

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.

*Deloitte LLP*

Chartered Professional Accountants  
Licensed Public Accountants  
June 18, 2018

**THE CORPORATION OF THE TOWN OF NEWMARKET****Consolidated Statement of Financial Position****December 31, 2017**

	<u>2017</u>	<u>2016</u>
		( Restated, Note 2)
<b>FINANCIAL ASSETS</b>		
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
	<u>193,355,782</u>	<u>178,352,836</u>
<b>LIABILITIES</b>		
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
	<u>110,469,846</u>	<u>109,926,974</u>
<b>NET FINANCIAL ASSETS</b>	<u>82,885,936</u>	<u>68,425,862</u>
<b>NON-FINANCIAL ASSETS</b>		
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
	<u>489,606,698</u>	<u>477,063,955</u>
<b>ACCUMULATED SURPLUS (Note 22)</b>	<u>\$ 572,492,634</u>	<u>\$ 545,489,817</u>
<b>Contingencies and lease agreements (Notes 18 and 19)</b>		
<b>Subsequent event (Note 28)</b>		

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**

	2017		2016
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
	(Note 3)		(Restated, Note 2)
<b>REVENUES</b>			
<b>Taxation and user charges</b>			
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
<b>Government Transfers</b>			
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
<b>Other</b>			
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
<b>TOTAL REVENUES</b>	\$ 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> (Note 3)	<u>Actual</u>	<u>Actual</u> ( Restated, Note 2)
<b>EXPENSES (Note 27)</b>			
General government	\$ 15,309,504	\$ <b>14,025,861</b>	\$ 14,843,027
Protection to persons and property	17,550,749	<b>17,920,274</b>	16,917,776
Transportation services	13,224,971	<b>13,579,971</b>	14,481,982
Environmental services	34,836,306	<b>36,222,765</b>	31,059,934
Recreation and cultural services	33,453,882	<b>31,260,912</b>	29,421,878
Planning and development	3,543,363	<b>2,495,425</b>	2,783,889
	<u>117,918,775</u>	<u><b>115,505,208</b></u>	<u>109,508,486</u>
<b>Income From Newmarket Hydro</b>			
<b>Holdings Inc. (Note 11)</b>	2,935,600	<b>2,154,784</b>	2,947,742
<b>ANNUAL SURPLUS</b>	<u>23,122,362</u>	<u><b>27,002,817</b></u>	<u>21,390,039</u>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR, AS PREVIOUSLY REPORTED</b>	-	<b>551,260,252</b>	529,481,625
<b>PRIOR PERIOD ADJUSTMENT (Note 2)</b>	-	<b>(5,770,435)</b>	(5,381,847)
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR, RESTATED</b>	<u>\$ 545,489,817</u>	<u>\$ 545,489,817</u>	<u>524,099,778</u>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<u>\$ 568,612,179</u>	<u>\$ <b>572,492,634</b></u>	<u>\$ 545,489,817</u>

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**

	<b>2017</b>		2016
	Budget (Note 3)	<b>Actual</b>	Actual (Restated, Note 2)
<b>Annual surplus</b>	\$ 23,122,362	<b>\$ 27,002,817</b>	\$ 21,390,039
Acquisition of tangible capital assets	(20,240,046)	<b>(11,349,340)</b>	(15,625,785)
Contributed tangible capital assets	-	<b>(16,026,284)</b>	(10,089,926)
Amortization of tangible capital assets	15,648,098	<b>15,939,545</b>	15,114,325
Proceeds from sale of tangible capital assets	-	<b>184,350</b>	112,383
Loss on disposal of tangible capital assets	-	<b>266,021</b>	203,299
	<b>(4,591,948)</b>	<b>(10,985,708)</b>	(10,285,704)
Changes due to inventory	(7,928)	<b>51,802</b>	3,740
Changes due to prepaid expenses and other	(18,848)	<b>(1,608,837)</b>	1,055,420
	<b>(26,776)</b>	<b>(1,557,035)</b>	1,059,160
<b>CHANGE IN NET FINANCIAL ASSETS</b>	18,503,638	<b>14,460,074</b>	12,163,495
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR AS PREVIOUSLY REPORTED</b>	-	<b>74,196,297</b>	61,644,214
<b>PRIOR PERIOD ADJUSTMENT (Note 2)</b>	-	<b>(5,770,435)</b>	(5,381,847)
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR, REST</b>	68,425,862	<b>68,425,862</b>	56,262,367
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	\$ 86,929,500	<b>\$ 82,885,936</b>	\$ 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
	Budget	Actual	Actual
<b>CASH PROVIDED BY (USED IN):</b>			
<b>OPERATING ACTIVITIES</b>			
<b>Cash received from</b>			
Taxation	\$ 56,796,490	\$ <b>57,799,398</b>	\$ 54,748,109
User charges	44,292,632	<b>46,420,707</b>	43,108,050
Government transfers	6,419,944	<b>2,973,635</b>	3,355,216
Contributions from developers	8,303,835	<b>11,811,851</b>	3,887,626
Investment income	3,835,198	<b>4,111,198</b>	5,011,865
Fine, penalties and interest	1,350,608	<b>1,171,236</b>	1,213,730
Rent and other	3,582,123	<b>2,369,205</b>	2,774,933
Aurora's share of Central York Fire Services	10,016,633	<b>10,058,798</b>	9,468,805
	134,597,463	<b>136,716,027</b>	123,568,334
<b>Cash paid for</b>			
Salaries, wages and employee benefits	54,726,826	<b>55,683,398</b>	53,918,055
Materials, goods, and supplies	4,066,316	<b>7,073,712</b>	3,986,584
Utilities	4,469,676	<b>3,708,203</b>	4,382,035
Contracted and general services	30,589,453	<b>31,893,022</b>	29,698,498
Capital repairs and maintenance	3,648,881	<b>7,931,974</b>	10,122,194
Interest on long-term debt	1,988,023	<b>1,988,024</b>	2,115,861
Rents and financial	293,814	<b>270,160</b>	288,053
	99,782,989	<b>108,548,493</b>	104,511,280
<b>Net change in cash from operating activities</b>	34,814,474	<b>28,167,534</b>	19,057,054
<b>CAPITAL ACTIVITIES</b>			
Land sales	-	-	33,700
Proceeds on disposal of tangible capital assets	-	<b>184,350</b>	112,383
Acquisition of tangible capital assets	(20,240,046)	<b>(11,349,340)</b>	(15,625,785)
<b>Net change in cash from capital activities</b>	(20,240,046)	<b>(11,164,990)</b>	(15,479,702)
<b>INVESTMENT ACTIVITY</b>			
Temporary investments	-	<b>2,000,000</b>	<b>(40,000,000)</b>
<b>Net change in cash from investment activity</b>	-	<b>2,000,000</b>	<b>(40,000,000)</b>

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
	Budget	Actual	Actual
<b>FINANCING ACTIVITIES</b>			
Loans receivable	-	6,491,307	-
Principal repayment on long-term debt	(2,976,942)	(2,976,942)	(2,849,103)
<b>Net change in cash from financing activities</b>	<b>(2,976,942)</b>	<b>3,514,365</b>	<b>(2,849,103)</b>
<b>NET CHANGE IN CASH</b>	11,597,486	22,516,909	(39,271,751)
<b>CASH, BEGINNING OF YEAR</b>	44,152,694	44,152,694	83,424,445
<b>CASH, END OF YEAR</b>	\$ 55,750,180	\$ 66,669,603	\$ 44,152,694
<b>Supplementary information:</b>			
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**

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

**1. SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statements("the financial statements") of the Corporation of the Town of Newmarket (the "Town") are the representation of management prepared in accordance with generally accepted accounting 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**

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

(ii) Non-financial assets

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

(a) Tangible Capital Assets

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

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

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.

**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.

**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.

(ix) Revenue Recognition

(a) Taxes and user charges

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

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

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

(b) Investment income

Investment income earned is reported as revenue in the period earned. Investment income earned on unspent development charges (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**

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**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.

	<u>Revenue</u>	<u>Expenses</u>
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>
<b>TOTAL COUNCIL APPROVED BUDGET</b>	<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**

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**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:

	<u>School Boards</u>	<u>Region</u>
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:

	<u>2017</u>	<u>2016</u>
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	<b>(43,000,000)</b>	<b>(45,000,000)</b>
	<b>36,508,524</b>	19,791,746
Unrestricted and undesignated	<b>30,161,079</b>	24,360,948
	<b>\$ 66,669,603</b>	<b>\$ 44,152,694</b>

**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.

	<u>2017</u>	<u>2016</u>
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	-
	<b>\$ 43,000,000</b>	<b>\$ 45,000,000</b>



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

**7. RECEIVABLES**

(a)	Taxes receivable		
		<u>2017</u>	<u>2016</u>
	Current year	\$ 2,749,962	\$ 3,178,550
	Arrears previous years	1,844,896	1,997,828
		<u>4,594,858</u>	<u>5,176,378</u>
	Less allowance	865,743	865,743
		<u>\$ 3,729,115</u>	<u>\$ 4,310,635</u>

(b)	Accounts receivable		
		<u>2017</u>	<u>2016</u>
	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
		<u>5,367,820</u>	<u>5,093,813</u>
	Less allowance	71,598	95,715
		<u>\$ 5,296,222</u>	<u>\$ 4,998,098</u>

(c) Loans receivable

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

**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 \$121,687, 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 (IFRIS).

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.

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

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

	<u>2017</u>	<u>2016</u>
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
<b>Total investment</b>	<b>\$ 68,949,579</b>	<b>\$ 68,130,795</b>

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

	<u>2017</u>	<u>2016</u>
Revenues:		
Investment income	\$ 1,205,600	\$ 1,205,600
Rent, property tax and other	424,988	409,040
Expenses:		
Energy purchases	2,035,574	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.

	<u>2017</u>	<u>2016</u>
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
<b>Total assets</b>	<b>139,038,061</b>	<b>139,498,187</b>
Current liabilities	14,075,648	15,893,030
Long term liabilities	64,568,680	63,330,305
<b>Total liabilities</b>	<b>78,644,328</b>	<b>79,223,335</b>
<b>Non-controlling interest</b>	<b>3,405,162</b>	<b>3,350,906</b>
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
	<b>48,198,167</b>	<b>47,379,383</b>
Regulatory deferral account credit balances	8,790,404	9,544,563
<b>Total liabilities and equity</b>	<b>\$ 139,038,061</b>	<b>\$ 139,498,187</b>

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

Results of operations

	2017	2016
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	\$ 5,247,859	\$ 4,995,555
Vacation pay	283,339	286,444
	\$ 5,531,198	\$ 5,281,999

**THE CORPORATION OF THE TOWN OF NEWMARKET**  
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**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, 2015, 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)
<b>Employee future benefits liability</b>	<b>\$ 5,247,859</b>	<b>\$ 4,995,555</b>
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)
<b>Employee future benefits, end of the year</b>	<b>\$ 5,247,859</b>	<b>\$ 4,995,455</b>

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 \$115,451 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**  
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**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
<b>Long-term disability benefits payable</b>	<b>\$ 4,302,741</b>	<b>\$ 4,606,605</b>
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)	(260,376)
<b>Long-term disability benefits payable</b>	<b>\$ 4,302,741</b>	<b>\$ 4,606,605</b>

Actuarial valuations for accounting purposes are normally performed every two years using the projected benefit method. The most recent actuarial report was prepared at December 31, 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	\$ 627,485	\$ 373,415	\$ 373,415
Development Charges	23,329,588	10,057,015	6,269,827	27,116,776	27,116,776
Building Permit Fees	5,770,435	1,235,077	1,828	7,003,684	7,003,684
Engineering Administration	868,358	1,242,000	766,318	1,344,040	1,344,040
Gas Tax Grant	2,932,610	2,527,068	2,025,694	3,433,984	3,433,984
Sub-total Obligatory Reserve Funds	33,885,468	15,077,583	9,691,152	39,271,899	39,271,899
Other	1,144,731	5,656,502	5,802,570	998,663	998,663
<b>Total</b>	<b>\$ 35,030,199</b>	<b>\$ 20,734,085</b>	<b>\$ 15,493,722</b>	<b>\$ 40,270,562</b>	<b>\$ 40,270,562</b>

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**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:

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

(c) Interest expense on long-term debt amounted to \$1,862,932 (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**  
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**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
	\$	<b>241,858</b>

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**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 15.9% depending on the proposed retirement age and level of earnings. Contributions made by the Town to OMERS on account of current service for the year were \$4,253,239 (2016- \$4,072,739).

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**22. ACCUMULATED SURPLUS**

The Accumulated Surplus is comprised of the following:

	2017	2016
<b>Reserves set aside for specific purposes by Council</b>		
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
<b>Total Reserves</b>	<b>12,822,245</b>	<b>11,015,285</b>
<b>Reserve funds set aside for specific purposes by Council</b>		
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
<b>Total Reserve Funds</b>	<b>40,236,625</b>	<b>30,906,278</b>
<b>Total Reserves and Reserve Funds</b>	<b>53,058,870</b>	<b>41,921,564</b>
Invested in tangible capital assets	486,710,874	475,725,170
Less: amount financed by long-term debt	(33,733,250)	(36,772,663)
Equity in Newmarket Hydro Holdings Inc. (Note 11)	68,949,579	68,130,795
Employee future benefits to be recovered	(3,981,545)	(3,774,473)
Other	1,488,106	259,424
<b>Accumulated Surplus</b>	<b>\$ 572,492,634</b>	<b>\$ 545,489,817</b>

**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
	<b>\$ 4,640,988</b>	<b>\$ 3,767,109</b>

**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)
<b>Newmarket's net allocation</b>	<b>\$ 14,654,876</b>	<b>\$ 14,310,102</b>



**THE CORPORATION OF THE TOWN OF NEWMARKET**  
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**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- \$7,404,596) 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.

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

## **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.

### **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.

**27. SEGMENTED INFORMATION (continued)**

**Corporate Support & Governance**

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

**Public Library Services**

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

**Main Street District BIA**

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

**28. SUBSEQUENT EVENT**

In February 2018 the Town entered in to 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**

	<b>Cost</b>					<b>Accumulated Amortization</b>				<b>2017</b>
	2017 Opening Balance	Additions and Betterments	Disposals/ Transfers	Write Downs	2017 Closing Balance	2017 Opening Balance	2017 Amortization Expense	Accumulated Amortization on Disposals	2017 Ending Balance	Net Book Value
<b>General Capital Assets</b>										
Land	\$ 74,717,975	\$ 20,499	\$ -	\$ -	\$ 74,738,474	\$ -	\$ -	\$ -	\$ -	\$ 74,738,474
Land improvements	11,638,749	697,724	-	-	12,336,473	2,164,716	369,851	-	2,534,567	9,801,906
Buildings and building components	94,214,777	3,042,064	-	-	97,256,841	35,587,084	2,564,518	-	38,151,602	59,105,239
Machinery and Equipment	14,647,505	1,755,094	308,993	-	16,093,606	7,715,668	1,326,577	308,993	8,733,252	7,360,354
Vehicles	5,974,198	822,415	231,779	-	6,564,834	2,823,057	462,174	231,779	3,053,452	3,511,382
Library Collection	1,737,903	193,809	238,642	-	1,693,070	940,114	212,204	238,642	913,676	779,394
	<b>\$ 202,931,107</b>	<b>\$ 6,531,605</b>	<b>\$ 779,414</b>	<b>\$ -</b>	<b>\$ 208,683,298</b>	<b>\$ 49,230,639</b>	<b>\$ 4,935,324</b>	<b>\$ 779,414</b>	<b>\$ 53,386,549</b>	<b>\$ 155,296,749</b>
<b>Infrastructure Assets</b>										
Land	\$ 18,492,534	\$ 3	\$ -	\$ -	\$ 18,492,537	\$ -	\$ -	\$ -	\$ -	\$ 18,492,537
Land improvements	24,357,610	186,801	-	-	24,544,411	17,813,093	571,869	-	18,384,962	6,159,449
Buildings and building components	24,846,461	-	-	-	24,846,461	4,648,429	793,913	-	5,442,342	19,404,119
Machinery and Equipment	1,942,621	114,078	-	-	2,056,699	1,096,614	114,548	-	1,211,162	845,537
Vehicles	2,638,920	-	344,690	-	2,294,230	1,661,321	277,257	344,690	1,593,888	700,342
Linear Assets	471,827,564	22,511,516	2,243,709	-	492,095,371	204,266,147	9,246,634	1,793,337	211,719,444	280,375,927
	<b>\$ 544,105,710</b>	<b>\$ 22,812,398</b>	<b>\$ 2,588,399</b>	<b>\$ -</b>	<b>\$ 564,329,709</b>	<b>\$ 229,485,604</b>	<b>\$ 11,004,221</b>	<b>\$ 2,138,027</b>	<b>\$ 238,351,798</b>	<b>\$ 325,977,911</b>
<b>Construction in Progress</b>										
	<b>\$ 7,404,596</b>	<b>\$ 4,520,932</b>	<b>\$ 6,489,311</b>	<b>\$ -</b>	<b>\$ 5,436,217</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,436,217</b>
<b>Total Tangible Capital Assets</b>	<b>\$ 754,441,413</b>	<b>\$ 33,864,935</b>	<b>\$ 9,857,124</b>	<b>\$ -</b>	<b>\$ 778,449,221</b>	<b>\$ 278,716,243</b>	<b>\$ 15,939,545</b>	<b>\$ 2,917,441</b>	<b>\$ 291,738,347</b>	<b>\$ 486,710,874</b>

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**

	<b>Cost</b>				<b>Accumulated Amortization</b>				<b>2016</b>	
	2016 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
<b>General Capital Assets</b>										
Land	\$ 74,717,975	\$ -	\$ -	\$ -	\$ 74,717,975	\$ -	\$ -	\$ -	\$ -	\$ 74,717,975
Land improvements	10,094,729	1,544,020	-	-	11,638,749	1,820,332	344,384	-	2,164,716	9,474,033
Buildings and building components	84,253,768	9,967,159	6,150	-	94,214,777	33,205,172	2,388,062	6,150	35,587,084	58,627,693
Machinery and Equipment	13,264,989	1,493,946	111,430	-	14,647,505	6,586,332	1,236,152	106,816	7,715,668	6,931,837
Vehicles	5,689,729	450,244	165,775	-	5,974,198	2,541,625	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	218,264	940,114	797,789
	<b>\$ 189,776,186</b>	<b>\$ 13,656,540</b>	<b>\$ 501,619</b>	<b>\$ -</b>	<b>\$ 202,931,107</b>	<b>\$ 45,094,984</b>	<b>\$ 4,625,706</b>	<b>\$ 490,051</b>	<b>\$ 49,230,639</b>	<b>\$ 153,700,468</b>
<b>Infrastructure Assets</b>										
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	78,534	-	-	1,942,621	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	24,796,258	1,190,002	-	471,827,564	196,424,240	8,727,795	885,888	204,266,147	267,561,417
	<b>\$ 516,647,588</b>	<b>\$ 28,785,373</b>	<b>\$ 1,327,251</b>	<b>\$ -</b>	<b>\$ 544,105,710</b>	<b>\$ 220,020,122</b>	<b>\$ 10,488,619</b>	<b>\$ 1,023,137</b>	<b>\$ 229,485,604</b>	<b>\$ 314,620,106</b>
<b>Construction in Progress</b>										
	<b>\$ 24,130,798</b>	<b>\$ 3,405,792</b>	<b>\$ 20,131,994</b>	<b>\$ -</b>	<b>\$ 7,404,596</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 7,404,596</b>
<b>Total Tangible Capital Assets</b>										
	<b>\$ 730,554,572</b>	<b>\$ 45,847,705</b>	<b>\$ 21,960,864</b>	<b>\$ -</b>	<b>\$ 754,441,413</b>	<b>\$ 265,115,106</b>	<b>\$ 15,114,325</b>	<b>\$ 1,513,188</b>	<b>\$ 278,716,243</b>	<b>\$ 475,725,170</b>

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
<b>EXPENSES</b>								
Salaries and wages	\$ 21,176,636	\$ 20,185,433	\$ 2,925,052	\$ 2,617,491	\$ 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	30,080	-	-	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	572,330	-	-	-	-
Capital repairs and maintenance	669,998	492,588	3,061,017	1,907,559	-	-	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	2,558,299	958,324	944,652	1,922,776	1,912,141
<b>Total expenses</b>	<b>16,421,182</b>	<b>15,523,839</b>	<b>37,696,672</b>	<b>33,678,717</b>	<b>2,595,014</b>	<b>2,493,247</b>	<b>16,248,391</b>	<b>16,271,893</b>
<b>REVENUES</b>								
Taxation	15,516,148	14,920,424	2,994,289	2,603,057	1,688,066	1,524,815	10,489,878	11,041,614
User charges	340,479	297,654	35,960,776	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)
<b>Total revenues</b>	<b>16,037,763</b>	<b>17,747,162</b>	<b>48,771,276</b>	<b>43,982,226</b>	<b>2,555,663</b>	<b>2,426,308</b>	<b>23,518,693</b>	<b>18,921,608</b>
Net surplus of Gov't. Business Enterprise	-	-	-	-	-	-	-	-
<b>Annual Surplus (Deficit)</b>	<b>\$ (383,419)</b>	<b>\$ 2,223,323</b>	<b>\$ 11,074,604</b>	<b>\$ 10,303,509</b>	<b>\$ (39,351)</b>	<b>\$ (66,939)</b>	<b>\$ 7,270,302</b>	<b>\$ 2,649,715</b>

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
<b>EXPENSES</b>								
Salaries and wages	\$ 4,302,797	\$ 4,088,507	\$ 5,791,871	\$ 5,229,315	\$ 7,456,681	\$ 7,228,614	\$ 9,474,073	\$ 9,832,609
Materials, good and supplies	183,868	246,878	260,530	147,476	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	45,806	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	-	3,702	2,104,813	1,767,899	474,164	538,693
Amortization expenses	-	-	56,942	41,801	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)
<b>Total expenditures</b>	<b>7,207,319</b>	<b>7,511,462</b>	<b>9,114,948</b>	<b>8,388,707</b>	<b>22,072,191</b>	<b>21,030,533</b>	<b>350,667</b>	<b>827,061</b>
<b>REVENUES</b>								
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	-	-
<b>Total revenues</b>	<b>7,480,154</b>	<b>7,456,416</b>	<b>9,474,708</b>	<b>8,281,459</b>	<b>21,428,192</b>	<b>19,698,369</b>	<b>7,109,428</b>	<b>5,629,364</b>
Net surplus of Gov't. Business Enterprise	-	-	-	-	-	-	2,154,784	2,947,742
<b>Annual Surplus (Deficit)</b>	<b>\$ 272,835</b>	<b>\$ (55,046)</b>	<b>\$ 359,760</b>	<b>\$ (107,248)</b>	<b>\$ (643,999)</b>	<b>\$ (1,332,164)</b>	<b>\$ 8,913,545</b>	<b>\$ 7,750,045</b>

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

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

Schedule 2

	Public Library Services		Main Street District BIA		Consolidated	
	2017	2016	2017	2016	2017	2016
<b>EXPENSES</b>						
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)
<b>Total expenditures</b>	<b>3,762,043</b>	<b>3,745,569</b>	<b>36,781</b>	<b>37,459</b>	<b>115,505,208</b>	<b>109,508,486</b>
<b>REVENUES</b>						
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)
<b>Total revenues</b>	<b>3,941,444</b>	<b>3,771,816</b>	<b>35,920</b>	<b>36,055</b>	<b>140,353,241</b>	<b>127,950,783</b>
Investment Income From Newmarket Hydro Holdings Inc.	-	-	-	-	2,154,784	2,947,742
<b>Annual Surplus (Deficit)</b>	<b>\$ 179,401</b>	<b>\$ 26,247</b>	<b>\$ (861)</b>	<b>\$ (1,404)</b>	<b>\$ 27,002,817</b>	<b>\$ 21,390,039</b>

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.