

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

	<b>Contents</b>
<b>Independent Auditor's Report</b>	<b>1</b>
<b>Consolidated Financial Statements</b>	
Statement of Financial Position	<b>2</b>
Statement of Operations and Accumulated Surplus	<b>3-4</b>
Statement of Changes in Net Financial Assets	<b>5</b>
Statement of Cash Flows	<b>6-7</b>
Notes to the Financial Statements	<b>8-22</b>
Schedule 1- Tangible Capital Assets - Summary by Asset Category	<b>23-24</b>
Schedule 2 - Segment Disclosures - Service Bundle	<b>25-27</b>

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## Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of The Corporation of the Town of Newmarket which comprise the statement of financial position as at December 31, 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

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**THE CORPORATION OF THE TOWN OF NEWMARKET****Consolidated Statement of Financial Position****December 31, 2015**

	<u>2015</u>	<u>2014</u> (Note 3 Restated)
<b>FINANCIAL ASSETS</b>		
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>
<b>LIABILITIES</b>		
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>
<b>NET FINANCIAL ASSETS</b>	<u>61,442,214</u>	<u>56,661,821</u>
<b>NON FINANCIAL ASSETS</b>		
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>
<b>ACCUMULATED SURPLUS (Note 24)</b>	<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)
<b>REVENUES</b>			
<b>Taxation and user charges</b>			
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>
<b>Government Transfers</b>			
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>
<b>Other</b>			
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>
<b>TOTAL REVENUES</b>	<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)
<b>EXPENSES</b>			
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
 <b>ANNUAL SURPLUS</b>	 12,892,386	 12,406,450	 20,894,311
 <b>ACCUMULATED SURPLUS, BEGINNING OF YEAR, AS PREVIOUSLY STATED</b>	 -	 -	 499,830,879
 <b>PRIOR PERIOD ADJUSTMENT (Note 3)</b>	 -	 -	 (3,852,015)
 <b>ACCUMULATED SURPLUS, BEGINNING OF YEAR, RESTATED</b>	 516,873,175	 516,873,175	 495,978,864
 <b>ACCUMULATED SURPLUS, END OF YEAR</b>	 \$ 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)
<b>Annual surplus</b>	\$ 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)
<b>CHANGE IN NET FINANCIAL ASSETS</b>	<b>11,609,913</b>	<b>4,780,393</b>	<b>(152,982)</b>
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>			
AS PREVIOUSLY REPORTED	-	-	60,666,818
<b>PRIOR PERIOD ADJUSTMENT (Note 3)</b>	-	-	<b>(3,852,015)</b>
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR, RESTATED</b>	<b>56,661,821</b>	<b>56,661,821</b>	<b>56,814,803</b>
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	<b>\$ 68,271,734</b>	<b>\$ 61,442,214</b>	<b>\$ 56,661,821</b>

## 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>
<b>CASH PROVIDED BY (USED IN):</b>			
<b>OPERATING ACTIVITIES</b>			
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
<b>Net change in cash from operating activities</b>	<b>23,013,973</b>	<b>40,650,537</b>	<b>13,490,851</b>
<b>CAPITAL ACTIVITIES</b>			
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)
<b>Net change in cash from capital activities</b>	<b>(17,641,644)</b>	<b>(19,153,183)</b>	<b>(18,102,661)</b>

**THE CORPORATION OF THE TOWN OF NEWMARKET**

**Consolidated Statement of Cash Flows**

**Year ended December 31, 2015**

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

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

**1. SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statements 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**

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**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)
<b>TOTAL COUNCIL APPROVED BUDGET</b>	<b>122,591,480</b>	<b>147,586,053</b>
Less: Tangible Capital Assets Capitalized	-	(53,459,526)
Plus: Budgeted amortization expense	-	16,382,567
Plus: Post-employment benefit expenses	-	390,000
<b>Adjusted Budget per Consolidated Statement of Operations</b>	<b>\$ 122,591,480</b>	<b>\$ 110,899,094</b>

### 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

## Notes to the Consolidated Financial Statements

December 31, 2015

### 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.

# THE CORPORATION OF THE TOWN OF NEWMARKET

## Notes to the Consolidated Financial Statements

December 31, 2015

### 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
<b>Total investment</b>	<b>\$ 66,317,053</b>	<b>\$ 64,645,924</b>

# THE CORPORATION OF THE TOWN OF NEWMARKET

## Notes to the Consolidated Financial Statements

December 31, 2015

### 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
<b>Revenues:</b>		
Investment income	\$ 1,205,600	\$ 1,205,600
Rent, property tax and other	377,439	375,601
<b>Expenses:</b>		
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
<b>Financial position</b>		
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
<b>Total assets</b>	<b>131,354,845</b>	<b>119,701,108</b>
Current liabilities	13,395,057	14,585,416
Long term liabilities	58,515,974	50,663,612
<b>Total liabilities</b>	<b>71,911,031</b>	<b>65,249,028</b>
<b>Non-controlling interest</b>	<b>3,237,102</b>	<b>3,109,976</b>
<b>Shareholder equity</b>		
Share capital	29,609,342	29,609,342
Retained earnings	15,993,683	14,242,313
Accumulated other comprehensive income	164,616	143,857
	<b>45,767,641</b>	<b>43,995,512</b>
<b>Regulatory deferral account credit balances</b>	<b>10,439,071</b>	<b>7,346,592</b>
<b>Total liabilities and equity</b>	<b>\$ 131,354,845</b>	<b>\$ 119,701,108</b>
<b>Results of operations</b>		
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
<b>Net income</b>	<b>3,085,808</b>	<b>2,870,249</b>
<b>Comprehensive income</b>	<b>22,321</b>	<b>154,685</b>
<b>Net income and Comprehensive income</b>	<b>3,108,129</b>	<b>3,024,934</b>
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)
<b>Retained earnings, end of the year</b>	<b>\$ 15,956,299</b>	<b>\$ 14,285,170</b>
<b>In Town's books</b>		
Retained earnings, end of the year - per Hydro	\$ 15,956,299	\$ 14,285,170
Less: Dividends accrued	(1,336,000)	(1,336,000)
<b>Adjusted retained earnings, end of year</b>	<b>14,620,299</b>	<b>12,949,170</b>
<b>Change in adjusted retained earnings</b>	<b>\$ 1,671,129</b>	<b>\$ 1,678,520</b>



# THE CORPORATION OF THE TOWN OF NEWMARKET

## Notes to the Consolidated Financial Statements

December 31, 2015

### 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.

# THE CORPORATION OF THE TOWN OF NEWMARKET

## 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

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

**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).

# THE CORPORATION OF THE TOWN OF NEWMARKET

## Notes to the Consolidated Financial Statements

December 31, 2015

### 24. ACCUMULATED SURPLUS

The Accumulated Surplus is comprised of the following:

	2015	2014
<b>Reserves set aside for specific purposes by Council</b>		
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
<b>Total Reserves</b>	<b>14,156,282</b>	<b>12,842,406</b>
<b>Reserve funds set aside for specific purposes by Council</b>		
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
<b>Total Reserve Funds</b>	<b>26,321,997</b>	<b>27,803,088</b>
<b>Total Reserves and Reserve Funds</b>	<b>40,478,279</b>	<b>40,645,494</b>
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)
<b>Accumulated Surplus</b>	<b>\$ 529,279,625</b>	<b>\$ 516,873,175</b>

### 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
	<b>\$ 4,586,590</b>	<b>\$ 3,659,541</b>

### 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)
<b>Newmarket's net allocation</b>	<b>\$ 13,554,507</b>	<b>\$ 13,240,438</b>

## THE CORPORATION OF THE TOWN OF NEWMARKET

### Notes to the Consolidated Financial Statements

December 31, 2015

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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

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### 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
<b>General Capital Assets</b>										
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
	<b>\$ 187,456,748</b>	<b>\$ 4,003,413</b>	<b>\$ 1,684,184</b>	<b>\$ -</b>	<b>\$ 189,775,977</b>	<b>\$ 42,505,377</b>	<b>\$ 4,146,215</b>	<b>\$ 1,556,817</b>	<b>\$ 45,094,775</b>	<b>\$ 144,681,202</b>
<b>Infrastructure Assets</b>										
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
	<b>\$ 507,671,346</b>	<b>\$ 10,951,591</b>	<b>\$ 1,975,349</b>	<b>\$ -</b>	<b>\$ 516,647,588</b>	<b>\$ 209,265,061</b>	<b>\$ 12,286,007</b>	<b>\$ 1,520,946</b>	<b>\$ 220,020,122</b>	<b>\$ 296,627,466</b>
<b>Assets under construction</b>	<b>\$ 14,872,447</b>	<b>\$ 10,481,577</b>	<b>\$ 1,223,226</b>	<b>\$ -</b>	<b>\$ 24,130,798</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 24,130,798</b>
<b>Total Tangible Capital Assets</b>	<b>\$ 710,000,541</b>	<b>\$ 25,436,581</b>	<b>\$ 4,882,759</b>	<b>\$ -</b>	<b>\$ 730,554,363</b>	<b>\$ 251,760,438</b>	<b>\$ 16,432,222</b>	<b>\$ 3,077,763</b>	<b>\$ 265,114,897</b>	<b>\$ 465,439,466</b>



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
<b>EXPENSES</b>								
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
<b>Total expenses</b>	<b>14,566,374</b>	<b>14,382,274</b>	<b>34,559,730</b>	<b>31,137,078</b>	<b>2,330,099</b>	<b>2,163,596</b>	<b>14,720,423</b>	<b>13,951,371</b>
<b>REVENUES</b>								
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)
<b>Total revenues</b>	<b>14,574,810</b>	<b>13,209,406</b>	<b>40,811,288</b>	<b>43,717,934</b>	<b>2,037,596</b>	<b>2,104,426</b>	<b>14,200,248</b>	<b>20,724,060</b>
Net surplus of Gov't. Business Enterprise	-	-	-	-	-	-	-	-
<b>Annual Surplus (Deficit)</b>	<b>\$ 8,436</b>	<b>\$ (1,172,868)</b>	<b>\$ 6,251,558</b>	<b>\$ 12,580,856</b>	<b>\$ (292,503)</b>	<b>\$ (59,170)</b>	<b>\$ (520,175)</b>	<b>\$ 6,772,689</b>

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
<b>EXPENSES</b>								
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)
<b>Total expenditures</b>	<b>6,623,495</b>	<b>6,525,358</b>	<b>8,260,576</b>	<b>7,735,428</b>	<b>20,161,074</b>	<b>20,484,443</b>	<b>2,341,909</b>	<b>3,638,902</b>
<b>REVENUES</b>								
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	-	-
<b>Total revenues</b>	<b>6,754,608</b>	<b>6,319,571</b>	<b>8,094,702</b>	<b>7,628,075</b>	<b>21,044,627</b>	<b>17,759,385</b>	<b>6,712,319</b>	<b>7,880,951</b>
<b>Net surplus of Gov't. Business Enterprise</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,671,129</b>	<b>1,678,520</b>
<b>Annual Surplus (Deficit)</b>	<b>\$ 131,113</b>	<b>\$ (205,787)</b>	<b>\$ (165,874)</b>	<b>\$ (107,353)</b>	<b>\$ 883,553</b>	<b>\$ (2,725,058)</b>	<b>\$ 6,041,539</b>	<b>\$ 5,920,569</b>

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
<b>EXPENSES</b>						
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)
<b>Total expenditures</b>	<b>3,616,525</b>	<b>3,838,534</b>	<b>19,955</b>	<b>28,448</b>	<b>107,200,170</b>	<b>103,685,431</b>
<b>REVENUES</b>						
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)
<b>Total revenues</b>	<b>3,671,393</b>	<b>3,522,716</b>	<b>33,900</b>	<b>34,700</b>	<b>117,935,491</b>	<b>122,901,222</b>
 Net surplus of Gov't. Business Enterprise	 -	 -	 -	 -	 1,671,129	 1,678,520
<b>Annual Surplus (Deficit)</b>	<b>\$ 54,868</b>	<b>\$ (115,818)</b>	<b>\$ 13,935</b>	<b>\$ 6,252</b>	<b>\$ 12,406,450</b>	<b>\$ 20,894,311</b>