



Town of Newmarket
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2017 Financial Statements and Auditor's Report Staff Report

Report Number: 2018-27

Department(s): Financial Services

Author(s): Mike Mayes, Director of Financial Services/Treasurer

Meeting Date: June 11, 2018

Recommendations

1. That the report entitled 2017 Financial Statements and Auditor's Report dated June 11, 2018 be received; and,
2. That the Town of Newmarket's Draft 2017 Consolidated Financial Statements, Trust Fund Financial Statements and Main Street District BIA Financial Statements from Deloitte LLP be received; and,
3. That Council approves the Town of Newmarket's Draft 2017 Consolidated Financial Statements, Trust Fund Financial Statements and Main Street District BIA Financial Statements as endorsed by the Audit Committee.

Executive Summary

See below

Purpose

The purpose of this report is to obtain Council approval of the 2017 Financial Statements.

Background

Provincial regulations require annual audits of our financial statements.

Under the Municipal Act, 2001, as amended, municipalities must do the following:

1. A municipality must prepare financial statements in accordance with generally accepted accounting principles (Section 294.1).
2. The Treasurer must report the financial affairs of the municipality to Council (Section 286.(1)).
3. The municipality must appoint a licensed auditor who is responsible for auditing the accounts and transactions of the municipality annually and expressing an opinion on the municipality's financial statements (Section 296.(1)).

The annual audit, performed by Deloitte LLP, is conducted in accordance with generally accepted auditing standards. For 2017, the Auditor's Report, which forms an integral part of the financial statements, has been issued by Deloitte and reflects their opinion, free of any qualifications or conditions, that the financial statements present fairly, in all material respects, the financial position of the Town in accordance with generally accepted accounting principles. The financial activities of the Main Street District BIA, the Newmarket Public Library Board and the Town's proportionate share of Central York Fire Services are consolidated with the financial activities of the Town. The Town's investment in Newmarket Hydro Holdings Inc. (the majority shareholder for Newmarket Tay Hydro) is included on a modified equity basis.

The Consolidated Financial Statements and the Main Street District BIA Financial Statements are issued without restriction as they are presented in accordance with the Municipal Act, 2001, as amended. The format is consistent with the reporting requirements of the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada. Trust Fund Financial Statements are prepared in accordance with the Canadian accounting standards for not-for-profit organizations.

Audit results are reviewed by the Audit Committee.

The Town's Audit Committee membership includes the Mayor, two Members of Council and three appointed citizens. Their mandate is "to assist the Council in maintaining the financial integrity of "the municipality" and this includes reviewing and providing recommendations to Council regarding the annual report and management letter of the External Auditor.

At the Audit Committee meeting of June 7, 2018, Deloitte provided an overview of the audit findings. They informed the Committee that they had not encountered any significant internal control issues.

The Director, Financial Services/Treasurer provided a high-level overview of the financial statements. Some minor changes were recommended to be made to the financial statements in terms of clarity and readability only; which were then approved for recommendation by the Audit Committee to Council. The draft Audit Committee motions are:

That the Audit Committee recommends to Council, that the Consolidated Financial Statements year ended December 31, 2017, as amended, be approved.

Discussion

See Background

Conclusion

The 2017 Financial Statements are prepared by staff, audited by Deloitte and reviewed by the Audit Committee. These statements are now presented to Council for final approval.

Business Plan and Strategic Plan Linkages

This report links to Newmarket's key strategic directions in being Well Managed through fiscal responsibility.

Consultation

Finance staff was consulted during the audit process and Deloitte contributed to the content of this report by providing the draft financial statements.

Human Resource Considerations

Not applicable to this report.

Budget Impact

Not applicable to this report.

Attachments

The Corporation of the Town of Newmarket Draft Consolidated Financial Statements – Year ended December 31, 2017 (32 pages)

The Corporate of the Town of Newmarket Trust Fund Draft Financial Statements – Year ended December 31, 2018 (7 pages)

The Corporation of the Town of Newmarket Main Street District BIA Draft Financial Statements – Year ended December 31, 2017 (7 pages)

Approval



Mike Mayes, CPA, CGA, DPA
Director, Financial Services/Treasurer



Esther Armchuk, LL.B
Commissioner, Corporate Services

Contact

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Consolidated financial statements of

**The Corporation of the
Town of Newmarket**

December 31, 2017

The Corporation of the Town of Newmarket

December 31, 2017

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Independent Auditor's Report

To the Mayor and Members of Council, Inhabitants
and Ratepayers 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 consolidated statement of financial position as at December 31, 2017, and the consolidated statements of operations and accumulated surplus, change in net financial assets, and 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 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, 2017 and the results of its operations, changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matters

The consolidated statement of financial position as at December 31, 2016 and the consolidated statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended were audited by another auditor who issued an unqualified opinion on June 26, 2017.

Chartered Professional Accountants
Licensed Public Accountants
_____, 2018

Draft

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

December 31, 2017

| | 2017 | 2016 (Restated, Note 2) |
|---|-----------------------|------------------------------|
| FINANCIAL ASSETS | | |
| Cash and cash equivalents (Note 5) | \$ 66,669,603 | \$ 44,152,694 |
| Temporary investments (Note 6) | 43,000,000 | 45,000,000 |
| Taxes receivable (Note 7) (a) | 3,729,115 | 4,310,635 |
| Unbilled user charges | 5,310,320 | 4,788,569 |
| Accounts receivable (Note 7) (b) | 5,296,222 | 4,998,098 |
| Inventory for resale (Note 9) | 70,807 | 122,911 |
| Surplus land (Note 10) | 155,285 | 155,285 |
| Loans receivable (Note 7) (c) | 174,851 | 6,693,849 |
| Investment in Newmarket Hydro Holdings Inc. (Note 11) | 68,949,579 | 68,130,795 |
| | 193,355,782 | 178,352,836 |
| LIABILITIES | | |
| Accounts payable and accrued liabilities (Note 12) | 26,013,979 | 27,492,302 |
| Interest payable on debt | 618,116 | 743,206 |
| Employee future benefits liability (Note 13) | 5,531,198 | 5,281,999 |
| Long-term disability benefits liability (Note 14) | 4,302,741 | 4,606,605 |
| Deferred revenue (Note 15) | 40,270,562 | 35,030,199 |
| Long-term debt (Note 16) | 33,733,250 | 36,772,663 |
| | 110,469,846 | 109,926,974 |
| NET FINANCIAL ASSETS | 82,885,936 | 68,425,862 |
| NON-FINANCIAL ASSETS | | |
| Inventory (Note 9) | 344,586 | 396,384 |
| Prepaid expenses and other (Note 8) | 2,551,238 | 942,401 |
| Tangible capital assets (Note 26) | 486,710,874 | 475,725,170 |
| | 489,606,698 | 477,063,955 |
| ACCUMULATED SURPLUS (Note 22) | \$ 572,492,634 | \$ 545,489,817 |
| Contingencies and lease agreements (Notes 18 and 19) | | |
| Subsequent event (Note 28) | | |

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

THE CORPORATION OF THE TOWN OF NEWMARKET
Consolidated Statement of Operations and Accumulated Surplus
Year ended December 31, 2017

| | <u>2017</u> | | <u>2016</u> |
|--|-----------------------|-----------------------|-----------------------|
| | <u>Budget</u> | <u>Actual</u> | <u>Actual</u> |
| | (Note 3) | | (Restated, Note 2) |
| REVENUES | | | |
| Taxation and user charges | | | |
| Residential and farm taxation | \$ 47,146,230 | \$ 46,945,913 | \$ 46,190,539 |
| Commercial, industrial and business taxation | 9,065,209 | 9,285,985 | 8,461,166 |
| Taxation from other governments | 713,939 | 704,813 | 711,244 |
| User charges | 44,584,735 | 46,910,997 | 44,047,179 |
| | 101,510,113 | 103,847,708 | 99,410,128 |
| Government Transfers | | | |
| Government of Canada | 4,503,998 | 414,257 | 381,194 |
| Federal Gas Tax Allocation | 4,177,546 | 2,025,694 | 2,001,349 |
| Province of Ontario | 2,018,362 | 2,201,037 | 1,384,566 |
| | 10,699,906 | 4,640,988 | 3,767,109 |
| Other | | | |
| Contribution from developers | 18,463,189 | 25,860,369 | 18,447,620 |
| Investment income | 2,499,598 | 2,702,555 | 2,555,205 |
| Fine, penalties and interest | 1,350,608 | 1,143,933 | 1,238,890 |
| Rent and other | 3,582,123 | 2,423,709 | 2,701,430 |
| Land sales | - | - | 33,700 |
| Loss on disposal of tangible capital assets | - | (266,021) | (203,299) |
| | 25,895,518 | 31,864,545 | 24,773,546 |
| TOTAL REVENUES | \$ 138,105,537 | \$ 140,353,241 | \$ 127,950,783 |

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

THE CORPORATION OF THE TOWN OF NEWMARKET
Consolidated Statement of Operations and Accumulated Surplus
Year ended December 31, 2017

| | <u>2017</u> | | <u>2016</u> |
|---|----------------|----------------|---------------------|
| | <u>Budget</u> | <u>Actual</u> | <u>Actual</u> |
| | (Note 3) | | (Restated, Note 2) |
| EXPENSES (Note 27) | | | |
| General government | \$ 15,309,504 | \$ 14,025,861 | \$ 14,843,027 |
| Protection to persons and property | 17,550,749 | 17,920,274 | 16,917,776 |
| Transportation services | 13,224,971 | 13,579,971 | 14,481,982 |
| Environmental services | 34,836,306 | 36,222,765 | 31,059,934 |
| Recreation and cultural services | 33,453,882 | 31,260,912 | 29,421,878 |
| Planning and development | 3,543,863 | 2,495,425 | 2,783,889 |
| | 117,918,775 | 115,505,208 | 109,508,486 |
| Income From Newmarket Hydro Holdings Inc. (Note 11) | 2,935,600 | 2,154,784 | 2,947,742 |
| ANNUAL SURPLUS | 23,122,362 | 27,002,817 | 21,390,039 |
| ACCUMULATED SURPLUS, BEGINNING OF YEAR, AS PREVIOUSLY REPORTED | - | 551,260,252 | 529,481,625 |
| PRIOR PERIOD ADJUSTMENT (Note 2) | - | (5,770,435) | (5,381,847) |
| ACCUMULATED SURPLUS, BEGINNING OF YEAR, RESTATED | \$ 545,489,817 | \$ 545,489,817 | 524,099,778 |
| ACCUMULATED SURPLUS, END OF YEAR | \$ 568,612,179 | \$ 572,492,634 | \$ 545,489,817 |

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

THE CORPORATION OF THE TOWN OF NEWMARKET
Consolidated Statement of Change in Net Financial Assets
Year ended December 31, 2017

| | 2017 | | 2016 |
|--|----------------------|----------------------|----------------------|
| | <u>Budget</u> | <u>Actual</u> | <u>Actual</u> |
| | (Note 3) | | (Restated, Note 2) |
| Annual surplus | \$ 23,122,362 | \$ 27,002,817 | \$ 21,390,039 |
| Acquisition of tangible capital assets | (20,240,046) | (11,349,340) | (15,625,785) |
| Contributed tangible capital assets | | (16,026,284) | (10,089,926) |
| Amortization of tangible capital assets | (15,648,098) | 15,939,545 | 15,114,325 |
| Proceeds from sale of tangible capital assets | - | 184,350 | 112,383 |
| Loss on disposal of tangible capital assets | - | 266,021 | 203,299 |
| | (4,591,948) | (10,985,708) | (10,285,704) |
| Changes due to inventory | (7,928) | 51,802 | 3,740 |
| Changes due to prepaid expenses and other | (18,848) | (1,608,837) | 1,055,420 |
| | (26,776) | (1,557,035) | 1,059,160 |
| CHANGE IN NET FINANCIAL ASSETS | 18,503,638 | 14,460,074 | 12,163,495 |
| NET FINANCIAL ASSETS, BEGINNING OF YEAR | | | |
| AS PREVIOUSLY REPORTED | - | 74,196,297 | 61,644,214 |
| PRIOR PERIOD ADJUSTMENT (Note 2) | - | (5,770,435) | (5,381,847) |
| NET FINANCIAL ASSETS, BEGINNING OF YEAR, REST | 68,425,862 | 68,425,862 | 56,262,367 |
| NET FINANCIAL ASSETS, END OF YEAR | \$ 86,929,500 | \$ 82,885,936 | \$ 68,425,862 |

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

THE CORPORATION OF THE TOWN OF NEWMARKET
Consolidated Statement of Cash Flows
Year ended December 31, 2017

| | 2017 | | 2016 |
|---|---------------------|---------------------|---------------------|
| | <u>Budget</u> | <u>Actual</u> | <u>Actual</u> |
| CASH PROVIDED BY (USED IN): | | | |
| OPERATING ACTIVITIES | | | |
| Cash received from | | | |
| Taxation | \$ 56,796,490 | \$ 57,799,398 | \$ 54,748,109 |
| User charges | 44,292,632 | 46,420,707 | 43,108,050 |
| Government transfers | 6,419,944 | 2,973,635 | 3,355,216 |
| Contributions from developers | 8,303,835 | 11,811,851 | 3,887,626 |
| Investment income | 3,835,198 | 4,111,198 | 5,011,865 |
| Fine, penalties and interest | 1,350,608 | 1,171,236 | 1,213,730 |
| Rent and other | 3,582,123 | 2,369,205 | 2,774,933 |
| Aurora's share of Central York Fire Services | 10,016,633 | 10,058,798 | 9,468,805 |
| | 134,597,463 | 136,716,027 | 123,568,334 |
| Cash paid for | | | |
| Salaries, wages and employee benefits | 54,726,826 | 55,683,398 | 53,918,055 |
| Materials, goods, and supplies | 4,066,316 | 7,073,712 | 3,986,584 |
| Utilities | 4,469,676 | 3,708,203 | 4,382,035 |
| Contracted and general services | 30,589,453 | 31,893,022 | 29,698,498 |
| Capital repairs and maintenance | 3,648,881 | 7,931,974 | 10,122,194 |
| Interest on long-term debt | 1,988,023 | 1,988,024 | 2,115,861 |
| Rents and financial | 293,814 | 270,160 | 288,053 |
| | 99,782,989 | 108,548,493 | 104,511,280 |
| Net change in cash from operating activities | 34,814,474 | 28,167,534 | 19,057,054 |
| CAPITAL ACTIVITIES | | | |
| Land sales | - | - | 33,700 |
| Proceeds on disposal of tangible capital assets | - | 184,350 | 112,383 |
| Acquisition of tangible capital assets | (20,240,046) | (11,349,340) | (15,625,785) |
| Net change in cash from capital activities | (20,240,046) | (11,164,990) | (15,479,702) |
| INVESTMENT ACTIVITY | | | |
| Temporary investments | | 2,000,000 | (40,000,000) |
| Net change in cash from investment activity | - | 2,000,000 | (40,000,000) |

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

THE CORPORATION OF THE TOWN OF NEWMARKET

Consolidated Statement of Cash Flows

Year ended December 31, 2017

| | 2017 | | 2016 |
|---|----------------------|----------------------|----------------------|
| | <u>Budget</u> | <u>Actual</u> | <u>Actual</u> |
| FINANCING ACTIVITIES | | | |
| Loans receivable | - | 6,491,307 | - |
| Principal repayment on long-term debt | (2,976,942) | (2,976,942) | (2,849,103) |
| Net change in cash from financing activities | (2,976,942) | 3,514,365 | (2,849,103) |
| NET CHANGE IN CASH | 11,597,486 | 22,516,909 | (39,271,751) |
| CASH, BEGINNING OF YEAR | 44,152,694 | 44,152,694 | 83,424,445 |
| CASH, END OF YEAR | \$ 55,750,180 | \$ 66,669,603 | \$ 44,152,694 |
| Supplementary information: | | | |
| Interest paid | | \$ 1,988,024 | \$ 2,115,861 |
| Interest received | | \$ 1,227,380 | \$ 619,459 |

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

THE CORPORATION OF THE TOWN OF NEWMARKET
Notes to the Consolidated Financial Statements
December 31, 2017

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

1. SIGNIFICANT ACCOUNTING POLICIES

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

Significant accounting policies adopted by the Town are as follows:

(a) (i) Reporting entity

These consolidated financial statements reflect the financial assets, liabilities, operating revenues and expenses of the Town. The reporting entity is comprised of all organizations, local boards and committees accountable for the administration of their financial affairs and resources, to the Town, and which are owned or controlled by the Town. The Newmarket Public Library and the Main Street District Business Improvement Area are accordingly consolidated in these financial statements. All material inter-organizational transactions and balances have been eliminated on consolidation.

(ii) Investment in Newmarket Hydro Holdings Inc.

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

(iii) Accounting for Region of York and school board transactions

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

(iv) Trust funds

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

(b) Basis of accounting

(i) Accrual basis of accounting

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

THE CORPORATION OF THE TOWN OF NEWMARKET
Notes to the Consolidated Financial Statements
December 31, 2017

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Non-financial assets

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

(a) Tangible Capital Assets

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

| | Useful Life - Years |
|--|------------------------|
| Land improvements | 20 - 40 |
| Buildings and building components | 20 - 40 |
| Vehicles | 4 - 20 |
| Machinery and equipment, including pooled assets | 5 - 20 |
| Library collection | 7 |
| Linear assets | |
| - Road base | 40 |
| - Road paved surface | 20 |
| - Sewer | 80 |
| - Watermain | 80 |
| - Sidewalks | 25 |
| - Trails and walkways | 25 |
| - Bridges and structures | 25 - 75 |

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 tangible capital assets and their capitalization threshold is \$10,000.

(b) Contribution of tangible capital assets

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

(c) Interest capitalization

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

(d) Leases

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

(e) Inventories

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

THE CORPORATION OF THE TOWN OF NEWMARKET
 Notes to the Consolidated Financial Statements
 December 31, 2017

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) Surplus Land

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

(iv) Liability for contaminated sites

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

(v) Deferred revenue

Deferred revenues includes user charges, government transfers, development charges and other fees which have been collected but for which the related services have yet to be performed. These amounts will be recognized as revenues in the fiscal year the services are performed. The Town receives development charges under the authority of provincial legislation and Town by-laws. These funds, by their nature, are restricted in their use and, until applied to specific capital works, are recorded as deferred revenue. Amounts applied to qualifying capital projects are recorded as revenue in the fiscal period they are expended. See Note 15 for more details.

(vi) Employee future benefits

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

(vii) Long Term Disability Benefits

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

THE CORPORATION OF THE TOWN OF NEWMARKET
Notes to the Consolidated Financial Statements
December 31, 2017

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(viii) Pension Plan

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

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

(c) Government transfers

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

(x) Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the year. The principal estimates used in the preparation of these financial statements include the useful life and valuation of tangible capital assets, allowance for doubtful receivables, certain accrued liabilities, employee future benefits liability and long-term disability benefits liability. Actual results could differ from these estimates.

(xi) Budget figures

Budget figures have been reclassified for the purposes of these financial statements to comply with PSAB reporting requirements. The approved operating budget and capital budgets are reflected on the Consolidated Statement of Operations and Accumulated Surplus. The budgets established for capital investment in tangible capital assets are on a project-oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable with current year's actual amounts.

THE CORPORATION OF THE TOWN OF NEWMARKET
Notes to the Consolidated Financial Statements
December 31, 2017

2. PRIOR PERIOD ADJUSTMENT

Management has restated the consolidated financial statements to correct the accounting related to the statutory requirement to record any surplus in Building Services as an obligatory reserve fund. The impact of this restatement is as follows:

Consolidated Statement of Financial Position

| | |
|--|--------------------|
| Increase in deferred revenue, December 31, 2016 | 5,770,435 |
| Decrease in accumulated surplus, December 31, 2016 | <u>(5,770,435)</u> |

Consolidated Statement of Operations and Accumulated Surplus

| | |
|---|--------------------|
| Decrease in revenue | (388,588) |
| Decrease in annual surplus | (388,588) |
| Decrease in accumulated surplus and net financial assets, beginning of year | <u>(5,381,847)</u> |

3. BUDGET RECONCILIATION

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

| | Revenue | Expenses |
|---|-----------------------|-----------------------|
| Council approved budget for 2017: | | |
| Operating fund - February 13, 2017 | \$ 119,340,360 | \$ 120,675,960 |
| Less: Principal payment on long-term debt | - | (2,976,942) |
| Less: Transfers to / from other funds | (9,707,613) | (20,304,888) |
| Capital budget - New - February 13, 2017 | 32,500,242 | 32,500,242 |
| Plus: Supplementary budget, June 26, 2017 | 3,325,000 | 3,325,000 |
| Plus: Capital budget carried over from previous years | 29,967,592 | 29,967,592 |
| Less: Transfers to / from other funds | (38,818,844) | - |
| Reserves and reserve funds - May 8, 2017 | 21,353,688 | 48,232,457 |
| Less: Transfers to / from other funds | <u>(19,854,888)</u> | <u>(48,232,457)</u> |
| TOTAL COUNCIL APPROVED BUDGET | <u>138,105,537</u> | <u>163,186,964</u> |
| Less: Tangible Capital Assets Capitalized | - | (61,333,474) |
| Plus: Budgeted amortization expense | - | 15,648,098 |
| Plus: Post-employment benefit expenses | - | 417,187 |
| Adjusted Budget per Consolidated Statement of Operations and Accumulated Surplus | <u>\$ 138,105,537</u> | <u>\$ 117,918,775</u> |

THE CORPORATION OF THE TOWN OF NEWMARKET
 Notes to the Consolidated Financial Statements
 December 31, 2017

4. 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 | \$ 46,674,813 | \$ 60,111,067 |

5. 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.

Cash is segregated as follows:

| | 2017 | 2016 |
|--|---------------|---------------|
| Restricted - obligatory reserve funds (refer to Note 15) | \$ 39,271,899 | \$ 33,885,468 |
| Designated - reserve funds (refer to Note 22) | 40,236,625 | 30,906,278 |
| Less: temporary investments | (43,000,000) | (45,000,000) |
| | 36,508,524 | 19,791,746 |
| Unrestricted and undesignated | 30,161,079 | 24,360,948 |
| | \$ 66,669,603 | \$ 44,152,694 |

6. TEMPORARY INVESTMENTS

Temporary investments are recorded at the lower of cost and market value. The \$30,000,000 non-redeemable guaranteed investment certificate, with an annual interest rate of 1.95%, matures December 2018. \$13,000,000 was invested for various GICs with maturity dates between 1 and 3 years.

| | 2017 | 2016 |
|----------------------------------|---------------|---------------|
| Cash held in investment accounts | \$ 2,582,922 | - |
| Maturity within 1 year | 31,537,393 | \$ 45,000,000 |
| Maturity within 2 years | 5,026,039 | - |
| Maturity within 3 years | 3,853,646 | - |
| | \$ 43,000,000 | \$ 45,000,000 |

THE CORPORATION OF THE TOWN OF NEWMARKET
Notes to the Consolidated Financial Statements
December 31, 2017

7. RECEIVABLES

(a) Taxes receivable

| | 2017 | 2016 |
|------------------------|--------------|--------------|
| Current year | \$ 2,749,962 | \$ 3,178,550 |
| Arrears previous years | 1,844,896 | 1,997,828 |
| | 4,594,858 | 5,176,378 |
| Less allowance | 865,743 | 865,743 |
| | \$ 3,729,115 | \$ 4,310,635 |

(b) Accounts receivable

| | 2017 | 2016 |
|--|--------------|--------------|
| Government entities | \$ 2,448,330 | \$ 2,375,379 |
| Newmarket Hydro Holdings Inc. | 1,336,000 | 1,336,000 |
| Trade receivables, user fees and other receivables | 1,583,490 | 1,382,434 |
| | 5,367,820 | 5,093,813 |
| Less allowance | 71,598 | 95,715 |
| | \$ 5,296,222 | \$ 4,998,098 |

(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.

8. PREPAIDS AND OTHER EXPENSES

Prepaid expenses include prepaid insurance premiums, software licenses and support and other items totalling \$792,364 (2016 - \$303,157). Other expenses represent the Town's payment of \$1,106,673 (2016 - nil) for the shared use of an artificial turf field with York Region Board of Education for 10 years starting April, 2018.

9. INVENTORY

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

10. SURPLUS LAND

The Town owns three parcels of land that are declared surplus. One is for access to a storm water management pond with a carrying value of \$121,887, the other two small parcels of land is road allowance, with a carrying value of \$33,598.

11. INVESTMENT IN NEWMARKET HYDRO HOLDINGS INC.

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

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 CORPORATION OF THE TOWN OF NEWMARKET
Notes to the Consolidated Financial Statements
December 31, 2017

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

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

| | 2017 | 2016 |
|---|---------------|---------------|
| 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. | 17,252,825 | 16,434,041 |
| Total investment | \$ 68,949,579 | \$ 68,130,795 |

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

| | 2017 | 2016 |
|---|--------------|--------------|
| Revenues: | | |
| Investment income | \$ 1,205,600 | \$ 1,205,600 |
| Rent, property tax and other | 424,988 | 409,040 |
| Expenses: | | |
| Energy purchases | 2,035,874 | 3,146,105 |
| Services - street light capital & maintenance | 85,038 | 77,943 |
| Dividends received | 1,336,000 | 1,336,000 |
| Dividends accrued | 1,336,000 | 1,336,000 |
| Accounts payable | 310,627 | 343,581 |

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

| | 2017 | 2016 |
|---|----------------|----------------|
| Financial position | | |
| Current assets | \$ 33,216,921 | \$ 38,030,474 |
| Capital assets, future income taxes and other | 101,204,752 | 98,301,832 |
| Regulatory deferral account debit balances | 4,616,388 | 3,165,881 |
| Total assets | 139,038,061 | 139,498,187 |
| Current liabilities | 14,075,648 | 15,893,030 |
| Long term liabilities | 64,568,680 | 63,330,305 |
| Total liabilities | 78,644,328 | 79,223,335 |
| Non-controlling interest | 3,405,162 | 3,350,906 |
| Shareholder equity | | |
| Share capital | 29,609,342 | 29,609,342 |
| Retained earnings | 18,558,160 | 17,639,031 |
| Accumulated other comprehensive income | 30,665 | 131,010 |
| | 48,198,167 | 47,379,383 |
| Regulatory deferral account credit balances | 8,790,404 | 9,544,563 |
| Total liabilities and equity | \$ 139,038,061 | \$ 139,498,187 |

THE CORPORATION OF THE TOWN OF NEWMARKET
Notes to the Consolidated Financial Statements
December 31, 2017

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

| | | |
|--|---------------|----------------|
| Results of operations | | |
| Revenues | \$ 89,333,804 | \$ 101,281,659 |
| Operating expenses | (90,727,965) | (94,708,131) |
| Financing expenses | (1,158,651) | (1,035,727) |
| Other income | 1,219,972 | 1,290,139 |
| Non-controlling interest | (162,809) | (217,333) |
| Income tax | (1,319,876) | (1,203,375) |
| Net movement on regulatory accounts | 5,070,654 | (2,425,884) |
| Net income | 2,255,129 | 2,981,348 |
| Comprehensive income | (100,345) | (33,606) |
| Net income and Comprehensive income | 2,154,784 | 2,947,742 |
| Retained earnings, beginning of year | 17,770,041 | 16,158,299 |
| Net income | 2,154,784 | 2,947,742 |
| Dividends paid | (1,336,000) | (1,336,000) |
| Retained earnings, end of the year | \$ 18,588,825 | \$ 17,770,041 |
| In Town's books | | |
| Retained earnings, end of the year - per Hydro | \$ 18,588,825 | \$ 17,770,041 |
| Less: Dividends accrued | (1,336,000) | (1,336,000) |
| Adjusted retained earnings, end of year | 17,252,825 | 16,434,041 |

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | 2017 | 2016 |
|--|---------------|---------------|
| Government entities | \$ 10,167,367 | \$ 14,396,499 |
| Payroll liabilities | 3,169,396 | 2,232,853 |
| Trade payables and other accrued liabilities | 12,677,216 | 10,862,950 |
| | \$ 26,013,979 | \$ 27,492,302 |

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

13. EMPLOYEE FUTURE BENEFITS LIABILITY

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

| | 2017 | 2016 |
|------------------------------------|--------------|--------------|
| Employee future benefits liability | \$ 5,247,869 | \$ 4,995,555 |
| Vacation pay | 283,339 | 286,444 |
| | \$ 5,531,198 | \$ 5,281,999 |

THE CORPORATION OF THE TOWN OF NEWMARKET
Notes to the Consolidated Financial Statements
December 31, 2017

13. EMPLOYEE FUTURE BENEFITS LIABILITY (continued)

Employee Future Benefits are comprised of health and dental benefits that are provided to retirees and employees currently on a long-term disability. The Town recognizes these post-retirement costs as they are earned during the employee's tenure of service. A benefit liability of \$5,247,859 was determined by the last actuarial valuation carried out as at December 31, 2016, and extrapolated to December 31, 2017 using a discount rate of 3.25%.

Total benefit payments to retirees during the year were \$138,018 (2016 - \$127,771). The plan is substantially unfunded and requires no contributions from employees. The benefit liability at December 31 includes the following components:

| | 2017 | 2016 |
|---|--------------|--------------|
| Accrued benefits obligation | \$ 5,895,011 | \$ 5,672,989 |
| Unamortized actuarial (losses) | (647,152) | (677,434) |
| Employee future benefits liability | \$ 5,247,859 | \$ 4,995,555 |
| Employee future benefits, beginning of the year | \$ 4,995,455 | \$ 4,745,729 |
| Annual amortization of actuarial losses | 30,282 | 30,282 |
| Current period service cost | 170,553 | 164,934 |
| Interest cost | 189,587 | 182,281 |
| Benefits paid for the period | (138,018) | (127,771) |
| Employee future benefits, end of the year | \$ 5,247,859 | \$ 4,995,455 |

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 losses relates to an actuarial loss of \$666,606 at January 1, 2012 (\$401,319 as at December 31, 2017) plus an actuarial loss of \$308,773 at December 31, 2015 (\$267,603 as at December 31, 2017) and an actuarial losses of \$138,451 at January 1, 2015 (\$92,360 as at December 31, 2017) all of 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 (\$114,130 as at December 31, 2017) 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, 2017 was determined using a discount rate of 3.25% (2016 - 3.25%).
- (b) Health costs
 Health cost premiums are assumed to increase at a 6.00% (2016 - 6.25%) rate for 2017 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% (2016 - 3.0%) rate.

14. LONG-TERM DISABILITY BENEFITS PAYABLE

The Town provides disabled employees who meet the requirements for Long Term Disability (LTD) monthly disability income, life insurance, health, and dental benefits. An actuarial extrapolation of future liabilities for currently disabled employees was completed as at December 31, 2017 based on a December 31, 2016 valuation and forms the basis for the estimated liability reported in these financial statements.

THE CORPORATION OF THE TOWN OF NEWMARKET
Notes to the Consolidated Financial Statements
December 31, 2017

14. LONG-TERM DISABILITY BENEFITS PAYABLE (continued)

| | 2017 | 2016 |
|--|--------------|--------------|
| Accrued benefits obligation | \$ 3,046,086 | \$ 3,026,494 |
| Unamortized actuarial gains | 1,256,655 | 1,580,111 |
| Long-term disability benefits payable | \$ 4,302,741 | \$ 4,606,605 |
| Long-term disability benefits payable, beginning of year | \$ 4,606,605 | \$ 4,719,337 |
| Annual amortization of actuarial gains | (218,132) | (361,801) |
| Current period service cost | 464,226 | 452,928 |
| Interest cost | 82,365 | 56,517 |
| Benefits paid for the period | (632,323) | (260,378) |
| Long-term disability benefits payable | \$ 4,302,741 | \$ 4,606,605 |

Actuarial valuations for accounting purposes are normally performed every two years using the projected benefit method. The most recent actuarial report was prepared at December 31, 2016. 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, 2016 actuarial valuation were:

(a) Interest (discount) rate

The present value of the future benefits as at December 31, 2016 was determined using a discount rate of 2.75% (2015 - 2.5%).

(b) Health and dental costs

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

15. DEFERRED REVENUE

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

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

| | Beginning Balance 2017 | 2017 | Inflows | 2017 Outflows | Ending Balance 2017 |
|------------------------------------|---------------------------|---------------|---------------|------------------|------------------------|
| (Restated, Note 2) | | | | | |
| Parkland | \$ 984,477 | \$ 16,423 | \$ 827,485 | \$ 373,415 | |
| Development Charges | 23,329,588 | 10,057,015 | 6,269,827 | 27,116,776 | |
| Building Permit Fees | 5,770,435 | 1,235,077 | 1,828 | 7,003,684 | |
| Engineering Administration | 868,358 | 1,242,000 | 766,318 | 1,344,040 | |
| Gas Tax Grant | 2,932,610 | 2,527,068 | 2,025,694 | 3,433,984 | |
| Sub-total Obligatory Reserve Funds | 33,885,468 | 15,077,583 | 9,691,152 | 39,271,899 | |
| Other | 1,144,731 | 5,656,502 | 5,802,570 | 998,663 | |
| Total | \$ 35,030,199 | \$ 20,734,085 | \$ 15,493,722 | \$ 40,270,562 | |

THE CORPORATION OF THE TOWN OF NEWMARKET
Notes to the Consolidated Financial Statements
December 31, 2017

16. LONG-TERM DEBT

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

| | | | 2017 | 2016 |
|--|--------|--------------|---------------|---------------|
| Long-term debt incurred by the Town | | | \$ 33,733,250 | \$ 36,772,663 |
| Purpose | Rates | Mature Dates | 2017 | 2016 |
| Land for recreation facilities | 5.724% | 2024 | 5,933,268 | 6,605,305 |
| Youth Centre | 5.724% | 2024 | 1,374,782 | 1,530,498 |
| Downtown renewal | 5.724% | 2024 | 436,071 | 485,463 |
| Recreation facility | 5.246% | 2024 | 5,656,742 | 6,310,150 |
| Parklands | 5.246% | 2024 | 1,202,529 | 1,341,433 |
| Traffic flow improvements | 5.246% | 2024 | 692,951 | 772,993 |
| Downtown revitalization | 5.246% | 2024 | 188,558 | 210,338 |
| Recreation facility | 4.756% | 2026 | 8,179,213 | 8,892,409 |
| Consolidated Operations Centre | 5.000% | 2019 | 8,587,991 | 9,052,072 |
| Federation of Canadian Municipalities loan for Operations Centre | 2.000% | 2031 | 1,481,145 | 1,572,002 |
| | | | \$ 33,733,250 | \$ 36,772,663 |

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

| | |
|---------------------|---------------|
| 2018 | 3,228,829 |
| 2019 | 10,920,744 |
| 2020 | 3,000,979 |
| 2021 | 3,158,304 |
| 2022 | 3,323,969 |
| 2023 and thereafter | 10,100,425 |
| | \$ 33,733,250 |

- (c) Interest expense on long-term debt amounted to \$1,852,932 (2016 - \$1,996,975).

17. INSURANCE COVERAGE

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

Claim costs during the year amounted to \$46,458 (2016 - \$155,180).

Insurance premiums of \$943,619 (2016 - \$973,572) were expensed during the year on the "Consolidated Statement of Operations and Accumulated Surplus".

THE CORPORATION OF THE TOWN OF NEWMARKET
Notes to the Consolidated Financial Statements
December 31, 2017

18. CONTINGENCIES

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

19. 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:

| | | |
|------|----|----------------|
| 2018 | \$ | 151,154 |
| 2019 | | 72,563 |
| 2020 | | 18,141 |
| | \$ | <u>241,858</u> |

20. CONTRACTUAL OBLIGATIONS

During the year the Town performed work on several major projects relating to the construction, repair and replacement of certain facilities and infrastructure. The total purchase commitment from such contracts amounted to approximately \$13,361,668, of which expenses of approximately \$5,981,917 were outstanding as at December 31, 2017.

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 \$39,894,171, of which expenses of approximately \$11,316,719 were outstanding as at December 31, 2017.

21. PENSION AGREEMENTS

OMERS provides pension services to approximately 480,000 active and retired members from approximately 1,000 employers. Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted as at December 31, 2017. The results of this valuation disclosed total actuarial liabilities of \$93.6 billion in respect of benefits accrued for service with actuarial assets at that date of \$88.2 billion indicating an actuarial deficit of \$5.4 billion. Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Town does not recognize any share of the OMERS pension surplus or deficit.

Contributions in 2017 ranged from 9% to 15.8% depending on the proposed retirement age and level of earnings. Contributions made by the Town to OMERS on account of current service for the year were \$4,253,239 (2016- \$4,072,739).

THE CORPORATION OF THE TOWN OF NEWMARKET
Notes to the Consolidated Financial Statements
December 31, 2017

22. ACCUMULATED SURPLUS

The Accumulated Surplus is comprised of the following:

| | 2017 | 2016 |
|---|-----------------------|-----------------------|
| Reserves set aside for specific purposes by Council | | |
| Reserves for operating purposes | \$ 6,087,935 | \$ 4,835,657 |
| Reserves for capital purposes | 1,142,211 | 1,098,178 |
| Newmarket Public Library | 728,743 | 582,111 |
| Water & Wastewater Rate Stabilization | 4,863,356 | 4,499,339 |
| Total Reserves | 12,822,245 | 11,015,285 |
| Reserve funds set aside for specific purposes by Council | | |
| Asset replacement funds | 27,953,992 | 22,653,403 |
| Reserve funds for operating purposes | 4,155,026 | 3,581,055 |
| Reserve funds for capital purposes | 3,492,415 | 835,808 |
| Self-insured long-term disability | 4,635,192 | 3,836,012 |
| Total Reserve Funds | 40,236,625 | 30,906,278 |
| Total Reserves and Reserve Funds | 53,058,870 | 41,921,564 |
| Invested in tangible capital assets | 486,710,874 | 475,725,170 |
| Less: amount financed by long-term debt | (93,733,250) | (36,772,663) |
| Equity in Newmarket Hydro Holdings Inc. (Note 11) | 68,943,579 | 68,130,795 |
| Employee future benefits to be recovered | (3,981,543) | (3,774,473) |
| Other | 1,488,106 | 259,424 |
| Accumulated Surplus | \$ 572,492,634 | \$ 545,489,817 |

23. GOVERNMENT TRANSFERS

Government transfers include monetary transfers based on cost-sharing agreements between the three levels of government. Some funds are transferred when the Town provides evidence that the qualifying expenditures have been incurred. The Town also receives government transfers once certain criteria have been met or with the stipulation that the funds are used for specific programs or expenses (grants with stipulations). Any transfers received where the transfer stipulations have not been met by year-end are recorded as deferred revenue (see note 15). Grants are also received to support specific program areas such as the Library, Museum, or the Seniors Centre. The following kinds of transfers were included in revenue:

| | 2017 | 2016 |
|--------------------------|---------------------|---------------------|
| Cost-sharing agreements | \$ - | \$ 619,137 |
| Grants with stipulations | 2,025,694 | 2,001,349 |
| Other grants | 2,615,294 | 1,146,623 |
| | \$ 4,640,988 | \$ 3,767,109 |

24. 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.

| | 2017 | 2016 |
|--|----------------------|----------------------|
| Net expenses before allocation | \$ 24,713,675 | \$ 23,778,907 |
| Less: Aurora's allocation (2017 - 40.60%; 2016 - 40.20%) | (10,058,799) | (9,468,805) |
| Newmarket's net allocation | \$ 14,654,876 | \$ 14,310,102 |

THE CORPORATION OF THE TOWN OF NEWMARKET
Notes to the Consolidated Financial Statements
December 31, 2017

25. TRUST FUND

The Trust fund administered by the Town amounting to \$263,464 (2016 - \$329,333) is presented in a separate financial statement of trust financial activities and fund balance. As such balances are held in trust by the Town for the benefit of others, they are not included in the Town's consolidated statement of financial position or financial activities. During 2017, the Trust Fund transferred \$70,895 (2016- \$nil) to the Town for the cost of a mobile shelving unit purchased by the Museum.

26. TANGIBLE CAPITAL ASSETS

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

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

a) Tangible capital assets recognized at nominal value.

Certain assets have been assigned a nominal value because of the difficulty of determining a valuation. The most significant such asset is the land under the Town's roads which has been assigned a nominal value of one dollar per kilometer of road length. The 2017 road network had 239 kilometers (2016 - 230 km).

b) Capitalization of interest

No interest was capitalized in 2017 (2016 - \$nil).

c) Construction in Progress

The financial statements and accompanying schedules include \$5,436,217 (2016 - \$7,494,596) of tangible assets that have not been amortized.

d) Contributed Tangible Capital Assets

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

| | 2017 | 2016 |
|-----------------------------|----------------------|----------------------|
| Linear Assets | \$ 15,678,450 | \$ 8,878,243 |
| Storm Water Management Pond | 186,801 | 193,253 |
| Streetslights | 161,033 | 600,695 |
| Parks | - | 417,735 |
| | <u>\$ 16,026,284</u> | <u>\$ 10,089,926</u> |

THE CORPORATION OF THE TOWN OF NEWMARKET
Notes to the Consolidated Financial Statements
December 31, 2017

27. SEGMENTED INFORMATION

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

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

Schedule 2 Service Bundles

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

Fire & Emergency Services

Central York Fire Services provides fire services to the residents of Newmarket and Aurora. They are responsible to provide fire suppression service, fire prevention programs, training and education related to prevention, detection or extinguishment of fires. The cost of these services is shared between the two municipalities based on a cost sharing formula described in Note 24.

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.

THE CORPORATION OF THE TOWN OF NEWMARKET
Notes to the Consolidated Financial Statements
December 31, 2017

27. SEGMENTED INFORMATION (continued)

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.

28. SUBSEQUENT EVENT

In February 2018 the Town entered into an agreement for the purchase of 11.6 acres of land at the north west corner of Mulock Drive and Yonge Street, known as the Mulock Farm/Estate. A \$26 million debenture will be secured for the cost of the property.

29. COMPARATIVE FIGURES

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

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

Schedule 1

| | Cost | | | | Accumulated Amortization | | | | 2017 | |
|-----------------------------------|----------------------|---------------------------|----------------------|-------------|--------------------------|----------------------|---------------------------|---------------------------------------|---------------------|----------------|
| | 2017 Opening Balance | Additions and Betterments | Disposals/ Transfers | Write Downs | 2017 Closing Balance | 2017 Opening Balance | 2017 Amortization Expense | Accumulated Amortization on Disposals | 2017 Ending Balance | Net Book Value |
| General Capital Assets | | | | | | | | | | |
| Land | \$ 74,717,975 | \$ 20,499 | \$ - | \$ - | \$ 74,738,474 | \$ - | \$ - | \$ - | \$ - | \$ 74,738,474 |
| Land improvements | 11,638,749 | 697,724 | - | - | 12,336,473 | 2,194,716 | 369,851 | - | 2,534,567 | 9,801,906 |
| Buildings and building components | 94,214,777 | 3,042,084 | - | - | 97,256,861 | 35,587,084 | 2,564,518 | - | 38,151,602 | 59,105,239 |
| Machinery and Equipment | 14,647,505 | 1,755,094 | 308,993 | - | 16,093,606 | 2,727,568 | 1,326,577 | 308,993 | 8,733,252 | 7,360,354 |
| Vehicles | 5,974,198 | 822,415 | 231,779 | - | 6,564,833 | 2,822,337 | 462,174 | 231,779 | 3,053,452 | 3,511,382 |
| Library Collection | 1,737,903 | 193,809 | 238,642 | - | 1,893,070 | 940,114 | 212,204 | 238,642 | 913,876 | 779,394 |
| | \$ 202,931,107 | \$ 6,531,605 | \$ 779,414 | \$ - | \$ 208,653,226 | \$ 49,230,639 | \$ 4,935,324 | \$ 779,414 | \$ 53,386,549 | \$ 155,296,749 |
| Infrastructure Assets | | | | | | | | | | |
| Land | \$ 18,492,534 | \$ 3 | \$ - | \$ - | \$ 18,492,537 | \$ - | \$ - | \$ - | \$ - | \$ 18,492,537 |
| Land improvements | 24,357,610 | 186,801 | - | - | 24,544,411 | 17,813,093 | 571,869 | - | 18,384,962 | 6,159,449 |
| Buildings and building components | 24,846,461 | - | - | - | 24,846,461 | 4,648,429 | 793,913 | - | 5,442,342 | 19,404,119 |
| Machinery and Equipment | 1,942,621 | 14,078 | - | - | 2,056,699 | 1,096,614 | 114,548 | - | 1,211,162 | 845,537 |
| Vehicles | 2,638,920 | - | 342,690 | - | 2,981,610 | 1,661,321 | 277,257 | 344,690 | 1,593,888 | 700,342 |
| Linear Assets | 471,827,564 | 22,571,516 | 2,243,779 | - | 492,095,371 | 204,266,147 | 9,246,634 | 1,793,337 | 211,719,444 | 280,375,927 |
| | \$ 544,105,710 | \$ 22,812,398 | \$ 2,586,399 | \$ - | \$ 564,329,709 | \$ 229,485,804 | \$ 11,004,221 | \$ 2,138,027 | \$ 238,351,798 | \$ 325,977,911 |
| Construction in Progress | | | | | | | | | | |
| | \$ 7,404,596 | \$ 4,520,932 | \$ 6,489,311 | \$ - | \$ 5,436,217 | \$ - | \$ - | \$ - | \$ - | \$ 5,436,217 |
| Total Tangible Capital Assets | | | | | | | | | | |
| | \$ 754,441,413 | \$ 33,864,935 | \$ 9,857,124 | \$ - | \$ 778,449,221 | \$ 278,716,243 | \$ 15,939,545 | \$ 2,917,441 | \$ 291,738,347 | \$ 486,710,874 |

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

The Corporation of the Town of Newmarket
Tangible Capital Assets - Summary By Asset Category
December 31, 2016

Schedule 1

| | Cost | | | | Accumulated Amortization | | | | 2016 | |
|--------------------------------------|----------------------|---------------------------|----------------------|-------------|--------------------------|----------------------|---------------------------|---------------------------------------|---------------------|----------------|
| | 2018 Opening Balance | Additions and Betterments | Disposals/ Transfers | Write Downs | 2016 Closing Balance | 2016 Opening Balance | 2016 Amortization Expense | Accumulated Amortization on Disposals | 2016 Ending Balance | Net Book Value |
| General Capital Assets | | | | | | | | | | |
| Land | \$ 74,717,975 | \$ - | \$ - | \$ - | \$ 74,717,975 | \$ - | \$ - | \$ - | \$ - | \$ 74,717,975 |
| Land improvements | 10,094,729 | 1,544,020 | - | - | 11,638,749 | 120,332 | 344,384 | - | 2,164,716 | 9,474,033 |
| Buildings and building components | 84,253,768 | 9,967,159 | 6,150 | - | 94,214,077 | 3,205,172 | 2,388,062 | 6,150 | 35,587,084 | 58,627,893 |
| Machinery and Equipment | 13,264,989 | 1,493,946 | 111,430 | - | 14,647,505 | 1,236,152 | 1,236,152 | 106,816 | 7,715,668 | 6,931,837 |
| Vehicles | 5,689,729 | 450,244 | 165,775 | - | 5,974,198 | 2,644,025 | 440,253 | 158,821 | 2,823,057 | 3,151,141 |
| Library Collection | 1,754,996 | 201,171 | 218,264 | - | 1,737,903 | 941,523 | 216,855 | 216,264 | 940,114 | 797,789 |
| | \$ 189,776,186 | \$ 13,656,540 | \$ 501,619 | \$ - | \$ 202,934,247 | \$ 5,004,984 | \$ 4,625,706 | \$ 490,051 | \$ 49,230,639 | \$ 153,700,468 |
| Infrastructure Assets | | | | | | | | | | |
| Land | \$ 15,688,678 | \$ 2,803,856 | \$ - | \$ - | \$ 18,492,534 | \$ - | \$ - | \$ - | \$ - | \$ 18,492,534 |
| Land improvements | 23,750,754 | 606,856 | - | - | 24,357,610 | 17,265,261 | 547,832 | - | 17,813,093 | 6,544,517 |
| Buildings and building components | 24,846,461 | - | - | - | 24,846,461 | 3,854,516 | 793,913 | - | 4,648,429 | 20,198,032 |
| Machinery and Equipment | 1,864,087 | 76,534 | - | - | 1,940,621 | 952,589 | 144,025 | - | 1,096,614 | 846,007 |
| Vehicles | 2,276,300 | 499,869 | 137,249 | - | 2,638,920 | 1,523,516 | 275,054 | 137,249 | 1,661,321 | 977,599 |
| Linear Assets | 448,221,308 | 24,653,258 | 1,190,002 | - | 471,827,564 | 196,424,240 | 8,727,795 | 885,888 | 204,266,147 | 267,561,417 |
| | \$ 516,647,588 | \$ 28,785,373 | \$ 1,327,251 | \$ - | \$ 544,105,710 | \$ 220,020,122 | \$ 10,488,619 | \$ 1,023,137 | \$ 229,485,604 | \$ 314,620,106 |
| Construction in Progress | | | | | | | | | | |
| | \$ 24,130,798 | \$ 3,405,792 | \$ 20,131,994 | \$ - | \$ 7,404,596 | \$ - | \$ - | \$ - | \$ - | \$ 7,404,596 |
| Total Tangible Capital Assets | | | | | | | | | | |
| | \$ 730,554,572 | \$ 45,847,705 | \$ 21,960,864 | \$ - | \$ 754,441,413 | \$ 265,115,106 | \$ 15,114,325 | \$ 1,513,188 | \$ 278,716,243 | \$ 475,725,170 |

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

The Corporation of the Town of Newmarket
Segment Disclosures - Service Bundle
Year ended December 31, 2017

Schedule 2

| | Fire & Emergency Services | | Water, Wastewater & Solid Waste | | Bylaw & Licensing Services | | Roads, Bridges & Sidewalks | |
|--|---------------------------|---------------------|---------------------------------|----------------------|----------------------------|--------------------|----------------------------|---------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| EXPENSES | | | | | | | | |
| Salaries and wages | \$ 21,176,636 | \$ 20,185,433 | \$ 2,925,052 | \$ 2,607,491 | \$ 1,115,435 | \$ 1,079,088 | \$ 2,058,993 | \$ 2,274,079 |
| Materials, goods and supplies | 859,027 | 841,942 | 573,027 | 614,366 | 44,301 | 53,535 | 992,771 | 1,022,493 |
| Utilities | 156,675 | 167,085 | 27,457 | 30,083 | - | - | 976,299 | 952,087 |
| Contracted and general services | 936,290 | 761,352 | 24,631,570 | 22,453,356 | 456,167 | 358,423 | 873,333 | 656,644 |
| Rents and financial | 30,000 | - | 65,917 | 47,188 | 238 | 37,000 | 1,537 | 510 |
| Interest on long-term debt | - | - | 566,740 | 522,330 | - | - | - | - |
| Capital repairs and maintenance | 669,998 | 492,588 | 3,061,017 | 1,907,569 | - | - | 2,174,161 | 2,563,761 |
| Amortization expenses | 442,095 | 360,059 | 2,973,073 | 2,878,048 | 20,549 | 20,549 | 7,248,520 | 6,890,178 |
| Allocations | (7,849,539) | (7,284,620) | (2,872,819) | (2,536,299) | 958,324 | 944,652 | 1,922,776 | 1,912,141 |
| Total expenses | 16,421,182 | 15,523,839 | 37,696,672 | 36,678,717 | 2,595,014 | 2,493,247 | 16,248,391 | 16,271,893 |
| REVENUES | | | | | | | | |
| Taxation | 15,516,148 | 14,930,424 | 2,994,289 | 2,603,057 | 1,688,066 | 1,524,815 | 10,489,878 | 11,041,614 |
| User charges | 340,479 | 297,654 | 35,969,776 | 33,632,832 | 474,952 | 450,256 | 112,312 | 121,856 |
| External non-tax revenues | 171,841 | 2,525,902 | 10,015,280 | 7,942,936 | 392,645 | 451,237 | 13,073,906 | 7,829,447 |
| Gain / (loss) on sale of tangible capital assets | 9,295 | 3,182 | (199,069) | (196,599) | - | - | (157,403) | (71,309) |
| Total revenues | 16,037,763 | 18,747,162 | 48,771,276 | 43,982,226 | 2,555,663 | 2,426,308 | 23,518,693 | 18,921,608 |
| Net surplus of Gov't. Business Enterprise | - | - | - | - | - | - | - | - |
| Annual Surplus (Deficit) | \$ (383,419) | \$ 2,223,323 | \$ 11,074,604 | \$ 10,303,509 | \$ (39,351) | \$ (66,939) | \$ 7,270,302 | \$ 2,649,715 |

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

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

The Corporation of the Town of Newmarket
Segment Disclosures - Service Bundle
Year ended December 31, 2017

Schedule 2

| | Planning & Development Services | | Community Programs & Events | | Facilities, Parks & Trails | | Corporate Support & Governance | |
|--|------------------------------------|--------------------|--------------------------------|---------------------|----------------------------|-----------------------|-----------------------------------|---------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| EXPENSES | | | | | | | | |
| Salaries and wages | \$ 4,302,797 | \$ 4,088,507 | \$ 5,791,871 | \$ 5,228,315 | \$ 7,456,681 | \$ 7,228,614 | \$ 9,474,073 | \$ 9,832,609 |
| Materials, good and supplies | 183,868 | 246,878 | 260,530 | 147,453 | 1,368,710 | 1,438,919 | 422,412 | 368,229 |
| Utilities | 24 | - | 2,062 | 3,840 | 2,254,447 | 2,445,123 | 560,874 | 615,669 |
| Contracted and general services | 345,679 | 293,703 | 1,443,913 | 1,181,331 | 1,229,657 | 1,020,794 | 3,057,915 | 3,164,703 |
| Rents and financial | (24,117) | 26,000 | 33,106 | 35,806 | 53,071 | 50,391 | 121,888 | 57,005 |
| Interest on long-term debt | - | - | - | - | - | - | 1,296,193 | 1,424,645 |
| Capital repairs and maintenance | 93,916 | 145,261 | - | 3,762 | 2,104,813 | 1,767,899 | 474,164 | 538,693 |
| Amortization expenses | - | - | 56,942 | 11,801 | 4,158,979 | 3,802,724 | 713,215 | 688,773 |
| Allocations | 2,305,152 | 2,711,113 | 1,526,524 | 1,735,436 | 3,445,833 | 3,276,069 | (15,770,067) | (15,863,265) |
| Total expenditures | 7,207,319 | 7,511,462 | 9,114,948 | 8,388,707 | 22,072,191 | 21,030,533 | 350,667 | 827,061 |
| REVENUES | | | | | | | | |
| Taxation | 3,356,676 | 3,586,307 | 4,372,308 | 4,133,759 | 14,927,524 | 14,094,016 | - | - |
| User charges | 2,807,296 | 2,731,528 | 4,230,951 | 3,807,093 | 2,392,392 | 2,520,344 | 513,043 | 416,532 |
| External non-tax revenues | 1,316,182 | 1,138,581 | 871,449 | 340,607 | 4,027,122 | 3,022,582 | 6,596,385 | 5,212,832 |
| Gain / (loss) on sale of tangible capital assets | - | - | - | - | 81,154 | 61,427 | - | - |
| Total revenues | 7,480,154 | 7,456,416 | 9,474,708 | 8,281,459 | 21,428,192 | 19,698,369 | 7,109,428 | 5,629,364 |
| Net surplus of Gov't. Business Enterprise | - | - | - | - | - | - | 2,154,784 | 2,947,742 |
| Annual Surplus (Deficit) | \$ 272,835 | \$ (55,046) | \$ 359,760 | \$ (107,248) | \$ (643,999) | \$ (1,332,164) | \$ 8,913,545 | \$ 7,750,045 |

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

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

The Corporation of the Town of Newmarket
Segment Disclosures - Service Bundle
Year ended December 31, 2017

Schedule 2

| | Public Library Services | | Main Street District BIA | | Consolidated | |
|--|-------------------------|------------------|--------------------------|-------------------|----------------------|----------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| EXPENSES | | | | | | |
| Salaries and wages | \$ 2,288,217 | \$ 2,218,316 | \$ - | \$ - | \$ 56,589,755 | \$ 54,753,452 |
| Materials, good and supplies | 326,706 | 276,576 | 17,558 | 22,520 | 5,048,911 | 5,032,934 |
| Utilities | 112,146 | 114,045 | - | - | 4,089,984 | 4,327,929 |
| Contracted and general services | 127,727 | 107,018 | 19,223 | 14,939 | 33,121,475 | 30,012,263 |
| Rents and financial | - | - | - | - | 281,640 | 263,900 |
| Interest on long-term debt | - | - | - | - | 1,862,933 | 1,996,975 |
| Capital repairs and maintenance | 51,695 | 56,051 | - | - | 8,629,764 | 7,475,513 |
| Amortization expenses | 326,172 | 432,193 | - | - | 15,939,545 | 15,114,325 |
| Allocations | 529,380 | 541,370 | - | - | (10,058,798) | (9,468,805) |
| Total expenditures | 3,762,043 | 3,745,569 | 36,781 | 37,459 | 115,505,208 | 109,508,486 |
| REVENUES | | | | | | |
| Taxation | 3,561,823 | 3,428,957 | 30,000 | 30,000 | 56,936,711 | 55,362,949 |
| User charges | 78,797 | 69,085 | - | - | 46,910,997 | 44,047,179 |
| External non-tax revenues | 300,824 | 273,774 | 5,920 | 6,055 | 36,771,554 | 28,743,954 |
| Gain / (loss) on sale of tangible capital assets | - | - | - | - | (266,022) | (203,299) |
| Total revenues | 3,941,444 | 3,771,816 | 35,920 | 36,055 | 140,353,241 | 127,950,783 |
| Investment Income From Newmarket Hydro Holdings Inc. | - | - | - | - | 2,154,784 | 2,947,742 |
| Annual Surplus (Deficit) | \$ 179,401 | \$ 26,247 | \$ (861) | \$ (1,404) | \$ 27,002,817 | \$ 21,390,039 |

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

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

Financial statements of

**Town of Newmarket
Trust Fund**

December 31, 2017

Draft

Town of Newmarket
Trust Fund
December 31, 2017

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Draft

Independent Auditor's Report

To the Mayor and Members of Council of the Corporation of the Town of Newmarket

We have audited the accompanying financial statements of the Town of Newmarket Trust Fund, which comprise the statement of financial position as at December 31, 2017, the statements of financial activities and fund balance and of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements present fairly, in all material respects, the financial position of the Town of Newmarket Trust Fund as at December 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Other Matter

The statement of financial position as at December 31, 2016 and the statements of financial activities and fund balance and of cash flows for the year then ended were audited by another auditor who issued an unqualified opinion on June 26, 2017.

Chartered Professional Accountants
Licensed Public Accountants
_____, 2018

Draft

THE CORPORATION OF THE TOWN OF NEWMARKET

TRUST FUND

Statement of Financial Activities and Fund Balance

Year ended December 31, 2017

| | 2017 | 2016 |
|--|------------|------------|
| REVENUES | | |
| Interest | 1,686 | 1,226 |
| Investment Income | 3,340 | 4,700 |
| Total revenues | 5,026 | 5,926 |
| EXPENSES | | |
| Transfer to the Town of Newmarket | 70,895 | - |
| Total expenses | 70,895 | - |
| ANNUAL (DEFICIT) SURPLUS | (65,869) | 5,926 |
| FUND BALANCE, BEGINNING OF YEAR | 329,333 | 323,407 |
| FUND BALANCE, END OF YEAR | \$ 263,464 | \$ 329,333 |

Statement of Financial Position

As at December 31, 2017

| | 2017 | 2016 |
|--------------------------------|------------|------------|
| ASSETS | | |
| Cash | 142,517 | 147,856 |
| Investment interest receivable | 947 | 1,477 |
| Investments (Note 4) | 120,000 | 180,000 |
| Fund Balance (Note 3) | \$ 263,464 | \$ 329,333 |

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

THE CORPORATION OF THE TOWN OF NEWMARKET TRUST FUND

Statement of Cash Flows

Year ended December 31, 2017

| | 2017 | 2016 |
|---|-------------------|-------------------|
| Cash received from | | |
| Interest | \$ 1,686 | \$ 1,226 |
| Investment Income | 3,870 | 5,160 |
| | <u>5,556</u> | <u>6,386</u> |
| Cash paid for | | |
| Transfer to the Town of Newmarket | 70,895 | - |
| | <u>70,895</u> | <u>-</u> |
| Net change in cash from operating activities | (65,339) | 6,386 |
| Financing Activity | | |
| Proceeds on maturity of investment | 60,000 | 60,000 |
| Net change in cash from financing activity | 60,000 | 60,000 |
| Net Change In Cash | (5,339) | 66,386 |
| Cash, Beginning of Year | 147,856 | 81,470 |
| Cash, End of Year | \$ 142,517 | \$ 147,856 |

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

THE CORPORATION OF THE TOWN OF NEWMARKET

TRUST FUND

Notes to the Financial Statements

December 31, 2017

1 SIGNIFICANT ACCOUNTING POLICIES

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

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

2 CHANGE IN ACCOUNTING FRAMEWORK

These financial statements were previously prepared in accordance with Canadian Public Sector Accounting Standards. This Trust Fund is administered by the Town of Newmarket. However, since these funds are held by the Town of Newmarket for the benefits of others, Canadian accounting standards for not-for-profit organizations was used in preparing the financial statements. This change did not impact the recognition, measurement or disclosure of the comparative amounts.

3 ELMAN W. CAMPBELL MUSEUM TRUST

The Elman W. Campbell Museum Trust, being the only trust administered by the Town of Newmarket, was established as a result of the last Will and Testament of Elman W. Campbell in 1988. Operating expenses of the Museum are paid for by the Town of Newmarket and the Town receives no remuneration for administering the Fund. Eighty percent (80%) of the interest earned by the trust can be used to offset certain maintenance costs of the Museum after the capital requirements for the year have been met. During 2017, the Trust Fund transferred \$70,895 to the Town of Newmarket for the cost of a mobile shelving unit that the Museum purchased.

4 INVESTMENTS

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

| | 2017 | 2016 |
|-----------------------------------|------------|-----------|
| Guaranteed investment certificate | \$ 120,000 | \$180,000 |

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

5 USE OF ESTIMATES

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

Financial statements of

**Town of Newmarket
Main Street District BIA**

December 31, 2017

Town of Newmarket Main Street District BIA

December 31, 2017

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Independent Auditor's Report

To the Mayor and Members of Council of the
Corporation of the Town of Newmarket

We have audited the accompanying financial statements of the Town of Newmarket Main Street District BIA, which comprise the statement of financial position as at December 31, 2017, and the statements of operations and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements present fairly, in all material respects, the financial position of the Town of Newmarket Main Street District BIA as at December 31, 2017, and the results of its operations, changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matter

The statement of financial position as at December 31, 2016 and the statements of continuity and cash flows for the year then ended were audited by another auditor who issued an unqualified opinion on June 26, 2017.

Chartered Professional Accountants
Licensed Public Accountants
_____, 2018

Draft

THE CORPORATION OF THE TOWN OF NEWMARKET

Main Street District BIA

Statement of Operations

Year ended December 31, 2017

| | 2017 | | 2016 |
|--|------------------|------------------|------------------|
| | Budget | Actual | |
| REVENUES | | | |
| Taxation | 30,000 | 30,000 | 30,000 |
| Events | - | 5,920 | 6,055 |
| Total revenues | 30,000 | 35,920 | 36,055 |
| EXPENSES | | | |
| Promotion and events | 9,000 | 17,558 | 22,519 |
| Advertising | 21,000 | 19,223 | 14,939 |
| Total expenses | 30,000 | 36,781 | 37,458 |
| ANNUAL SURPLUS (DEFICIT) | - | (861) | (1,403) |
| FUND BALANCE, BEGINNING OF YEAR | 25,341 | 25,341 | 26,744 |
| FUND BALANCE, END OF YEAR | \$ 25,341 | \$ 24,480 | \$ 25,341 |

Statement of Financial Position

As at December 31, 2017

| | 2017 | 2016 |
|--|------------------|------------------|
| ASSET | | |
| Due from the Town of Newmarket | \$ 24,480 | \$ 25,341 |
| FUND BALANCE AND NET FINANCIAL ASSETS | \$ 24,480 | \$ 25,341 |

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

THE CORPORATION OF THE TOWN OF NEWMARKET**Main Street District BIA****Statement of Cash Flows**

Year ended December 31, 2017

| | 2017 | 2016 |
|-------------------------------------|---------------|---------------|
| Cash received from | | |
| Taxation | \$ 30,000 | \$ 30,000 |
| Events | 5,920 | 6,055 |
| Transfer from the Town of Newmarket | 861 | 1,403 |
| | 36,781 | 37,458 |
| Cash paid for | | |
| Promotion and events | 17,558 | 22,519 |
| Advertising | 19,223 | 14,939 |
| | 36,781 | 37,458 |
| Net Change in Cash | - | - |
| Cash, Beginning of Year | - | - |
| Cash, End of Year | \$ - | \$ - |

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, 2017

1. NATURE OF OPERATIONS

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

3. USE OF ESTIMATES

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