the following:

	2015	2014
Reserves set aside for specific purposes by Council		
Reserves for operating purposes	\$ 4,507,618	\$ 4,719,091
Reserves for capital purposes	806,259	1,173,308
Newmarket Public Library	627,847	543,697
Building Code Act Fees	5,381,847	5,316,860
Water & Wastewater Rate Stabilization	2,832,711	1,089,450
Total Reserves	14,156,282	12,842,406
Reserve funds set aside for specific purposes by Council		
Asset replacement funds	18,394,533	15,905,427
Reserve funds for operating purposes	3,432,639	3,752,975
Reserve funds for capital purposes	946,736	4,786,563
Self-insured long-term disability	3,548,089	3,358,123
Total Reserve Funds	26,321,997	27,803,088
Total Reserves and Reserve Funds	40,478,279	40,645,494
Invested in tangible capital assets	465,439,466	458,240,103
Less: amount financed by long-term debt	(39,753,155)	(42,618,901)
Surplus land	155,285	155,285
Operating surplus	15,135	-
Funds available for future capital expenses	617,247	156,878
Funds to be provided from future revenues	(449,046)	(1,085,870)
Equity in Newmarket Hydro Holdings Inc.	66,317,053	64,645,924
Employee future benefits to be recovered	(3,540,639)	(3,265,738)
Accumulated Surplus	\$ 529,279,625	\$ 516,873,175

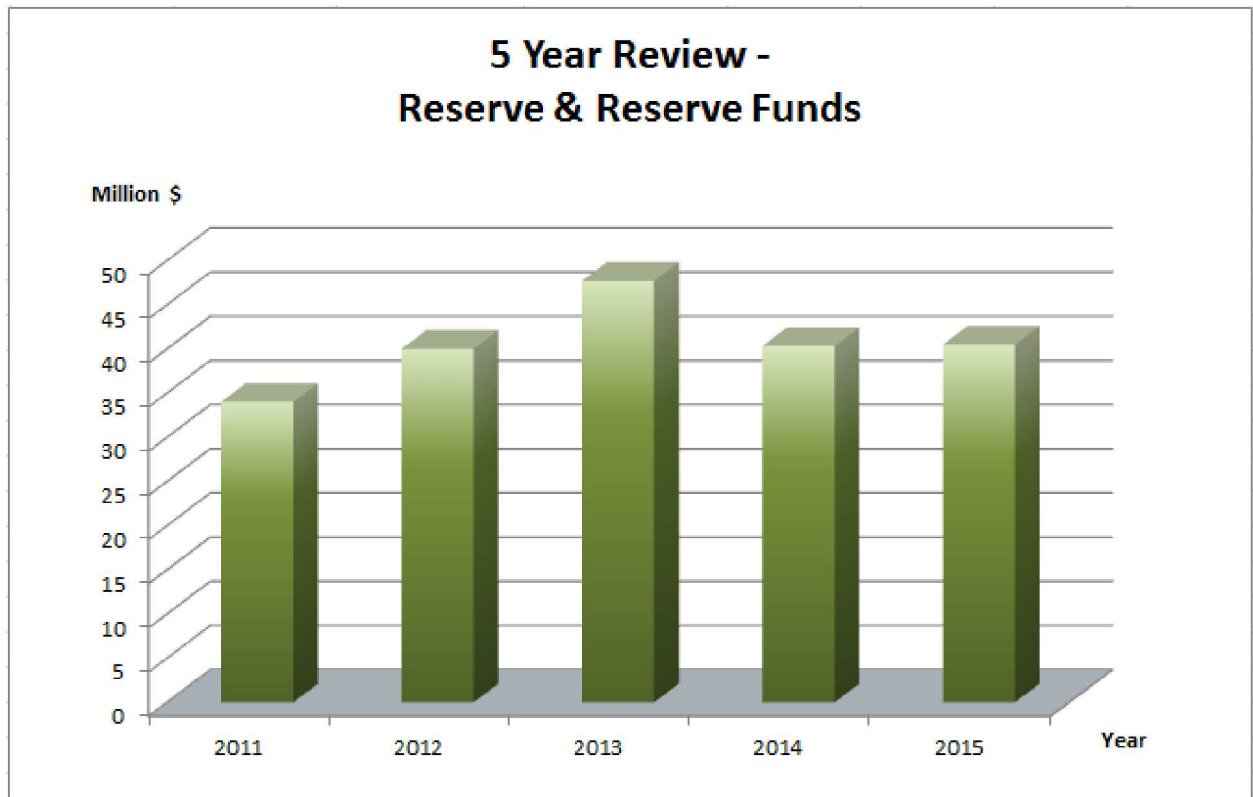
Reserve and reserve funds

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.

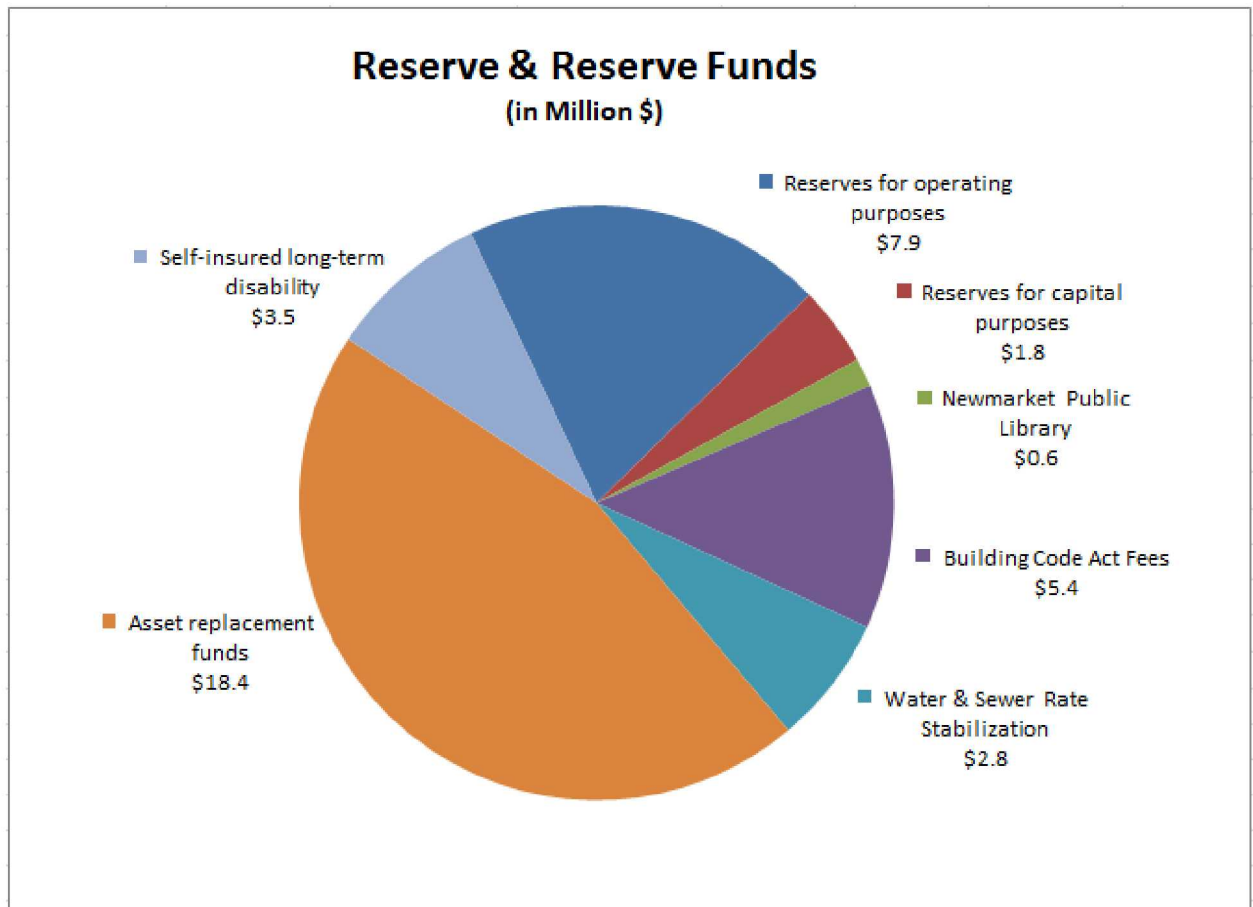
Beginning in 2011, a significant increase in the reserves and reserve funds was achieved. In 2011, the increase is comprised of \$2 million in debt financing received from FCM, \$770,000 from the Park Shop sale and \$2 million in allocated, but unspent, ARF contributions. In 2012 the Town increased several 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. 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.

In 2015 a number of one-time favorable factors contributed to the small operating surplus and enabled us to increase some of our benefit reserves. We reclassified a portion of our long-term disability benefits obligation from a reserve fund to a liability and restated 2014 which resulted in a decrease of \$4.6 million in each of the two years.



The total of the Town's reserves and reserve funds at the end of 2015 was \$40.5 million, a decrease of only \$100,000 from the beginning of the year.



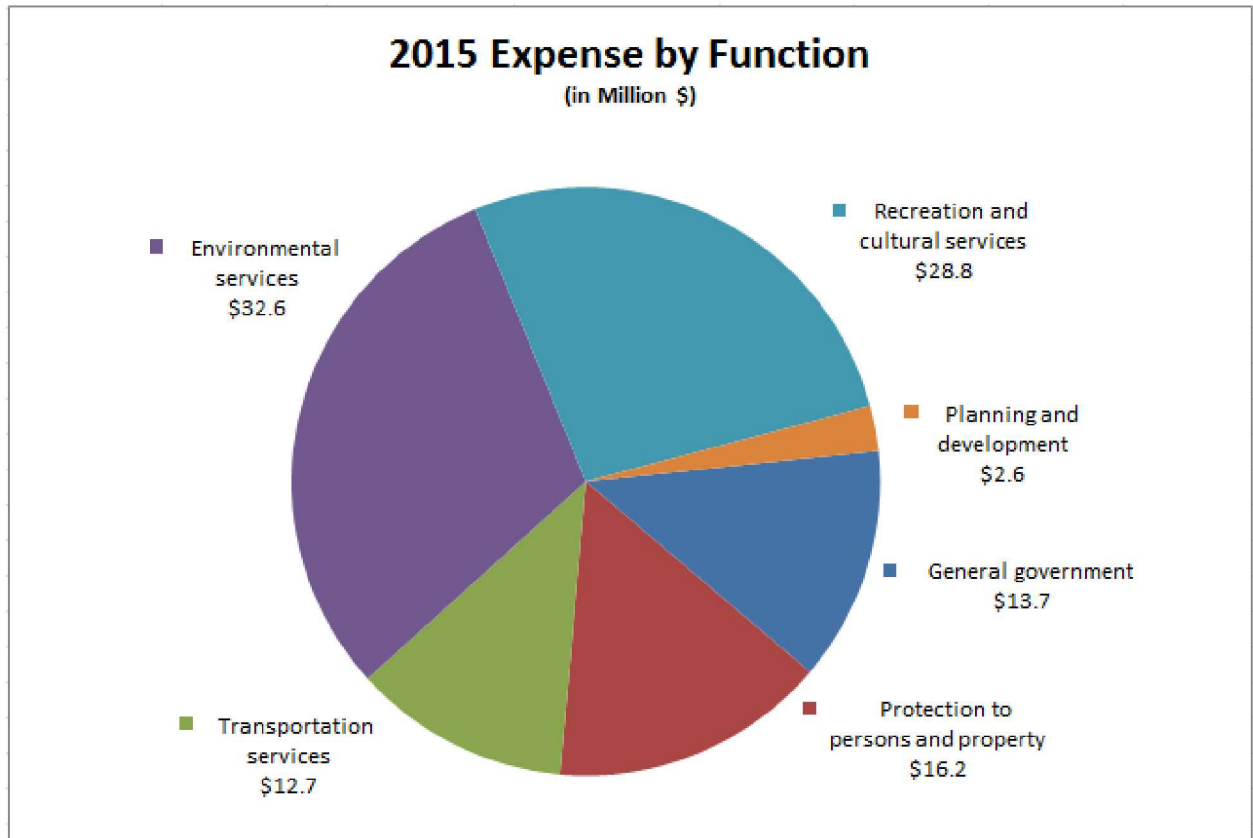
Consolidated statement of operations and surplus: Highlights

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	
Surplus based on operating fund	\$ 15,135
Add: Principal payment on long-term debt	2,865,746
Contributed tangible capital assets	4,532,696
Acquisition of tangible capital assets	19,680,659
Net equity in earnings of Newmarket Hydro Holdings Inc.	1,671,129
Capital Fund revenues	582,438
Reserves and reserve funds revenues	444,476
Less: Financing from future revenue	(274,901)
Amortization expenses	(16,432,222)
Loss on disposal of tangible capital assets	(67,014)
Prior period adjustment made in current year	(611,691)
Surplus Per Consolidated Statement of Operations	\$ 12,406,450

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

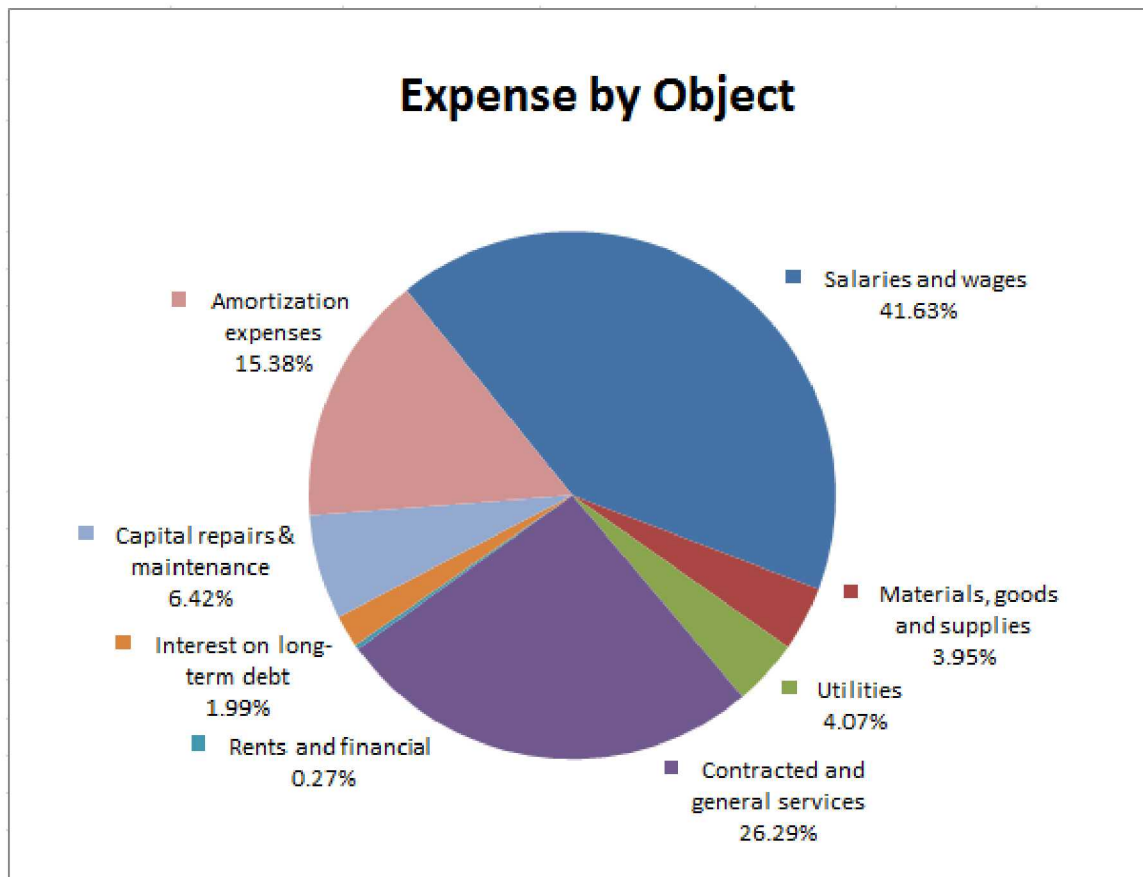
Recreational and cultural services:

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 28-30) shows a breakdown of these costs by service bundle.



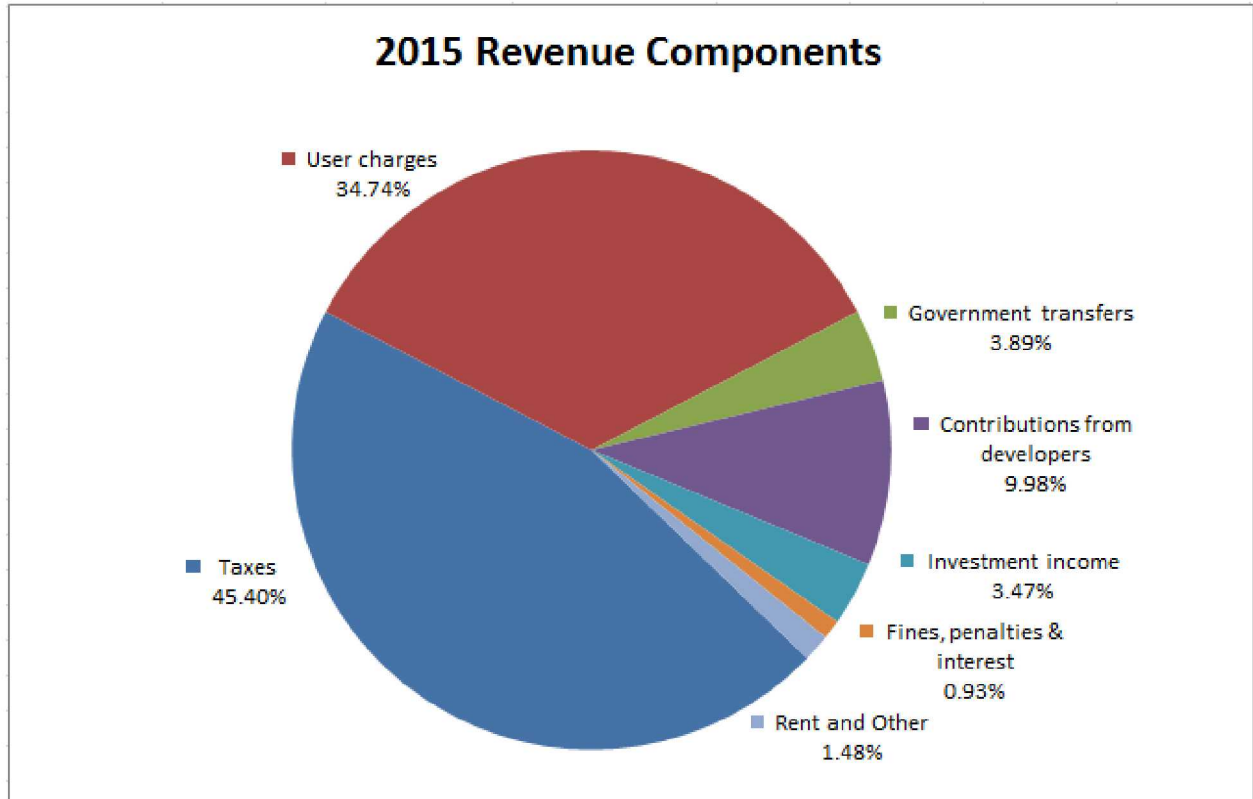
Some highlights of the Town's 2015 expenses include:

- Salaries, wages and benefits are the most significant component of the Town's costs and have increased by \$1.68 million over 2014. The economic increase in 2015 was 2.0% and the rate for OMERS decreased slightly from 2014's level. The increase to salaries and benefits for Central York Fire Services was 3% in 2015.
- Materials, goods and supplies were 12.4% lower than 2014 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 5.1% from 2014 levels. Charges from the Region for water and wastewater are the biggest component of this expense category and increased by 8%.
- Rents and financial expenses were 57% higher mainly to a year-end provision made for tax adjustments. While improvements are starting to be evident from our proactive assessment management, there are still a number of open appeals, as well as some old accounts that are at risk.
- 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 15% higher than 2014 levels. One reason for the increase was emergency water and wastewater repairs, necessary after the severe winter that was contracted out due to staff shortages.
- Amortization (aka depreciation) has increased by 3.4% over 2014 due to additions of new tangible capital assets. As part of the implementation of our asset management plan, we have reviewed our estimates for the expected useful life of our assets. Some asset classes, namely sewers and water mains, are being amortized over a shorter period than we normally replace them and revisions are anticipated in 2016 to bring the two closer together.

Revenues

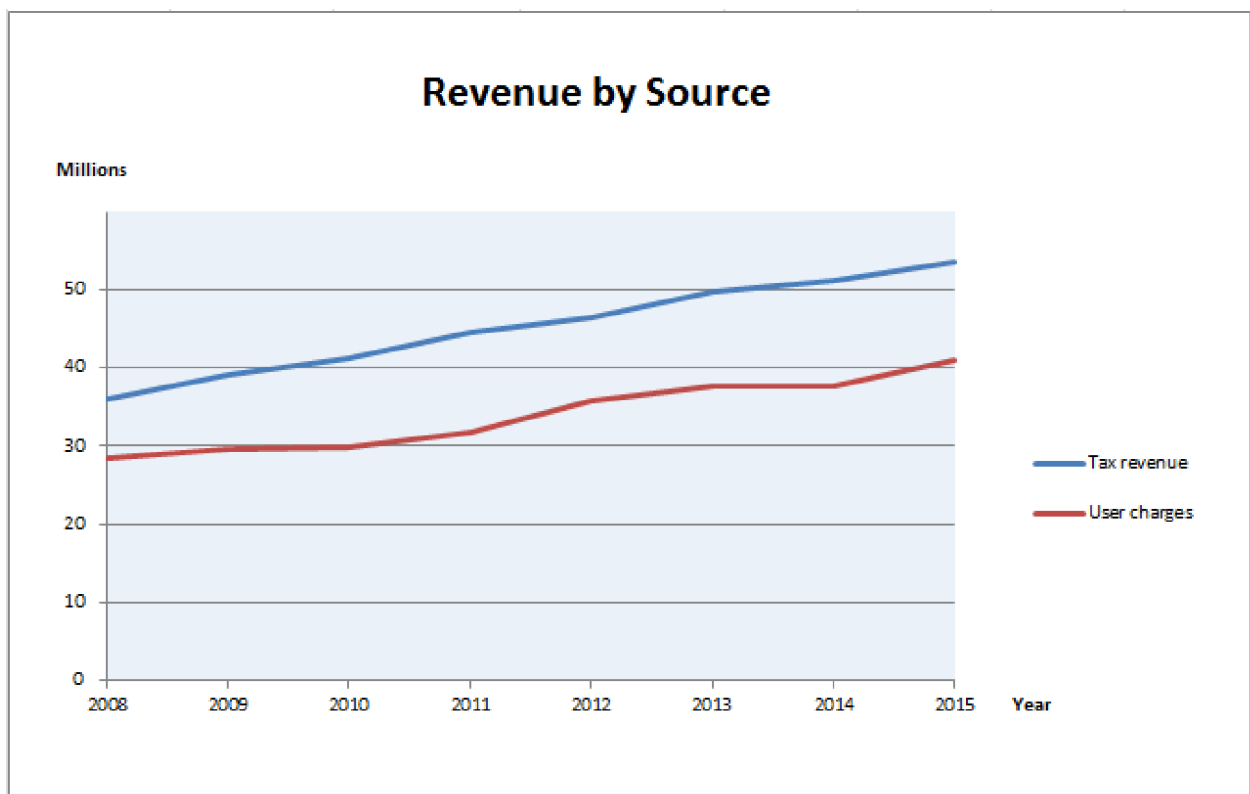
The Town pays for the services it delivers through a variety of revenue streams including property taxes, user charges, government transfers, and contributions from developers, investment income; fines, penalties and interest; rent, land sales, and the sale of goods.



Revenue highlights for 2015 include:

- Property taxes as a percentage of the Town's revenue have increased by 3.7% to a more normal level. Abnormally high tax write-offs in 2014 is the reason for the lower percentage in that year. Supplementary taxes are difficult to predict and sustain. Actual collections in 2015 were only \$479,000 compared to a budget of \$850,000. Over the previous four years we have seen a high of \$1.2 million in 2013 and a low of \$402,000 in 2012. Higher write offs and provisions, which reduce tax revenues, continued the trend experienced in 2014. Charity rebates were at approximately the same level as 2014. Vacancy rebates, at \$472,000, were lower than 2014's level of \$554,000, due to the more diligent verification process implemented in 2015. The proactive assessment management plan, started in 2014, gained traction in 2015. With a full staff compliment in place in September, Taxes focused efforts on open appeals. They have been actively investigating property inspections related to appeal to try to reduce assessment loss.

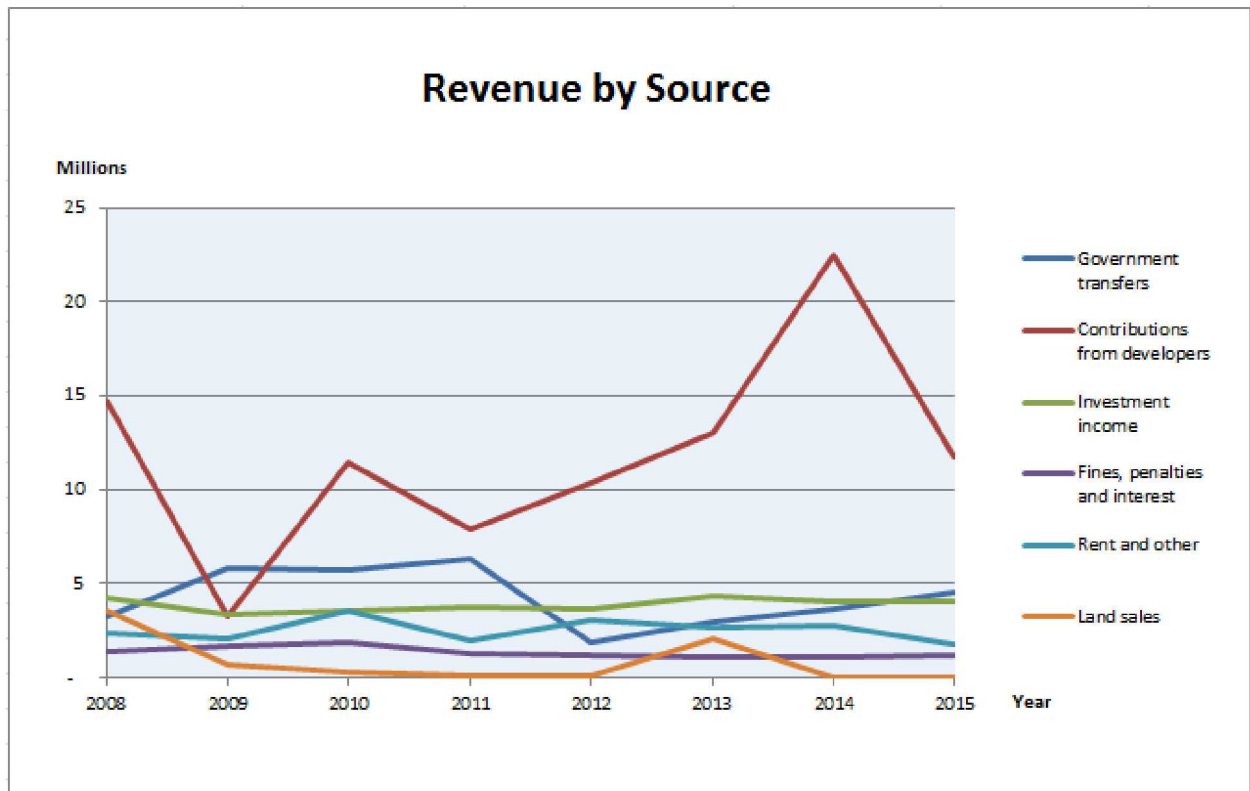
- User charges include water and wastewater revenues, recreation program revenues, license fees, and building permit fees. The majority of user charges are water and wastewater revenues where the average resident's bill increased by 5.7% from 2014, due to a combination of an increase in consumption fees of 4% for water and 14% for wastewater with no increase to the basic monthly charge. Building permit revenues were 4.8% higher than in 2014 and 57% 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 was undertaken in 2015 by BMA Consulting and as a result new fees came in to effect in 2016. Fees and charges for recreation and culture programs and services were increased by an average of 3% over 2014.



- Government transfers were 22% below budget, but higher than 2014 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. We received \$611,000 from each of the Provincial and Federal governments for the Old Town Hall Project. Road projects financed from the Federal Gas Tax were lower than budget by \$2.4 million as one of the projects not started in 2015. 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 \$10.7 million lower than in 2014, mostly due to the significant level of contributed assets in 2014 (\$18.6 million). Tangible capital assets equaling \$4.5 million were contributed to the Town in 2015 and were comprised of a Storm Water Management Pond constructed in 1997 and many road segments and the associated infrastructure constructed in 2011. The assumption of subdivisions is not budgeted for, as the amounts and timing are difficult to predict (see the red line on the chart below). Capital fund developer contributions are mostly development charges (DC's) and are driven by financing requirements for capital projects. \$2.9 million in developer contributions were applied to the Old Town Hall Restoration Project. Contributions by developers to reserve funds were 119% over the budgeted level.



- Interest earned on the Operating Fund came in \$44,000 over budget. Reserve Fund balances were higher than expected due to lower capital spending and earned an additional \$303,000. Our investments included two non-redeemable GIC's totalling \$45 million, as well as a number of non-traditional investments – loan to a user group, the installation of solar panels, and the energy retrofit project. The lack of a multi-year capital budget makes cash forecasting and long-term investing problematic. This will be addressed more in 2016/2017 pursuant to a more aggressive short-term investing

strategy and with a full Finance compliment and the creation of multi-year budgets/forecasts.

- Rent and Other came is significantly lower than the budget. The 2015 sponsorship payment of \$500,000 by Magna was received in 2014 and applied directly to the debenture payments in 2015, creating a shortfall to budget in this category. In addition, some revenue contributions have not materialized or are affected by the timing of projects, as many of the associated capital projects have not started or have not been completed.
- The land sales reflect the net gain on the sale of a portion of Muriel Street.
- 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 2015 some minor net losses were recognized due to road and the underlying infrastructure reconstruction.