



# Town of Newmarket

## Agenda

### Audit Committee

Date: June 15, 2021  
Time: 1:00 PM  
Location: Electronic VIA ZOOM  
See How to Login Guide

#### Pages

1. Additions and Corrections to the Agenda
2. Conflict of Interest Declarations
3. Approval of Minutes
  - 3.1. Audit Committee Meeting Minutes of October 19, 2020 1
4. Items
  - 4.1. Review of 2020 Financial Statements

**Note:** Andrea Tang, Manager, Finance & Accounting/Deputy Treasurer will be in attendance to address the Committee on this matter.
  - 4.2. Report to the Audit Committee by the External Auditor 5
  - 4.3. Town of Newmarket Consolidated Financial Statements
    - 4.3.1. Town of Newmarket Consolidated Financial Statements Report 41
    - 4.3.2. Town of Newmarket Main Street District Business Improvement Area Financial Statements 73
    - 4.3.3. Financial Statement Discussion and Analysis (FSD&A) 81
  - 4.4. Audit Committee Involvement in Auditor Selection Process
  - 4.5. Update on Internal Audit Activities
5. New Business

**6. Closed Session (if required)**

Personal matters about identifiable individuals in accordance with Section 239 (2) (b) of the Municipal Act, 2001.

**7. Adjournment**



# Town of Newmarket

## Minutes

### Audit Committee

Date: Monday, October 19, 2020

Time: 9:00 AM

Location: Electronic VIA ZOOM  
See How to Login Guide

Members Present: Michael Tambosso, Chair  
Councillor Bisanz  
Councillor Morrison  
Rebecca Mathewson  
Tom Mungham

Members Absent: Deputy Mayor & Regional Councillor Vegh, Vice-Chair

Staff Present: J. Sharma, Chief Administrative Officer  
E. Armchuk, Commissioner of Corporate Services  
M. Mayes, Director of Financial Services/Treasurer  
D. Schellenberg, Manager of Finance & Accounting  
K. Saini, Deputy Town Clerk  
A. Walkom, Legislative Coordinator  
T. Kyle, Chief Administrative Officer, Newmarket Public Library

Guests: Pina Colavecchia, Deloitte Canada

#### 1. Additions and Corrections to the Agenda

None.

#### 2. Conflict of Interest Declarations

None.

#### 3. Deputations

None.

#### **4. Approval of Minutes**

##### **4.1 Audit Committee Meeting Minutes of July 14, 2020**

Moved by: Tom Mungham

Seconded by: Councillor Morrison

1. That the Audit Committee Meeting Minutes of July 14, 2020 be approved.

**Carried**

##### **4.2 Audit Committee Meeting (Closed Session) Minutes of July 14, 2020**

Rebecca Mathewson noted a minor correction.

Moved by: Councillor Bisanz

Seconded by: Rebecca Mathewson

1. That the Audit Committee Meeting (Closed Session) Minutes of July 14, 2020 be approved as amended.

**Carried**

#### **5. Items**

##### **5.1 2020 Audit Service Plan**

Pina Colavecchia of Deloitte Canada provided an overview of the 2020 Audit service plan to the Committee, including the audit scope and materiality thresholds. She asked the members for comments regarding any fraud risks. The Chair advised that since the Committee is independent of the Town, they would not be able to answer this question.

Pina Colavecchia provided an overview of the impacts of the COVID-19 pandemic on the audit work, significant audit risk areas and new public accounting standards. Committee members queried the Auditor on general IT controls. Pina Colavecchia advised she would be bringing a report on IT controls back to the Committee. It was noted that while the audit included the Newmarket Public Library, the Audit Committee does not have a role regarding the Newmarket Public Library.

Moved by: Councillor Bisanz

Seconded by: Councillor Morrison

1. That the 2020 Audit Service Plan be received.

**Carried**

## **5.2 Report on Meeting with CAO and Auditor**

Michael Tambosso reported that a meeting was held between members of Audit Committee, the Auditor and the Chief Administrative Officer after the July 14, 2020 Committee meeting. He noted the challenges in the audit process as the auditors could not visit the organization in person due to the COVID-19 pandemic. He reported a positive meeting with the Auditor and Chief Administrative Officer.

## **6. New Business**

None.

## **7. Closed Session**

### **7.1 Personal Matters**

Moved by: Tom Mungham

Seconded by: Councillor Bisanz

1. That the Audit Committee resolve into a Closed Session to discuss personal matters about identifiable individuals in accordance with Section 239 (2) (b) of the Municipal Act, 2001.

**Carried**

The Audit Committee resolved into Closed Session at 9:47 AM.

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

The Audit Committee resumed into Public Session at 9:55 AM.

**8. Adjournment**

Moved by: Councillor Morrison

Seconded by: Tom Mungham

1. That the meeting be adjourned at 9:57 AM.

**Carried**

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Michael Tambosso, Chair

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Date



**The Corporation of the Town of Newmarket**  
Report to the Audit Committee on the results of the  
December 31, 2020 financial statement audits

To be presented to the Audit Committee on June 15<sup>th</sup>, 2021



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May 26, 2021

To the Members of the  
 Audit Committee of  
 The Corporation of the Town of Newmarket  
 395 Mulock Dr  
 Newmarket ON L3Y 4X7

**Report on the results of the audits for the year ended December 31, 2020**

Dear Audit Committee Members,

We are pleased to submit this report on the results of our audit of the consolidated financial statements of the Corporation of the Town of Newmarket (the "Town") and the audits of the financial statements of the Town of Newmarket Library Board (the "Library") and the Town of Newmarket Main Street District BIA (the "Main Street District BIA") for the year ended December 31, 2020. This report summarizes the scope of our audits, our findings and reviews certain other matters that we believe to be of interest to you.

We expect to issue our Independent Auditor's Reports on the financial statements of the Town, the Library, and the Main Street District BIA upon approval of the financial statements. Our audits were conducted in accordance with the 2020 Audit service plan presented to the Audit Committee on October 19, 2020.

This report is intended solely for the information and use of the Audit Committee, management, and others within the Town and is not intended to, and should not be, used by anyone other than these specified parties. Accordingly, we disclaim any responsibility to any other party who may rely on it.

We would like to express our appreciation for the cooperation we received from management and the employees of the Town and the related entities with whom we worked to discharge our responsibilities. We look forward to discussing this report summarizing the outcome of our audit with you, and, to answering any questions which you may have.

Yours truly,

*Deloitte LLP*

Chartered Professional Accountants  
 Licensed Public Accountants



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# Our audits explained

This report summarizes the main findings arising from our audits.

## Audit scope and terms of engagement

We have been engaged to perform the audits of the Town's, Library's and Main Street District BIA's Financial Statements (collectively the "Financial Statements") prepared in accordance with Canadian Public Sector Accounting Standards ("PSAS") as at and for the year ended, December 31, 2020. Our audits were conducted in accordance with Canadian Generally Accepted Auditing Standards ("Canadian GAAS").

The terms and conditions of our engagement are described in the Master Services Agreement for Professional Services dated November 14, 2017 and the subsequent confirmation of changes letter dated September 7, 2018.

## Significant audit risks

Through our risk assessment process, we have identified the significant audit risks. These areas of risk of material misstatement and our related audit responses are described in the 'Areas of significant audit risk' section of this report.

Scope and terms of engagement

Materiality

Significant audit risks

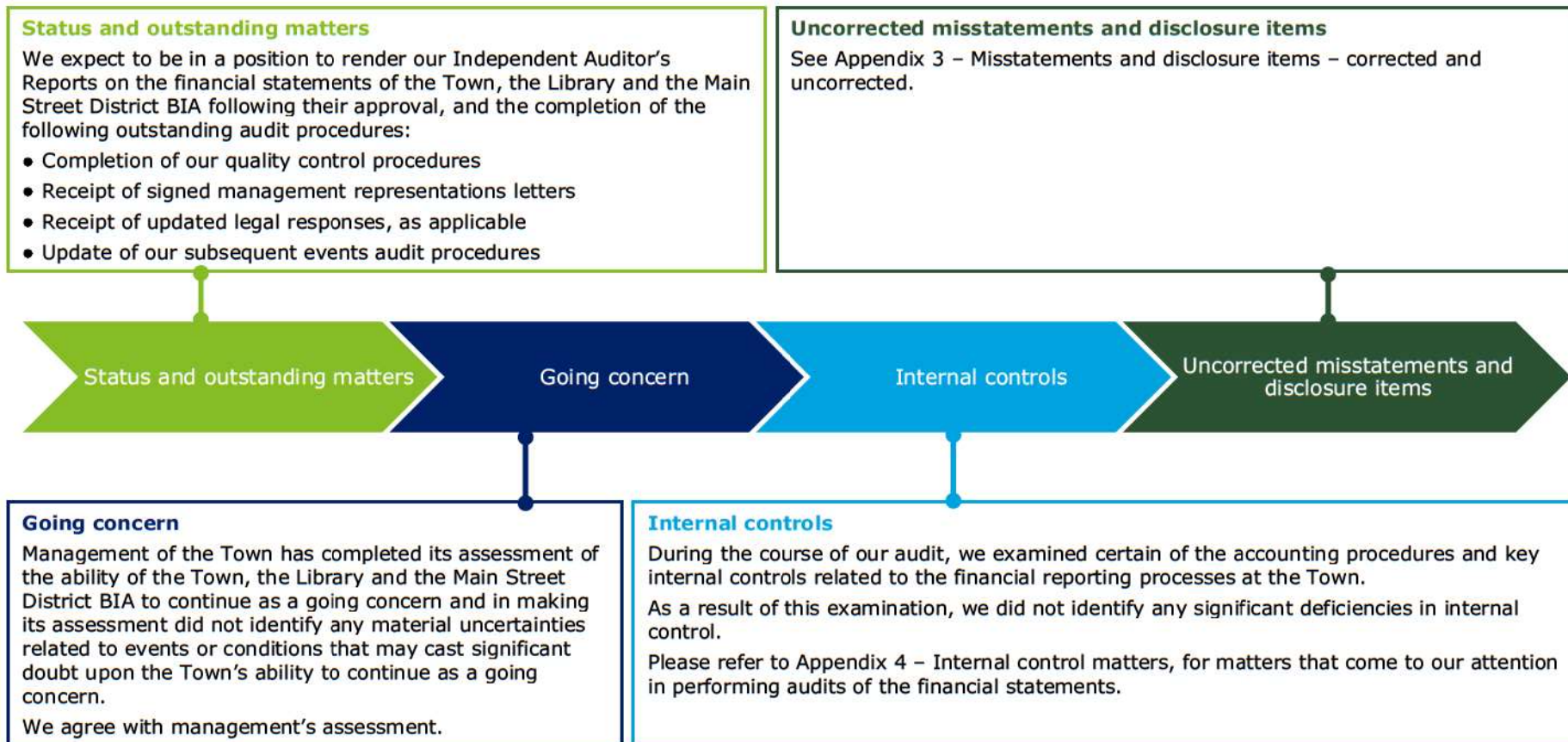
## Materiality

We are responsible for providing reasonable assurance that the financial statements, as a whole, are free from material misstatement.

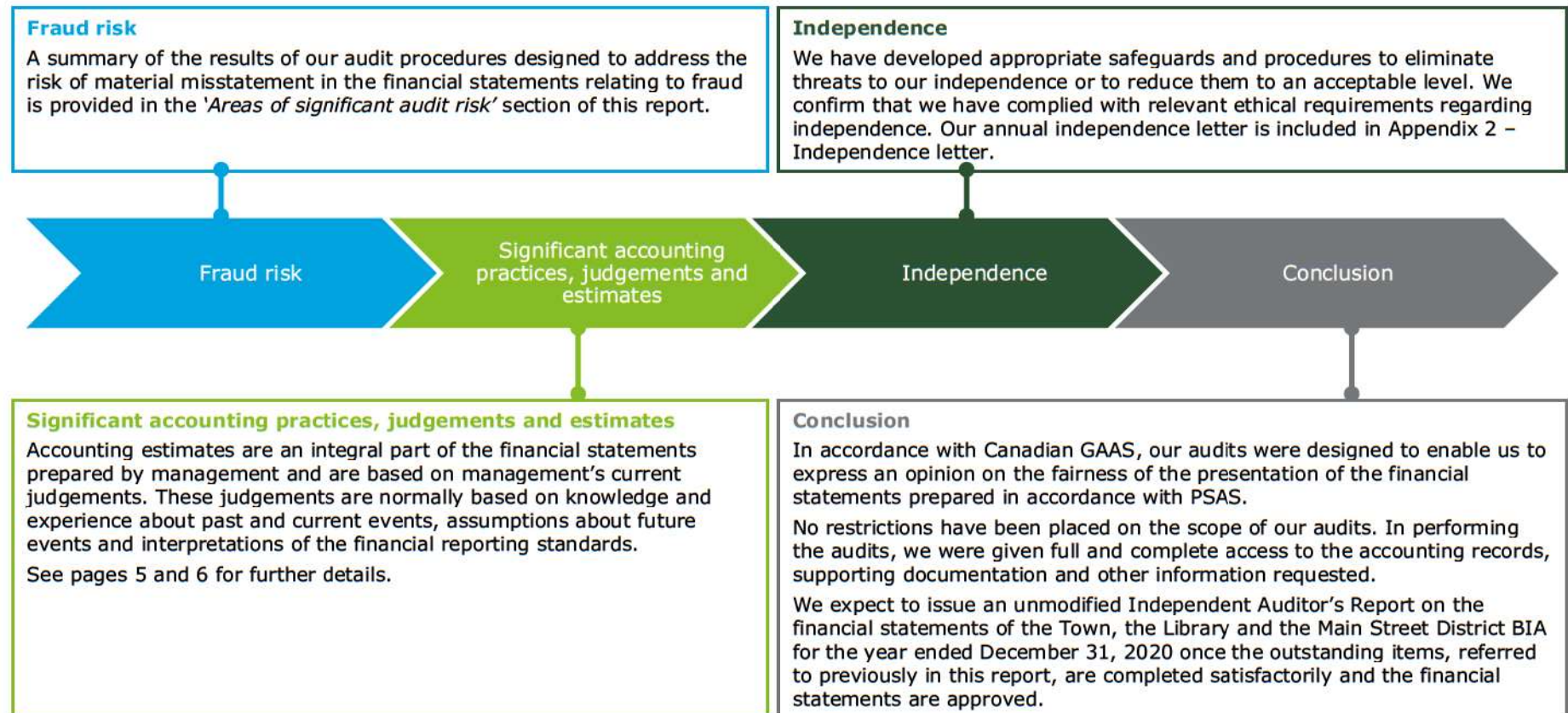
Our materiality levels are a matter of professional judgement and were assessed as follows:

- Consolidated Financial Statements for the Town – \$3,600,000; clearly trivial amount of \$180,000
- Town of Newmarket Public Library Board – \$100,000; clearly trivial amount of \$ 5,000
- Main street District BIA – \$590; clearly trivial amount of \$30

We agreed to inform you of any uncorrected misstatements detected during the audit which were greater than a clearly trivial amount of 5% of materiality and any misstatements that are, in our judgement, qualitatively material. In accordance with Canadian GAAS, we asked that any misstatements be corrected. See Appendix 3 – Misstatements and disclosure items – corrected and uncorrected.







# Areas of significant audit risk

## Revenue recognition

### Audit risk

Canadian GAAS include the presumption of a fraud risk involving improper revenue recognition.

### Our audit response

- Certain revenue streams are presumed areas of significant audit risk. We will test the design and implementation of key controls in significant revenue streams and perform substantive analytic procedures and/or detailed testing of revenues.
- Substantive testing to determine if restricted contributions (i.e., development charges), and government transfers/grants have been recognized appropriately. (Revenue vs. deferred revenue), particular in light of the impacts of COVID-19.

### Audit results

We obtained sufficient audit evidence in this area and are satisfied with the results of audit procedures performed.

## Management override of controls

### Audit risk

Under Canadian Auditing Standards, it is the responsibility of the management, with the oversight of those charged with governance, to place a strong emphasis on fraud prevention and detection. Oversight by those charged with governance includes considering the potential for override of controls or other inappropriate influence over the financial reporting process.

The risk of management override of controls is present in all entities. It is a risk of material misstatement resulting from fraud and therefore is considered as a significant risk.

### Our audit response

- Engage in periodic fraud discussions with certain members of senior management and others.
- Consider the potential for bias in judgments and estimates, including performing retrospective analysis of significant accounting estimates.
- Evaluate the business rationale for any significant unusual transactions.
- Evaluate the Town's fraud risk assessment and consider entity-level internal controls and internal controls over the closing and reporting process.
- Test journal entries that exhibit characteristics of possible management override of controls, identified using manual techniques.

### Audit results

Our testing did not identify any evidence of management override of controls.



# Significant accounting policies, judgements and estimates

The accounting policies of the Town, the Library, and the Main Street District BIA are set out in the notes of their respective financial statements.

In the course of our audits of the financial statements, we considered the qualitative aspects of the financial reporting process, including items that have a significant impact on the relevance, reliability, comparability and understandability of the information included in the financial statements.

## Significant accounting policies

There were no significant changes in previously adopted accounting practices or their application at the Town, the Library and the Main Street District BIA.

In our judgement, the significant accounting practices and policies, selected and applied by management are, in all material respects, acceptable under PSAS for the Town, the Library and the Main Street District BIA and are appropriate to the particular circumstances of the Town, the Library and the Main Street District BIA.

## Management judgement and accounting estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgements. These judgements are normally based on knowledge and experience about past and current events, assumptions about future events and interpretations of the financial reporting standards.

During the year ended December 31, 2020, management advised us that there were no significant changes in accounting estimates or in judgements relating to the application of the accounting policies.

In our judgement, the significant accounting estimates made by management (with assistance from the Town's actuary as applicable) appear, in all material respects, to be free of possible management bias and of material misstatement. The disclosure in the consolidated financial statements with respect to estimation uncertainty (Note 1(b)(x)) is in accordance with PSAS and is appropriate to the particular circumstances of the Town.

## Significant accounting estimates include:

	Reference to Town's consolidated financial statements	2020 \$	2019 \$
Employee future benefits liability	Note 12	7,786,852	7,457,790
Long-term disability benefits liability	Note 13	4,539,602	4,502,355
Allowance for doubtful accounts – taxes receivable	Note 6(a)	1,215,743	915,743
Allowance for doubtful accounts – accounts receivable	Note 6(b)	100,480	92,072

# Other reportable matters

The following summarizes the status and findings of key aspects of our audits. In the appendices to this report, we have provided additional information related to certain matters we committed to report as part of the audit service plan.

	Comment
<b>Changes to the audit service plan</b>	The audits were conducted in accordance with our Audit service plan, which was presented to the Audit Committee on October 19, 2020 except for change in scope of the Town's audit due to the modification of audit procedures related to the audit testing of taxes receivable balances (refer to Appendix 4 – internal control matters) and consultation related to misstatements in the financial statements of NHHI (refer to Appendix 3 – Misstatements and disclosure items).
<b>Significant difficulties encountered in performing the audit</b>	<p>We did not encounter any significant difficulties while performing the audits.</p> <p>There were no significant delays in receiving information from management required for the audits nor was there an unnecessarily brief timetable in which to complete the audits.</p> <p>Due to COVID-19 social distancing measures, the audit evidence was provided electronically as the audit team performed the financial statement audits remotely.</p>
<b>Related party transactions</b>	Related party transactions or balances have been disclosed in the Town's financial statements.
<b>Disagreements with management</b>	During the course of our audits, we did not have any disagreements with management about matters that individually or in the aggregate could be significant to the financial statements.
<b>Consultation with other accountants</b>	Management has informed us that the Town, the Library and the Main Street District BIA have not consulted with other accountants about auditing or accounting matters.



	Comment
<b>Group audit</b>	<p>We use the work of Baker Tilly KDN LLP, the external auditor of Newmarket Hydro Holdings Inc. (NHHI) with respect to the accounting for the Town's investment in NHHI.</p> <p>On May 19, 2021 we received the component auditor reporting requested from Baker Tilly KDN LLP. The component auditor reporting indicated that during 2020, a \$2,995,531 misstatement in the financial statements of NHHI was detected relating to deferred income taxes impacting both the current fiscal year and prior fiscal year. In accordance with PSAS, NHHI is accounted for on a modified equity basis, accordingly this misstatement impacts the Town's consolidated financial statements.</p> <p>Please refer to Appendix 3 –Misstatements and disclosure items.</p>
<b>Legal and regulatory compliance</b>	<p>Management is responsible for ensuring that the Town's operations are conducted in accordance with the laws and regulations applicable to the Town. The responsibility for preventing and detecting non-compliance rests with management. The auditor is not and cannot be held responsible for preventing non-compliance with laws and regulations</p> <p>Our limited procedures did not identify any areas of material non-compliance with laws and regulations by the Town, the Library and the Main Street District BIA.</p>
<b>Significant event during the year</b>	<p>On March 11 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of the Town in future periods.</p>
<b>Subsequent event</b>	<p>At the date of finalizing this report, we are not aware of any significant subsequent events that would require adjustment or disclosure in the December 31, 2020 financial statements.</p>

# Appendix 1 – Communication requirements

The table below summarizes our communication requirements under Canadian GAAS.

Required communication	Comments
<b>Audit service plan</b>	
1. Our responsibilities under Canadian GAAS, including forming and expressing an opinion on the financial statements	Master Services Agreement for Professional Services dated November 14, 2017 and subsequent confirmation of changes letter dated September 7, 2018
2. An overview of the overall audit strategy, addressing: <ul style="list-style-type: none"> <li>a. Timing of the audits</li> <li>b. Significant risks, including fraud risks</li> <li>c. Planned responsibilities of other independent public accounting firms or others that perform audit procedures in the audits</li> </ul>	Audit service plan presented on October 19, 2020 On May 19, 2021 we received all of the component auditor reporting requested from the independent auditor of Newmarket Hydro Holdings Inc.
3. Significant transactions outside of the normal course of business, including related party transactions	Related party transactions have been properly disclosed in the Town's financial statements
<b>Enquiries of those charged with governance</b>	
4. How those charged with governance exercise oversight over management's process for identifying and responding to the risk of fraud and the internal control that management has established to mitigate these risks	Audit service plan on October 19, 2020
5. Any known suspected or alleged fraud affecting the Town	No fraudulent events communicated
6. Whether the Town is in compliance with laws and regulations	Refer to the <i>Other reportable matters</i> section of this report

**Year-end communication**

7. Modification to our audit plan and strategy	<p>The audits were conducted in accordance with our Audit service plan, which was presented to the Audit Committee on October 19, 2020 except for:</p> <ul style="list-style-type: none"> <li>• change in scope of the Town's audit due to the modification of audit procedures related to the audit testing of taxes receivable balances (refer to Appendix 4 – internal control matters); and</li> <li>• consultation related to misstatements in the financial statements of NHHI (refer to Appendix 3 –Misstatements and disclosure items).</li> </ul>
8. Fraud or possible fraud identified through the audit process	We are not aware of any fraudulent events
9. Significant accounting policies, practices, unusual transactions, and our related conclusions	Refer to 'Significant accounting practices, judgements and estimates' section of this report



<b>Year-end communication</b>	
10. Alternative treatments for accounting policies and practices that have been discussed with management during the current audit period	None
11. Matters related to going concern	None
12. Management judgements and accounting estimates	Refer to <i>Significant accounting practices, judgements and estimates</i> section of this report
13. Significant difficulties, if any, encountered during the audits	None
14. Material written communications between management and us, including management representation letters	Management representation letter in draft is included in Appendix 5
15. Other matters that are significant to the oversight of the financial reporting process	None
16. Modifications to our Independent Auditor's Reports	None
17. Our views of significant accounting or auditing matters for which management consulted with other accountants and about which we have concerns	We are not aware of any such consultations
18. Significant matters discussed with management	None
19. Matters involving non-compliance with laws and regulations that come to our attention	None noted
20. Significant deficiencies in internal control, if any, identified by us in the conduct of the audits of the financial statements	No significant deficiencies noted Refer to Appendix 4 – Internal control matters
21. Uncorrected misstatements and disclosure items	Refer to Appendix 3 – Misstatements and disclosure items
22. Any significant matters arising during the audit in connection with the Town's related parties	Related party transactions have been properly disclosed in the Town's financial statements

# Appendix 2 – Independence letter

May 26, 2021

**Private and confidential**

To the Members of the Audit Committee of  
The Town of Newmarket  
395 Mulock Dr  
Newmarket ON L3Y 4X7

Dear Audit Committee members:

We have been engaged to audit the consolidated financial statements of the Corporation of the Town of Newmarket (the "Town") for the year ended December 31, 2020.

You have requested that we communicate in writing with you regarding our compliance with relevant ethical requirements regarding independence as well as all relationships and other matters between the Town, our Firm and network firms that, in our professional judgement, may reasonably be thought to bear on our independence. You have also requested us to communicate the related safeguards that have been applied to eliminate identified threats to independence or reduce them to an acceptable level.

In determining which relationships to report, we have considered relevant rules and related interpretations prescribed by the appropriate provincial regulator/ordre and applicable legislation, covering such matters as:

- a) Holding a financial interest, either directly or indirectly, in a client.
- b) Holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client.
- c) Personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client.
- d) Economic dependence on a client.
- e) Provision of services in addition to the audit engagement.

We confirm to you that the engagement team and others in the firm as appropriate, the firm and, when applicable, network firms have complied with relevant ethical requirements regarding independence.

We have prepared the following comments to facilitate our discussion with you regarding independence matters arising since July 7, 2020, the date of our last letter.

In addition to audit services we have also provided HST advisory and HST recovery services during the period from July 7, 2020 to May 26, 2021. These services were commenced prior to our appointment as external auditors, have been discussed with the Audit Committee and are permissible non-audit services.

We are not aware of any relationships between the Deloitte Entities and the Town and its affiliates, or persons in financial reporting oversight roles at the Town and its affiliates, that, in our professional judgement, may reasonably be thought to bear on independence, that have occurred from June 7, 2020 to May 26, 2021.

The Town of Newmarket  
May 26, 2021  
Page 2

We hereby confirm that we are independent with respect to the Town in accordance with the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario as of May 26, 2021.

This letter is intended solely for the information and use of the Audit Committee, Town Council, management, and others within the Town and is not intended to be should not be used for any other purposes.

We look forward to discussing with you the matters addressed in this letter at your upcoming Audit Committee meeting on May 31, 2021.

Yours truly,

A handwritten signature in cursive script that reads "Deloitte LLP".

Chartered Professional Accountants  
Licensed Public Accountants



# Appendix 3 – Misstatements and disclosure items – corrected and uncorrected

## Corrected misstatements – Town of Newmarket

*None identified*

## Corrected misstatements – Library

*None identified*

## Corrected misstatements – BIA

*None identified*

## Uncorrected misstatement – Town of Newmarket

1. The external auditors of Newmarket Hydro Holdings Inc. (NHHI), in their capacity as component auditors to the Town, reported an uncorrected misstatement of \$2,995,531 related to the provision for future income taxes and income tax expense. The \$2,995,531 misstatement arises from the 2018 fiscal year, remained undetected in 2019, and was discovered and corrected in year during fiscal 2020. The 2019 corresponding figures, including opening balances presented in the 2020 financial statements of NHHI were not restated. As at December 31, 2020 the closing balances in both NHHI and the Town of Newmarket are corrected.

In accordance with PSAS, the Town's investment in NHHI is accounted for on a modified equity basis, accordingly the uncorrected misstatement in the Town's 2020 financial statements is as follows:

a. Dr. Income from NHHI	\$2,995,531	
b. Cr. Investment in NHHI		\$2,995,531

## Uncorrected misstatement- detected in the current year relating to the prior year – Town of Newmarket

2. As described in 1 above, the 2019 corresponding figures, including January 1, 2019 opening balances presented in financial statements of NHHI were not restated as this misstatement was corrected prospectively in NHHI's fiscal 2020 financial statements.

In accordance with PSAS, the Town's investment in NHHI is accounted for on a modified equity basis, accordingly the uncorrected misstatement in the Town's 2019 financial statements is as follows:

a. Dr. Investment in NHHI	\$2,995,531	
b. Cr. Accumulated Surplus, Beginning of year		\$2,995,531



**Uncorrected misstatements –Library**

*None identified above the clearly trivial amount of \$5,000.*

**Uncorrected misstatement – BIA**

3. Deloitte notes that domain registration fee totaling \$35 was paid for the period from 12/16/2020 to 12/16/2021 indicating that only 0.5 months should have been expensed in 2020. The remaining should have been recorded as a prepaid.

- |                           |      |      |
|---------------------------|------|------|
| a. Dr. Prepays            | \$33 |      |
| b. Cr. Operating Expenses |      | \$33 |

**Disclosure misstatement – Town of Newmarket**

Footnote number	Footnote title	Description of omitted or unclear disclosure	Authoritative literature reference
Note 10	Investment in Newmarket Hydro Holdings Inc.	The Town's consolidated financial statement note disclosure omits the disclosure of the contractual obligations and commitments of Newmarket Hydro Holdings Inc.	PS 3070.60 Government consolidated financial statements should disclose, in notes or schedules, condensed supplementary financial information relative to government business enterprises. Such financial information should be provided on: (d) contractual obligations and contingencies

**Disclosure misstatements – Library**

*None identified*

**Disclosure misstatements – BIA**

*None identified*

# Appendix 4 – Internal control matters

May 26, 2021

**Private and confidential**

To the Members of the Audit Committee of  
The Corporation of the Town of Newmarket  
395 Mulock Dr  
Newmarket ON L3Y 4X7

Dear Audit Committee Members:

We have recently completed our audit procedures related to the consolidated financial statements of the Corporation of the Town of Newmarket (the "Town") for the year ended December 31, 2020.

In addition to our Independent Auditor's Report on the consolidated financial statements (the "financial statements"), we would like to provide the attached management letter for your consideration.

As part of our audit examination, we are required to obtain an understanding of the Town and its environment, including key internal controls, sufficient to identify and assess the risk of material misstatements in the financial statements, and sufficient to design and perform further audit procedures. The scope of our review of internal controls is not sufficient to express an opinion as to the effectiveness or efficiency of the Town's internal controls; however, we do undertake to report any matters that come to our attention during the audit. We have reviewed our comments with management and their responses to our recommendations are included in the attached letter.

The letter is intended solely for the information and use of management, the Audit Committee and Council and is not intended for and should not be used by anyone other than the specified parties. Accordingly, we disclaim any responsibility to any other party who may rely on it.

Yours very truly,

*Deloitte LLP*

Chartered Professional Accountants  
Licensed Public Accountants



# Management letter

## The Corporation of the Town of Newmarket

December 31, 2020

### 1. Liability balances (carry forward from 2017, 2018 and 2019)

#### Observation

During our testing of accounts payable and accrued liabilities, we identified a *letter of credit* general ledger account with a balance of approximately \$270,000 (2019- \$350,000) described as representing liabilities to developers for various projects. This balance in this account comprised primarily of long-standing balances with the most recent from 2009 and some transactions dating as far back as 1987. From our discussions with Town management, we understand that it is unlikely developers will submit a request to obtain these funds as many of the related projects likely had deficiencies. Therefore, we understand that it is the Town's view that developers would not be eligible to receive refunds. The lack of timely tracking and reconciliation of the underlying items included in this general ledger account could result in an overstatement of the Town's liabilities if they are no longer payable to developers.

#### Recommendation

We recommended that the Town implement formal and regular reviews of long-standing balances to determine whether the Town still has a liability or whether certain balances should be recognized in revenue. This analysis should be performed on a regular basis. Furthermore, the Town should implement a process of how to recognize these balances into revenue, when it is determined they no longer have an obligation to settle the liability.

#### Management Response

Management has reviewed this balance in more detail during the fiscal year ended December 31, 2020 which has resulted in a reduction of the balance by approximately \$85,000. Management will continue to review the remaining balance by evaluating previous agreements during fiscal 2021.

### 2. Property taxes receivable

#### Observation

During the fiscal year ended December 31, 2020, the Town of Newmarket converted its property tax application system from Vailtech to the TXM property tax system. The reporting functionality in TXM, as designed and implemented by the Town at the time of audit testing, made it difficult for users to produce detailed legacy reporting.

Accordingly, the Town was unable to provide for external audit purposes a detailed tax receivable subledger by tax account as at December 31, 2020. As a result, the audit procedures on the taxes receivable balance, performed on a sample basis, were modified by obtaining a breakdown of the detailed listing as at date of audit testing and then performing roll back audit testing to the December 31, 2020 balance.

#### Recommendation

We recommend that the year-end financial close process be amended to include generating from the TXM system a detailed taxes receivable listing as at December 31 of each year. This listing should be retained and reconciled to the general ledger.

#### Management Response

A detailed tax receivable subledger as at December 31, 2020 was not readily available at the time of the audit testing which resulted in a modified audit testing approach. A subledger was subsequently retrieved and provided after completion of the audit testing.



*Matters related to information technology*

**3. Privileged access and change management (includes carry forward from 2019)**

**Observation**

In performing our audit testing related to information technology controls including a review of privileged access we noted the following for the JD Edwards application:

1. An Application Specialist, who was on a leave of absence, continued to have system administrator access to the JD Edwards application.
2. Users have been granted access to the development and production environment within JD Edwards allowing them to develop and promote changes, thereby resulting in a segregation of duties conflict.
3. A generic account with system administrator access to the JD Edwards application is being used by the current Application Specialist rather than a uniquely named account. In addition, the password for this account is configured to not expire (set to 0 days) rather than expire every 45 days as required by the Town of Newmarket's IT Policy.

**Recommendation**

We recommend that Town management review its current logical access configurations to ensure that access to system administrative privileges is limited to appropriate personnel such that access is aligned with an individual's job responsibilities and enforcing segregation of duties.

It is further recommended that the Town design and implement logging at the application and database levels that would allow the Town to identify unauthorized and/or untested changes being promoted into the production environment. These logs should be stored in a read-only mode on a separate server; monitored on an on-going basis; and reconciled with the changes promoted into the production environment (by comparing the use of system administrative privileges to tickets logged for managing user access and system changes).

**Management Response**

The Town of Newmarket has hired a new Director of Information Technology who will be reviewing the suggested observations. There will be a review of the overall IT security procedures that will include access control parameters as specified.

1. This item (Application Specialist) has been reviewed, and will be rectified in the future through the implementation of an improved Closeout / Staff departure process in collaboration with Human Resources. The IT department plans to have these changes implemented by the 4th quarter of 2021.
2. The Town of Newmarket will review the segregation and separation of duties as it relates to the IT department and JD Edwards. The review will be concluded by July 30, 2021.
3. The JDE generic account and password expiration note will be reviewed. The IT department plans to have these changes implemented by the 4th quarter of 2021.

#### **4. Authentication**

##### **Observation**

The password parameters on the JD Edwards application and Windows network are not aligned with the existing Town of Newmarket's IT Policy, including the following:

##### JD Edwards

- Maximum password age has been configured to 60 days vs. 45 days as defined within the IT policy.

##### Windows network

- Maximum password age has been configured to 90 days vs. 45 days as defined within the IT policy.
- Minimum password age has been configured to 30 days vs. 15 days as defined within the IT policy.

Passwords are used in many ways to protect the Town's data and systems as well as authenticating users of the network, operating systems, applications, hardware and remote access privileges. The lack of strong password parameter configurations, based on leading security practices, may result in unauthorized users gaining access to the Town's data and systems.

##### **Recommendation**

Deloitte recommends that the Town review its password parameter configurations to ensure that they are aligned with leading security practices. In addition, the Town of Newmarket's IT Policy should be updated on a timely basis to align with leading security practices.

We also recommend that management review its existing information technology processes and procedures for awareness and education related to information security (e.g., password management, phishing attacks, spam, etc.) and continue its efforts to provide increased awareness training to Town personnel.

##### **Management Response**

A recent IT Security audit was performed by a third party (Digital Boundary Group). Specific changes were made to the password policy that govern password age, expiry and format. Additionally, there is an add-on application validating passwords to ensure validity and provide additional layers of security.

All password parameters identified will be reviewed and consolidated to align to the updated IT Policy by the new Director and the specific departments involved. This work should be completed by July 30, 2021.



## **5. Cyber Security Maturity Self-Assessment**

### **Observation**

The Town participated in Deloitte's Cyber Security Maturity Assessment survey for Ontario municipalities. The results of this [confidential] assessment outlined the current cyber security maturity for the Town, benchmarked against Ontario municipalities and leading cyber security practices.

This assessment identified key cybersecurity threat risks and provided certain recommendations to reduce risk and uplift cyber security capabilities, including identifying existing relevant cyber security practices, cyber security practices that require improvement, and areas where cyber security controls may not be in place.

### **Recommendation**

We encourage the Town of Newmarket to perform a validation process to ensure that policies, procedures and processes reflected in the responses are supported by controls that are designed and operating effectively to support the cyber security maturity assessment.

# Appendix 5 – Draft management representation letter



**[CLIENT LETTERHEAD]**

June 21, 2021

**Private and confidential**

Deloitte LLP  
400 Applewood Cres  
Suite 500  
Vaughan ON L4K 0C3

Dear Ms. Colavecchia:

**Subject: Consolidated financial statements of the Corporation of the Town of Newmarket  
for the year ended December 31, 2020**

This representation letter is provided in connection with the audit by Deloitte LLP ("Deloitte" or "you") of the consolidated financial statements of the Corporation of the Town of Newmarket (the "Town" or "we" or "us") as at, and for the year ended December 31, 2020, and a summary of significant accounting policies and other explanatory information (the "Financial Statements") for the purpose of expressing an opinion as to whether the Financial Statements present fairly, in all material respects, the financial position, results of operations, changes in net financial assets and cash flows of the Town in accordance with Canadian Public Sector Accounting Standards ("PSAS").

Certain representations in this letter are described as being limited to matters that are material. Items are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

**Financial statements**

1. We have fulfilled our responsibilities as set out in the terms of the Master Services Agreement for Professional Services between the Town and Deloitte dated November 14, 2017 and the confirmation of changes dated September 7, 2018 for the preparation of the Financial Statements in accordance with PSAS. In particular, the Financial Statements are fairly presented, in all material respects, and present the financial position of the Town as at December 31, 2020 and the results of its operations, changes in net financial assets and cash flows for the year then ended in accordance with PSAS.
2. Significant assumptions used in making estimates, including those measured at fair value, are reasonable.

In preparing the Financial Statements in accordance with PSAS, management makes judgments and assumptions about the future and uses estimates. The completeness and appropriateness of the disclosures related to estimates are in accordance with PSAS. The Town has appropriately disclosed in the Financial Statements the nature of measurement uncertainties that are material, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the Financial Statements.

The measurement methods, including the related assumptions and models, used in determining the estimates, including fair value, were appropriate, reasonable and consistently applied in accordance with PSAS and appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the Town. No events have occurred subsequent to December 31, 2020 that require adjustment to the estimates and disclosures included in the Financial Statements.

There are no changes in management's method of determining significant estimates in the current year.



3. We have determined that the Financial Statements are complete as of the date of this letter as this is the date when there are no changes to the Financial Statements (including disclosures) planned or expected. The Financial Statements have been approved in accordance with our process to finalize financial statements.
4. We have completed our review of events after December 31, 2020 and up to the date of this letter. All events subsequent to the date of the Financial Statements and for which PSAS requires adjustment or disclosure have been adjusted or disclosed. Accounting estimates and disclosures included in the Financial Statements that are impacted by subsequent events have been appropriately adjusted.
5. The Financial Statements are free of material errors and omissions.

We believe that the effects of any uncorrected Financial Statement misstatements pertaining to the current period presented, are immaterial, both individually and in the aggregate, to the Financial Statements taken as a whole. A list of the uncorrected misstatements aggregated by you is attached in Appendix A.

As a result of our evaluation process, we identified certain disclosures that, although required by PSAS, have been omitted from our Financial Statements. Those omitted disclosures that are more than inconsequential are attached as Appendix B. We believe the effects of the omitted disclosures are quantitatively and qualitatively immaterial, both individually and in the aggregate, to the Financial Statements as a whole.

#### **Internal Controls**

6. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
7. We have disclosed to you all known deficiencies in the design or operation of internal control over financial reporting identified as part of our evaluation, including separately disclosing to you all such deficiencies that we believe to be significant deficiencies in internal control over financial reporting.

#### **Information provided**

8. We have provided you with:
  - a. Access to all information of which we are aware that is relevant to the preparation of the Financial Statements, such as records, documentation and other matters.
  - b. All relevant information as well as additional information that you have requested from us for the purpose of the audit; and,
  - c. Unrestricted access to persons within the Town from whom you determined it necessary to obtain audit evidence; and,
  - d. All minutes of the meetings of directors and committees of directors, or summaries of actions of recent meetings for which minutes have not yet been prepared. All significant board and committee actions are included in the summaries.
9. We have disclosed to you the results of our assessment of the risk that the Financial Statements may be materially misstated as a result of fraud.
10. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Town and involves:
  - a. Management;
  - b. Employees who have significant roles in internal control; or
  - c. Others where the fraud could have a material effect on the Financial Statements.



11. We have disclosed to you all information in relation to allegations of actual, suspected or alleged fraud, or illegal or suspected illegal acts affecting the Town.
12. There have been no communications with regulatory agencies concerning actual or potential non-compliance with or deficiencies in financial reporting practices. There are also no known or possible instances of non-compliance with the requirements of regulatory or governmental authorities.
13. We have disclosed to you the identity of the Town's related parties and all the related party relationships and transactions of which we are aware, including guarantees, non-monetary transactions and transactions for no consideration.

#### **Independence matters**

For purposes of the following paragraphs, "Deloitte" shall mean Deloitte LLP and Deloitte Touche Tohmatsu Limited, including related member firms and affiliates.

14. Prior to the Town having any substantive employment conversations with a former or current Deloitte engagement team member, the Town has held discussions with Deloitte and obtained approval.
15. We have ensured that all services performed by Deloitte with respect to this engagement have been pre-approved by those charged with governance in accordance with its established approval policies and procedures.

#### **Other matters**

Except where otherwise stated below, immaterial matters less than \$180,000 collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to or disclosure in the Financial Statements.

16. Except as listed in Appendix A, all transactions have been properly recorded in the accounting records and are reflected in the Financial Statements.
17. The Town has identified all related parties in accordance with Section PS 2200, *Related Party Disclosures* ("PS 2200"). Management has made the appropriate disclosures with respect to its related party transactions in accordance with PS 2200. This assessment is based on all relevant factors, including those listed in paragraph 16 of PS 2200.
18. There are no instances of identified or suspected non-compliance with laws and regulations.
19. We have disclosed to you all known, actual or possible litigation and claims, whether or not they have been discussed with our lawyers, whose effects should be considered when preparing the Financial Statements. As appropriate, these items have been disclosed and accounted for in the Financial Statements in accordance with PSAS.
20. All events subsequent to the date of the Financial Statements and for which PSAS requires adjustment or disclosure have been adjusted or disclosed. Accounting estimates and disclosures included in the Financial Statements that are impacted by subsequent events have been appropriately adjusted.
21. We have disclosed to you all liabilities, provisions, contingent liabilities and contingent assets, including those associated with guarantees, whether written or oral, and they are appropriately reflected in the Financial Statements.



22. We have disclosed to you, and the Town has complied with all aspects of contractual agreements that could have a material effect on the Financial Statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
23. The Town has satisfactory title to and control over all assets, and there are no liens or encumbrances on such assets. We have disclosed to you and in the Financial Statements all assets that have been pledged as collateral.

**Communications with taxation and regulatory agencies**

24. We have disclosed to you all communications from:
- a. Taxation authorities concerning assessments or reassessments that could have a material effect on the Financial Statements; and
  - b. Regulatory agencies concerning non-compliance with or potential deficiencies in, financial reporting requirements.

**Deficiencies in internal control**

25. We have communicated to you all deficiencies in internal control of which we are aware. We have disclosed to you any change in the Town's internal control over financial reporting that occurred during the current year that has materially affected, or is reasonably likely to materially affect, the Town's internal control over financial reporting.

**Work of management's experts**

26. We agree with the work of management's experts in evaluating the valuation of post-employment benefits liability and long-term disability benefits liability and have adequately considered the capabilities of the experts in determining amounts and disclosures used in the Financial Statements and underlying accounting records. We did not give any, nor cause any, instructions to be given to management's experts with respect to values or amounts derived in an attempt to bias their work, and we are not aware of any matters that have impacted the independence or objectivity of the experts.

**Liabilities and contingencies**

27. We have disclosed to you all liabilities, provisions, contingent liabilities and contingent assets, including those associated with guarantees, whether written or oral, and they are appropriately reflected in the Financial Statements.

**Loans and receivables**

28. The Town is responsible for determining and maintaining the adequacy of the allowance for doubtful notes, loans, and accounts receivable, as well as estimates used to determine such amounts. Management believes the allowances are adequate to absorb currently estimated bad debts in the account balances.

**Employee future benefits**

29. Employee future benefit costs, assets, and obligations have been properly recorded and adequately disclosed in the Financial Statements including those arising under defined benefit plans as well as termination arrangements. We believe that the actuarial assumptions and methods used to measure defined benefit plan assets, liabilities and costs for financial accounting purposes are appropriate in the circumstances.

### **Government transfers**

30. We have disclosed to you all correspondence relating to government transfers that the Town has had with the funding body.
31. We have assessed the eligibility criteria and determined that the Town is an eligible recipient for the government transfers received.
32. We have assessed the stipulations attached with the funding and have recognized the revenue in accordance with meeting the stipulations required.
33. All government transfers that have been recorded as deferred revenue give rise to an obligation that meets the definition of a liability. Those liabilities have been properly recorded and presented in the Financial Statements.

### **Tax Revenues**

34. We have appropriately recorded tax assets and revenues when they meet the definition of an asset in accordance with Section PS 1000, Financial Statement Concepts, when they are authorized and when the taxable event occurs. These amounts have been appropriately measured in accordance with PS 3510, Tax Revenue, and have not been grossed up for any amount of tax concessions.

### **Tangible capital assets**

35. Tangible capital assets have been recorded properly and consistently according to the standards in Section PS 3150, Tangible Capital Assets.
36. Contributed tangible capital assets have been appropriately recorded at fair value, unless fair value is not reasonably determinable, and in such case, have been recorded at an appropriate nominal value. All contributed tangible capital assets have been appropriately disclosed.
37. We have assessed the useful lives of tangible capital assets and have determined all tangible capital assets contribute to the Town's ability to provide goods and services and therefore do not require a write down.

### **Environmental liabilities/contingencies**

38. We have considered the effect of environmental matters on the Town and have disclosed to you all liabilities, provisions or contingencies arising from environmental matters. All liabilities, provisions, contingencies and commitments arising from environmental matters, and the effect of environmental matters on the carrying values of the relevant assets are recognized, measured and disclosed, as appropriate, in the Financial Statements.

### **Government Business Enterprises and Government Partnerships**

39. The Town has appropriately classified its investments in Newmarket Hydro Holdings Inc. as a Government Business Partnership.

With regard to the Town's investment in Newmarket Hydro Holdings Inc. we have disclosed to you any events that have occurred and facts that have been discovered with respect to such investment that would affect the investment's value as reported in the financial statements.



**Liabilities for contaminated sites**

39. We have evaluated all of our tangible capital assets that we have direct responsibility for or accept responsibility for, and have not identified any sites in which contamination exceeds an environmental standard.

Yours truly,

**The Corporation of the Town of Newmarket**

---

Mr. Mike Mayes  
Director of Financial Services and Treasurer

---

Mr. Jag Sharma  
Chief Administrative Officer

**Appendix A**  
**Town of Newmarket**  
**Summary of corrected and uncorrected financial statement misstatements**  
**Year ended December 31, 2020**

**Corrected misstatements – Town of Newmarket**

*None identified*

**Corrected misstatements – Library**

*None identified*

**Corrected misstatements – BIA**

*None identified*

**Uncorrected misstatement – Town of Newmarket**

1. The external auditors of Newmarket Hydro Holdings Inc. (NHHI), in their capacity as component auditors to the Town, reported an uncorrected misstatement of \$2,995,531 related to the provision for future income taxes and income tax expense. The \$2,995,531 misstatement arises from the 2018 fiscal year, remained undetected in 2019, and was discovered and corrected in year during fiscal 2020. The 2019 corresponding figures, including opening balances presented in the 2020 financial statements of NHHI were not restated. As at December 31, 2020 the closing balances in both NHHI and the Town of Newmarket are corrected.

In accordance with PSAS, the Town's investment in NHHI is accounted for on a modified equity basis, accordingly the uncorrected misstatement in the Town's 2020 financial statements is as follows:

a. Dr. Income from NHHI	\$2,995,531	
b. Cr. Investment in NHHI		\$2,995,531

**Uncorrected misstatement- detected in the current year relating to the prior year – Town of Newmarket**

2. As described in 1 above, the 2019 corresponding figures, including January 1, 2019 opening balances presented in financial statements of NHHI were not restated as this misstatement was corrected prospectively in NHHI's fiscal 2020 financial statements.

In accordance with PSAS, the Town's investment in NHHI is accounted for on a modified equity basis, accordingly the uncorrected misstatement in the Town's 2019 financial statements is as follows:

a. Dr. Investment in NHHI	\$2,995,531	
b. Cr. Accumulated Surplus, Beginning of year		\$2,995,531

**Uncorrected misstatements –Library**

*None identified above the clearly trivial amount of \$5,000.*

**Uncorrected misstatement – BIA**

3. Deloitte notes that domain registration fee totaling \$35 was paid for the period from 12/16/2020 to 12/16/2021 indicating that only 0.5 months should have been expensed in 2020. The remaining should have been recorded as a prepaid.

Dr. Prepays	\$33	
Cr. Operating Expenses		\$33

**Appendix B**  
**Town of Newmarket**  
**Summary of disclosure items passed**  
**Year ended December 31, 2020**

**Disclosure misstatement – Town of Newmarket**

<i>Footnote number</i>	<i>Footnote title</i>	<i>Description of omitted or unclear disclosure</i>	<i>Authoritative literature reference</i>
Note 10	Investment in Newmarket Hydro Holdings Inc.	The Town's consolidated financial statement note disclosure omits the disclosure of the contractual obligations and commitments of Newmarket Hydro Holdings Inc.	PS 3070.60 Government consolidated financial statements should disclose, in notes or schedules, condensed supplementary financial information relative to government business enterprises. Such financial information should be provided on: (d) contractual obligations and contingencies

**Disclosure misstatements – Library**

*None identified*

**Disclosure misstatements – BIA**

*None identified*





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Consolidated financial statements of

**The Corporation of the  
Town of Newmarket**

December 31, 2020

# The Corporation of the Town of Newmarket

December 31, 2020

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Draft



## Independent Auditor's Report

To the Members of Council of  
The Corporation of the Town of Newmarket

### Opinion

We have audited the consolidated financial statements of The Corporation of the Town of Newmarket (the "Town"), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Town as at December 31, 2020, and the results of its operations, changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Town in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Town's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Town or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Town's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Town's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Town's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Town to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Town to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants  
Licensed Public Accountants  
[expected to be dated July 21, 2021]

**THE CORPORATION OF THE TOWN OF NEWMARKET****Consolidated Statement of Financial Position****December 31, 2020**

	<u>2020</u>	<u>2019</u>
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents (Note 4)	\$ 61,522,596	\$ 52,586,372
Temporary investments (Note 5)	64,834,304	62,968,260
Taxes receivable (Note 6) (a)	13,659,099	5,324,399
User charges receivable	10,612,009	6,827,688
Accounts receivable (Note 6) (b)	1,530,855	7,399,855
Inventory for resale (Note 8)	55,809	43,450
Surplus land (Note 9)	155,285	155,285
Loans receivable (Note 6) (c)	7,786,343	120,097
Investment in Newmarket Hydro Holdings Inc. (Note 10)	67,998,430	67,910,617
	<b>228,154,730</b>	<b>203,336,023</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 11)	30,706,653	31,795,118
Interest payable on long-term debt	653,369	710,869
Employee future benefits liability (Note 12)	7,786,842	7,457,790
Long-term disability benefits liability (Note 13)	4,539,602	4,502,355
Deferred revenue (Note 14)	50,586,804	43,008,294
Long-term debt (Note 15)	41,561,103	45,081,715
	<b>135,834,373</b>	<b>132,556,141</b>
<b>NET FINANCIAL ASSETS</b>	<b>92,320,357</b>	<b>70,779,882</b>
<b>NON-FINANCIAL ASSETS</b>		
Inventory (Note 8)	1,092,812	756,772
Prepaid expenses and other (Note 7)	2,167,783	2,322,308
Tangible capital assets (Note 24)	537,113,344	518,383,541
	<b>540,373,939</b>	<b>521,462,621</b>
<b>ACCUMULATED SURPLUS (Note 21)</b>	<b>\$ 632,694,296</b>	<b>\$ 592,242,503</b>

Contingencies and lease agreements (Notes 17 and 18)

## THE CORPORATION OF THE TOWN OF NEWMARKET

## Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2020

	2020		2019
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
	(Note 2)		
<b>REVENUES</b>			
<b>Taxation and user charges</b>			
Residential and farm taxation	\$ 54,842,182	\$ 54,157,793	\$ 52,243,991
Commercial, industrial and business taxation	10,370,591	10,674,327	10,536,717
Taxation from other governments	722,525	949,067	842,041
User charges	56,226,497	51,085,098	55,803,009
	122,161,795	116,866,285	119,425,758
<b>Government Transfers (Note 22)</b>			
Government of Canada	-	92,122	1,106,248
Federal Gas Tax (Note 14)	6,458,000	1,314,489	2,602,483
Province of Ontario	660,891	4,005,588	2,581,618
	7,118,891	5,412,199	6,290,349
<b>Other</b>			
Contribution from developers	13,770,171	31,725,755	8,489,238
Investment income	2,456,604	2,951,303	3,685,633
Fine, penalties and interest	1,839,754	451,176	1,681,254
Rent and other	4,671,760	2,701,638	2,909,993
(Loss) on disposal of tangible capital assets	-	(729,911)	(222,999)
	22,738,289	37,099,961	16,543,119
<b>TOTAL REVENUES</b>	<b>\$ 152,018,975</b>	<b>\$ 159,378,445</b>	<b>\$ 142,259,226</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, 2020

	2020		2019
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
	(Note 2)		
<b>EXPENSES (Note 25)</b>			
General government	\$ 19,691,858	18,029,151	\$ 17,888,430
Protection to persons and property	20,092,345	20,177,571	19,334,894
Transportation services	14,426,071	13,696,911	16,728,171
Environmental services	43,752,454	39,915,591	40,501,514
Recreation and cultural services	37,152,877	25,294,474	36,081,394
Planning and development	3,459,952	3,029,864	3,655,469
	138,575,557	120,143,562	134,189,872
<b>Income/(loss) From Newmarket Hydro Holdings Inc. (Note 10)</b>	2,336,000	1,423,813	(541,634)
<b>Loss on foreign exchange</b>	-	(206,903)	(543,220)
<b>ANNUAL SURPLUS</b>	15,779,418	40,451,793	6,984,500
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	592,242,503	592,242,503	585,258,003
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	\$ 608,021,921	\$ 632,694,296	\$ 592,242,503

**THE CORPORATION OF THE TOWN OF NEWMARKET**  
**Consolidated Statement of Change in Net Financial Assets**  
**Year ended December 31, 2020**

	2020		2019
	Budget	Actual	Actual
	(Note 2)		
<b>Annual surplus</b>	\$ 15,779,418	\$ <b>40,451,793</b>	\$ 6,984,500
Acquisition of tangible capital assets	(31,163,090)	<b>(14,265,592)</b>	(20,493,072)
Contributed tangible capital assets	-	<b>(22,678,699)</b>	(678,434)
Amortization of tangible capital assets	17,193,659	<b>17,396,439</b>	16,857,430
Proceeds on disposal of tangible capital assets	-	<b>88,138</b>	143,441
Loss on disposal of tangible capital assets	-	<b>729,911</b>	222,999
	<b>(13,969,431)</b>	<b>(18,729,803)</b>	(3,947,636)
Changes due to inventory	(15,135)	<b>(336,040)</b>	(205,183)
Changes due to prepaid expenses and other	120,000	<b>154,525</b>	848,619
	<b>104,865</b>	<b>(181,515)</b>	643,436
<b>CHANGE IN NET FINANCIAL ASSETS</b>	<b>1,914,852</b>	<b>21,540,475</b>	3,680,300
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	70,779,882	<b>70,779,882</b>	67,099,582
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	72,694,734	<b>92,320,357</b>	70,779,882

**THE CORPORATION OF THE TOWN OF NEWMARKET**
**Consolidated Statement of Cash Flows**
**Year ended December 31, 2020**

	<b>2020</b>		<b>2019</b>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
	(Note 2)		
<b>CASH PROVIDED BY (USED IN):</b>			
<b>OPERATING ACTIVITIES</b>			
<b>Cash received from</b>			
Taxation	\$ 61,369,403	<b>59,668,277</b>	\$ 61,073,205
User charges	52,650,764	<b>47,275,448</b>	54,557,980
Government transfers	4,215,930	<b>8,167,833</b>	5,751,621
Contributions from developers	7,105,000	<b>18,310,991</b>	10,221,897
Investment income	3,792,604	<b>5,494,014</b>	4,427,550
Fine, penalties and interest	1,839,754	<b>448,420</b>	1,700,052
Rent and other	3,335,760	<b>2,769,007</b>	2,913,570
Aurora's share of Central York Fire Services	11,749,295	<b>11,749,047</b>	10,729,902
	<b>146,058,510</b>	<b>153,883,037</b>	<b>151,375,777</b>
<b>Cash paid for</b>			
Salaries, wages and employee benefits	63,889,786	<b>61,046,868</b>	63,257,214
Materials, goods, and supplies	10,374,338	<b>5,137,231</b>	10,170,920
Utilities	4,967,084	<b>3,166,663</b>	4,869,690
Contracted and general services	44,615,600	<b>39,141,109</b>	38,010,421
Capital repairs and maintenance	7,724,037	<b>6,963,252</b>	4,631,409
Interest on long-term debt	1,827,763	<b>1,827,763</b>	2,304,739
Rents and financial	284,257	<b>199,292</b>	278,683
	<b>133,682,865</b>	<b>117,482,178</b>	<b>123,523,076</b>
<b>Net change in cash from operating activities</b>	<b>12,375,645</b>	<b>36,400,859</b>	<b>27,852,701</b>
<b>CAPITAL ACTIVITIES</b>			
Proceeds on disposal of tangible capital assets	-	<b>88,138</b>	143,441
Acquisition of tangible capital assets	(31,163,090)	<b>(14,265,592)</b>	- 20,493,072
<b>Net change in cash from capital activities</b>	<b>(31,163,090)</b>	<b>(14,177,454)</b>	<b>- 20,349,631</b>
<b>INVESTMENT ACTIVITIES</b>			
(Loss)/Gain on Foreign Exchange	-	<b>(206,903)</b>	- 543,220
Temporary investments	20,968,260	<b>(1,866,044)</b>	- 8,886,096
<b>Net change in cash from investment activities</b>	<b>20,968,260</b>	<b>(2,072,947)</b>	<b>- 9,429,316</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, 2020**

	<b>2020</b>		2019
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
<b>FINANCING ACTIVITIES</b>			
Loans receivable issued during the year	-	<b>(7,693,622)</b>	-
Principal repayment on long-term debt	(3,520,612)	<b>(3,520,612)</b>	- 11,551,246
<b>Net change in cash from financing activities</b>	(3,520,612)	<b>(11,214,234)</b>	- 11,551,246
<b>NET CHANGE IN CASH</b>	(1,339,797)	<b>8,936,224</b>	- 13,477,492
<b>CASH, BEGINNING OF YEAR</b>	52,586,372	<b>52,586,372</b>	66,063,864
<b>CASH, END OF YEAR</b>	\$ 51,246,575	<b>61,522,596</b>	52,586,372
<b>Supplementary information:</b>			
Interest paid		<b>2,076,950</b>	2,304,739
Interest received		<b>686,214</b>	1,815,802



**The Corporation of the Town of Newmarket  
Notes to the Consolidated Financial Statements  
December 31, 2020**

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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 standards for local governments as recommended by the Canadian 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.

(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, 2020**

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

(b) Basis of accounting (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

Tangible capital 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 tangible capital 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, 2020**

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

(b) Basis of accounting (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 Town 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 14 for more details.

(vi) Employee future benefits

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

(vii) 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.

(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.

**The Corporation of the Town of Newmarket  
Notes to the Consolidated Financial Statements  
December 31, 2020**

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

(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 and other 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, 2020**

**2. 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 presented on 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 2020:		
Operating fund - December 2, 2020	\$ 134,098,674	\$ 134,098,674
Less: Principal payment on long-term debt	-	(3,411,675)
Less: Transfers to / from other funds	(1,549,735)	(16,306,537)
Capital budget - December 2, 2020	37,810,575	37,810,575
Less: Transfers to / from other funds	(18,442,543)	-
Reserves and reserve funds -	17,450,541	19,698,278
Less: Transfers to / from other funds	(16,012,537)	(19,698,278)
<b>TOTAL COUNCIL APPROVED BUDGET</b>	<b>153,354,975</b>	<b>152,191,037</b>
Less: Tangible Capital Assets Capitalized	-	(31,163,090)
Plus: Budgeted amortization expense	-	17,193,659
Plus: Post-employment benefit expenses	-	353,951
Plus: Investment income from Newmarket Hydro Holdings Inc.	1,000,000	-
Adjusted Budget per Consolidated Statement of Operations and Accumulated Surplus	<u>\$ 154,354,975</u>	<u>\$ 138,575,557</u>

**3. OPERATIONS OF SCHOOL BOARDS AND THE REGION OF YORK**

Further to Note 1(a)(iii), taxation and revenues of the school boards and the Region of York are comprised of the following:

	School Boards	Region
Property taxes and taxation from other governments	\$ 50,982,041	\$ 68,386,196

**4. CASH AND CASH EQUIVALENTS**

Cash is comprised of cash on hand and cash held in financial institutions. Management considers all highly liquid investments with original maturity of three months or less to be cash equivalents.

Cash is segregated as follows:

	2020	2019
Restricted - obligatory reserve funds (refer to Note 14)	\$ 49,071,880	\$ 41,201,994
Designated - reserve funds (refer to Note 21)	50,913,776	40,214,257
Less: temporary investments (Note 5)	(64,834,304)	(62,968,260)
	35,151,352	18,447,991
Unrestricted and undesignated	26,371,244	34,138,381
	<u>\$ 61,522,596</u>	<u>\$ 52,586,372</u>

**The Corporation of the Town of Newmarket**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2020**

**5. TEMPORARY INVESTMENTS**

Temporary investments are recorded at the lower of cost and market value.

	2020	2019
Cash held in investment accounts	\$ 130,960	216,343
Maturity within 1-2 years	49,961,484	40,024,592
Maturity within 2-3 years	12,243,846	7,139,102
Maturity within 3-4 years	2,498,015	9,466,981
Maturity within 4-5 years	-	6,121,242
	\$ 64,834,304	\$ 62,968,260

**6. RECEIVABLES**

(a) Taxes receivable	2020	2019
Current year	\$ 9,740,376	\$ 4,067,972
Stormwater charge	2,199,864	-
Arrears previous years	2,934,602	2,172,170
	14,874,842	6,240,142
Less: allowance	1,215,743	915,743
	\$ 13,659,099	\$ 5,324,399

(b) Accounts receivable	2020	2019
Government entities	\$ 432,685	\$ 3,965,439
Newmarket Hydro Holdings Inc.	-	379,087
Trade receivables, user fees and other receivables	1,198,650	3,147,401
	1,631,335	7,491,927
Less: allowance	100,480	92,072
	\$ 1,530,855	\$ 7,399,855

(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.

A February 2020 site plan agreement with a developer includes a deferral payment of development charges and other fees. The deferral for development charges is for 20 years after issuance of building permits for rental apartments, and 48 months for condo units. Deferral of other fees includes tree security, engineering, planning and finance fees for a deferral period of 48 months, and a 60 month deferral period for parkland contributions.

	2020	2019
Due from Developers	7,693,622	-
Other Community Loans	92,721	120,097
	\$ 7,786,343	\$ 120,097

**The Corporation of the Town of Newmarket**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2020**

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**7. PREPAID EXPENSES AND OTHER**

Prepaid expenses include prepaid insurance premiums, software licenses and support and miscellaneous prepaids. Other prepaid expenses represent the Town's payment for the shared use of an artificial turf field with York Region Board of Education for 10 years starting in April 2018 less annual amortization of \$163,982 (2019 - \$117,130).

	<u>2020</u>	<u>2019</u>
Prepays: insurance premiums, and software licenses	\$ 483,417	\$ 481,164
Other prepaids: artificial turf field shared use agreement	1,030,664	1,194,645
Miscellaneous Prepays	653,702	646,499
	<u>\$ 2,167,783</u>	<u>\$ 2,322,308</u>

**8. INVENTORY FOR RESALE**

Inventory for resale includes water meters to be sold to developers. Inventory included in non-financial assets is comprised of salt and sand used in winter control of area roads, as well as consumable items and parts used by staff.

**9. 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 cumulative carrying value of \$33,598.

**The Corporation of the Town of Newmarket**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2020**

**10. 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. to form Newmarket-Tay Power Distribution Ltd. Newmarket Hydro Holdings Inc. owns 93% of the outstanding common shares of Newmarket-Tay Power Distribution Ltd.

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

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

	2020	2019
Share capital		
Newmarket Hydro Holdings Inc. - 201 Common Shares	\$ 29,609,342	\$ 29,609,342
Promissory note	22,000,000	22,000,000
Retained earnings, end of the year		
Newmarket Hydro Holdings Inc.	16,389,088	16,301,275
<b>Total investment</b>	<b>\$ 67,998,430</b>	<b>\$ 67,910,617</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.

	2020	2019
Revenues:		
Investment income	\$ 1,205,600	\$ 1,205,600
Rent, property tax and other	553,148	420,379
Expenses:		
Energy purchases	2,492,803	2,881,949
Services - street light capital & maintenance	4,095	7,070
Dividends received during the year	1,336,000	1,336,000
Accounts payable	245,579	345,993



**The Corporation of the Town of Newmarket**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2020**

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

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

	2020	2019
Financial position		
Current assets	\$ 36,737,100	\$ 38,379,186
Capital assets, future income taxes and other	132,854,563	130,742,459
Regulatory deferral account debit balances	3,637,201	3,914,379
Total assets	173,228,864	173,036,024
Current liabilities	28,561,828	29,377,939
Long term liabilities	92,106,545	92,989,611
Total liabilities	120,668,373	122,367,550
Non-controlling interest	3,180,956	3,193,391
Shareholder equity		
Share capital	29,609,342	29,609,342
Retained earnings	16,519,607	16,350,083
Accumulated other comprehensive (loss)/income	(130,519)	(48,808)
	45,998,430	45,910,617
Regulatory deferral account credit balances	3,381,105	1,564,466
Total liabilities and equity	\$ 173,228,864	\$ 173,036,024
Results of operations		
Revenues	\$ 139,591,338	\$ 124,102,620
Operating expenses	(139,370,504)	(118,681,326)
Financing expenses	(2,118,692)	(2,322,523)
Other income	1,712,986	2,634,862
Non-controlling interest	(94,715)	81,071
Income tax	2,625,193	105,304
Net movement on regulatory accounts	(840,082)	(6,382,169)
Net income/(loss)	1,505,524	(462,161)
Comprehensive loss	(81,711)	(79,473)
Net income/(loss) and Comprehensive income	1,423,813	(541,634)
Retained earnings, beginning of year	16,301,275	18,178,909
Net income/(loss)	1,423,813	(541,634)
Dividends paid	(1,336,000)	(1,336,000)
Retained earnings, end of the year	\$ 16,389,088	\$ 16,301,275

**The Corporation of the Town of Newmarket**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2020**

**11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	2020	2019
Government entities	\$ 11,348,922	\$ 11,962,032
Payroll liabilities	3,017,370	2,290,076
Trade payables and other accrued liabilities	16,340,361	17,543,010
	<b>\$ 30,706,653</b>	<b>\$ 31,795,118</b>

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

**12. 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 was completed in 2019 which forms the basis for the estimated liability reported in these consolidated financial statements.

	2020	2019
Employee future benefits liability	\$ 7,323,665	\$ 7,006,252
Vacation pay	463,177	451,538
	<b>\$ 7,786,842</b>	<b>\$ 7,457,790</b>

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. The projected benefit liability of \$7,323,665 was determined by the last actuarial valuation carried out as at December 31, 2019 using a discount rate of 2.8%.

Total benefit payments to retirees during the year were \$264,393 (2019 - \$258,252). The plan is substantially unfunded and requires no contributions from employees. The benefit liability as at December 31 includes the following components:

	2020	2019
Accrued benefits obligation	\$ 7,131,664	\$ 6,790,658
Unamortized actuarial (gains)/losses	192,001	215,594
Employee future benefits liability	<b>\$ 7,323,665</b>	<b>\$ 7,006,252</b>
Employee future benefits liability, beginning of the year	\$ 7,006,252	\$ 5,682,723
Annual amortization of actuarial losses	(23,593)	2,938
Current period service cost	413,177	1,387,001
Interest cost	192,222	191,842
Benefits paid	(264,393)	(258,252)
Employee future benefits liability, end of the year	<b>\$ 7,323,665</b>	<b>\$ 7,006,252</b>

**The Corporation of the Town of Newmarket  
Notes to the Consolidated Financial Statements  
December 31, 2020**

**12. EMPLOYEE FUTURE BENEFITS LIABILITY (continued)**

Actuarial valuations for accounting purposes are normally performed every three years using the projected benefit method prorated on services. The most recent actuarial report was prepared at December 31, 2019.

Effective October 30, 2019 eligible Central York Services employees who retire on or after January 2018 on an unreduced OMERS pension and with a minimum of 15 years of service will be provided with a non-cumulative HCSA from age 65 to 75. The combined maximum is \$2,500 per year for employee and spouse. This benefit enhancement resulted in an increase in the accrued benefits obligation as at December 31, 2019 of \$1,047,282.

The assumptions used in the December 31, 2019 actuarial valuation were:

(a) Interest (discount) rate

The present value as at December 31, 2020 of the future benefits was determined using a discount rate of 2.80% (2019 - 2.80%).

(b) Health costs

Health cost premiums were assumed to increase at a 4.00% rate to 2024 (2019 - 4.0%) and increase linearly to 4.75% in 2029.

(c) Dental costs

Dental cost premiums were assumed to increase at a 4.88% rate until 2024 (2019 - 4.88%) and decrease linearly to 4.81% in 2029.

**13. 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 valuation for currently disabled employees was completed as at December 31, 2020.

	2020	2019
Accrued benefits obligation	\$ 4,818,493	\$ 4,091,744
Unamortized actuarial	(278,891)	410,611
Long-term disability benefits payable	<u>\$ 4,539,602</u>	<u>\$ 4,502,355</u>
Long-term disability benefits payable, beginning of year	\$ 4,502,355	\$ 4,461,290
Annual amortization of actuarial gains	(223,250)	(366,668)
Current period service cost	649,065	812,956
Interest cost	124,788	92,230
Benefits paid	(513,356)	(497,453)
Long-term disability benefits payable, end of year	<u>\$ 4,539,602</u>	<u>\$ 4,502,355</u>

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, 2020. The unamortized actuarial gain will be amortized into future years' expenses over 5 years, the average expected period during which benefits will be paid.

The assumptions used in the December 31, 2020 actuarial valuation were:

(a) Interest (discount) rate

The present value of the future benefits as at December 31, 2020 was determined using a discount rate of 2.0% (2019 - 3.0%).

(b) Health and dental costs

Health trend rates are assumed to increase by 6.5% starting in 2022 and to decrease by 0.25% per year to an ultimate rate of 4.5% per year. Dental cost premiums are assumed to increase by 4.0% per year starting in 2022.

**The Corporation of the Town of Newmarket**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2020**

**14. DEFERRED REVENUE**

Development Charges are levies against new development, and are a primary source of funding growth-related capital facilities and infrastructure. Development charges are imposed on all lands, buildings or structures that are developed for residential or non-residential uses. These charges are payable by the developer 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 2020	Inflows	Outflows	Ending Balance 2020
Parkland	\$ 1,834,160	\$ 3,606,012	\$ 250,000	\$ 5,190,172
Development Charges	28,094,696	10,641,198	5,733,223	33,002,671
Building Permit Fees	4,158,885	61,491	1,505,800	2,714,576
Engineering Administration	505,399	582,690	944,572	143,517
Gas Tax	6,608,854	2,726,579	1,314,489	8,020,944
Sub-total Obligatory Reserve Funds	41,201,994	17,617,970	9,748,084	49,071,880
Other	1,806,300	3,727,608	4,018,984	1,514,924
Total	\$ 43,008,294	\$ 21,345,578	\$ 13,767,068	\$ 50,586,804

**15. LONG-TERM DEBT**

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

			2020	2019
Long-term debt incurred by the Town			\$ 41,561,103	\$ 45,081,715
Purpose	Rates	Maturity Date	2020	2019
Mulock Farm	3.490%	2048	24,978,405	25,498,038
Land for recreation facilities	5.724%	2024	3,673,856	4,469,874
Youth Centre	5.724%	2024	851,259	1,035,703
Downtown renewal	5.724%	2024	270,013	328,518
Recreation facility	5.246%	2024	3,480,675	4,243,900
Parklands	5.246%	2024	739,934	902,182
Traffic flow improvements	5.246%	2024	426,383	519,878
Downtown revitalization	5.246%	2024	116,023	141,463
Recreation facility	4.756%	2026	5,826,999	6,648,199
Federation of Canadian Municipalities loan for Operations Centre	2.000%	2031	1,197,556	1,293,960
			\$ 41,561,103	\$ 45,081,715



**The Corporation of the Town of Newmarket**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2020**

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**15. LONG-TERM DEBT (Continued)**

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

2021	3,696,231
2022	3,880,833
2023	4,074,965
2024	4,279,095
2025	1,763,054
2026 and thereafter	23,866,925
	<b>\$ 41,561,103</b>

(c) Interest expense on long-term debt amounted to \$1,770,263 (2019 - \$2,094,086).

**16. 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 incurred during the year amounted to \$58,602 (2019 - \$54,719).

Insurance premiums of \$1,391,048 (2019 - \$1,015,031) were expensed during the year on the "Consolidated Statement of Operations and Accumulated Surplus".

**17. 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.

**18. LEASE AGREEMENTS**

The Town has entered into lease agreements for vehicles, office equipment and safety equipment. The aggregate minimum payments under these leases over the next three years are as follows:

2021	\$ 148,818
2022	148,086
2023	108,410
	<b>\$ 405,314</b>

**19. 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 \$66,100,000 (2019 - \$53,560,000) of which expenses of approximately \$21,500,000 (2019 - \$16,900,000) were outstanding as at December 31, 2020.

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 \$81,200,000 (2019 - \$64,100,000), of which expenses of approximately \$29,900,000 (2019 - \$19,500,000) were outstanding as at December 31, 2020.

**The Corporation of the Town of Newmarket  
Notes to the Consolidated Financial Statements  
December 31, 2020**

**20. PENSION AGREEMENTS**

OMERS provides pension services to over 500,000 active and retired members from approximately 1,000 participating 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, 2020. The results of this valuation disclosed total actuarial liabilities of \$113.1 million in respect of benefits accrued for service with actuarial assets at that date of \$109.8 million indicating an actuarial deficit of \$3.2 million. 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 2020 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 \$4,932,027 (2019- \$4,813,590).

**21. ACCUMULATED SURPLUS**

The Accumulated Surplus is comprised of the following:

	2020	2019
<b>Reserves set aside for specific purposes by Council</b>		
Reserves for operating purposes	\$ 10,612,811	\$ 8,247,696
Reserves for capital purposes	3,607,567	3,559,717
Newmarket Public Library	974,027	606,104
Water & Wastewater Rate Stabilization	5,400,466	1,754,643
<b>Total Reserves</b>	<b>20,594,871</b>	<b>14,168,160</b>
<b>Reserve funds set aside for specific purposes by Council</b>		
Asset replacement funds	31,720,559	22,319,524
Reserve funds for operating purposes	5,468,176	5,910,476
Reserve funds for capital purposes	9,096,868	7,150,036
Self-insured long-term disability	4,628,173	4,834,221
<b>Total Reserve Funds</b>	<b>50,913,776</b>	<b>40,214,257</b>
<b>Total Reserves and Reserve Funds</b>	<b>71,508,647</b>	<b>54,382,417</b>
Invested in tangible capital assets	537,113,344	518,383,541
Less: amount financed by long-term debt	(41,561,103)	(45,081,715)
Equity in Newmarket Hydro Holdings Inc. (Note 10)	67,998,430	67,910,617
Employee future benefits to be recovered	(4,541,937)	(5,206,897)
Operating	486,339	-
Capital Fund Balance	1,690,576	1,854,540
<b>Accumulated Surplus</b>	<b>\$ 632,694,296</b>	<b>\$ 592,242,503</b>

**22. GOVERNMENT TRANSFERS**

Government transfers include monetary transfers based on cost-sharing agreements between the three levels of government. Some funds are transferred when the Town provides evidence that the qualifying expenditures have been incurred. The Town also receives government transfers once certain criteria have been met or with the stipulation that the funds are used for specific programs or expenses (grants with stipulations). Any transfers received where the transfer stipulations have not been met by year-end are recorded as deferred revenue (see note 14). 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:

	2020	2019
Grants with stipulations	\$ 1,314,489	\$ 2,602,483
Other grants	4,097,710	3,687,866
	<b>\$ 5,412,199</b>	<b>\$ 6,290,349</b>

**The Corporation of the Town of Newmarket**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2020**

**23. CENTRAL YORK FIRE SERVICES**

Effective January 1, 2002, the Town of Newmarket entered into a Joint Venture Agreement with the Town of Aurora with respect to the provision of Fire and Emergency services. Under the Agreement, the Town of Newmarket assumed responsibility for the combined Central York Fire Services. The cost of these services is shared between the two municipalities based on a cost sharing formula.

	<u>2020</u>	<u>2019</u>
Net expenses before allocation	\$ 28,473,742	\$ 26,754,923
Less: Aurora's allocation (2020 - 41.38%; 2019 - 40.1%)	(11,782,434)	(10,729,932)
Newmarket's net allocation	\$ 16,691,308	\$ 16,024,991

**24. 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 2020 road network had 251 kilometers (2019 - 243 kilometers).

b) Capitalization of interest

No interest was capitalized in 2020 (2019 - \$nil).

c) Construction in Progress

The financial statements and accompanying schedules include \$10,084,262 (2019 - \$15,420,528) 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>2020</u>	<u>2019</u>
Linear Assets	\$ 22,241,000	\$ -
Storm Water Management Pond	-	155,733
Streetlights	437,699	522,701
	\$ 22,678,699	\$ 678,434

**The Corporation of the Town of Newmarket  
Notes to the Consolidated Financial Statements  
December 31, 2020**

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## **25. 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 23). Activity based costing is used to allocate internal support costs to departments. These costs include the net expenses for departments, such as human resources, information systems, finance and others, commonly referred to as overhead. Measures of activity, or drivers, are used to apportion the support costs.

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

### **Schedule 2 Service Bundles**

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

#### **Fire & Emergency Services**

Central York Fire Services provides fire services to the residents of Newmarket and Aurora. They are responsible to provide fire suppression service, fire prevention programs, training and education related to prevention, detection or extinguishment of fires. The cost of these services is shared between the two municipalities based on a cost sharing formula described in Note 23.

#### **Water, Wastewater & Solid Waste**

The Town provides drinking water to its citizens and collects wastewater. The solid waste and recycling program includes curbside collection of recyclables, organics, yard waste and garbage.

#### **By-law & 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.



**The Corporation of the Town of Newmarket  
Notes to the Consolidated Financial Statements  
December 31, 2020**

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**25. 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.

**26. PANDEMIC RESPONSE**

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel corona virus ("COVID -19") as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The duration and impact of COVID -19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of the Town of Newmarket in future periods.

Pending approval of Bill C-25, the federal government announced that it will top-up the federal Gas Tax Fund with a one-time transfer in 2021. The Town of Newmarket's allocation is suggested to be \$2,567,878. All funds are to be used in accordance with the current agreement with AMO.

**27. RELATED PARTIES**

A consulting company has provided services to the Town of Newmarket during 2020 in the amount of \$605,170 (\$1,532,306 in 2019). A member of the company's management is the spouse of a former director for the Town. The transactions have been on market terms and appropriate internal controls are in place.

Note 10, Investment in Newmarket Hydro Holdings Inc. discloses related party transactions with the Town's business enterprises. In addition, there were other related party transactions amounting to less than \$100,000 in total, each of which are not of a significant amount and are done on market terms.

The Corporation of the Town of Newmarket  
Tangible Capital Assets - Summary By Asset Category  
December 31, 2020

## Schedule 1

	Cost				Accumulated Amortization				2020	
	2020 Opening Balance	Additions and Betterments	Disposals/ Transfers	Write Downs	2020 Closing Balance	2020 Opening Balance	2020 Amortization Expense	Accumulated Amortization on Disposals	2020 Ending Balance	Net Book Value
<b>General Capital Assets</b>										
Land	\$ 99,598,894	\$ 4	\$ -	\$ -	\$ 99,598,898	\$ -	\$ -	\$ -	\$ -	\$ 99,598,898
Land improvements	14,785,870	2,019,285	-	-	16,805,155	3,430,423	520,712	-	3,951,135	12,854,020
Buildings and building components	99,686,427	651,612	-	-	100,338,039	43,311,496	2,805,415	-	46,116,911	54,221,128
Machinery and Equipment	18,194,139	2,087,469	167,563	-	20,114,045	10,684,138	1,715,354	138,769	12,260,723	7,853,322
Vehicles	7,478,816	437,103	76,687	-	7,839,232	3,446,383	561,218	76,677	3,930,924	3,908,308
Library Collection	1,620,883	120,749	215,840	-	1,525,792	932,910	125,041	215,840	842,111	683,681
	\$ 241,365,029	\$ 5,316,222	\$ 460,090	\$ -	\$ 246,221,161	\$ 61,805,350	\$ 5,727,740	\$ 431,286	\$ 67,101,804	\$ 179,119,357
<b>Infrastructure Assets</b>										
Land	\$ 18,492,537	\$ -	\$ -	\$ -	\$ 18,492,537	\$ -	\$ -	\$ -	\$ -	\$ 18,492,537
Land improvements	25,036,935	-	-	-	25,036,935	19,594,248	541,985	-	20,136,233	4,900,702
Buildings and building components	25,261,361	-	1,551,772	-	23,709,589	7,031,896	814,658	1,551,772	6,294,782	17,414,807
Machinery and Equipment	2,549,735	683,691	80,316	-	3,153,110	1,473,990	163,993	80,316	1,557,667	1,595,443
Vehicles	2,707,614	503,222	174,200	-	3,036,636	1,529,327	282,138	174,200	1,637,265	1,399,371
Linear Assets	507,643,296	35,641,024	2,629,823	-	540,654,497	228,658,683	9,865,925	1,976,976	236,547,632	304,106,865
	\$ 581,691,478	\$ 36,827,937	\$ 4,436,111	\$ -	\$ 614,083,304	\$ 258,288,144	\$ 11,668,699	\$ 3,783,264	\$ 266,173,579	\$ 347,909,725
<b>Construction in Progress</b>	\$ 15,420,528	\$ 6,092,057	\$ 11,428,323	\$ -	\$ 10,084,262	\$ -	\$ -	\$ -	\$ -	\$ 10,084,262
<b>Total Tangible Capital Assets</b>	<b>\$ 838,477,035</b>	<b>\$ 48,236,216</b>	<b>\$ 16,324,524</b>	<b>\$ -</b>	<b>\$ 870,388,727</b>	<b>\$ 320,093,494</b>	<b>\$ 17,396,439</b>	<b>\$ 4,214,550</b>	<b>\$ 333,275,383</b>	<b>\$ 537,113,344</b>

The Corporation of the Town of Newmarket  
Tangible Capital Assets - Summary By Asset Category  
December 31, 2018

Schedule 1

	Cost					Accumulated Amortization				2019	
	2019 Opening Balance	Additions and Betterments	Disposals/ Transfers	Write Downs	2019 Closing Balance	2019 Opening Balance	2019 Amortization Expense	Accumulated Amortization on Disposals	2019 Ending Balance	Net Book Value	
<b>General Capital Assets</b>											
Land	\$ 99,598,888	\$ 6	\$ -	\$ -	\$ 99,598,894	\$ -	\$ -	\$ -	\$ -	\$	99,598,894
Land improvements	14,535,428	250,442	-	-	14,785,870	2,959,911	470,512	-	3,430,423		11,355,447
Buildings and building components	97,718,129	1,968,298	-	-	99,686,427	40,570,984	2,740,512	-	43,311,496		56,374,931
Machinery and Equipment	17,493,894	1,110,388	410,143	-	18,194,139	9,548,922	1,539,899	404,683	10,684,138		7,510,001
Vehicles	6,661,324	1,357,078	539,586	-	7,478,816	3,473,810	512,156	539,583	3,446,383		4,032,433
Library Collection	1,658,121	196,476	233,714	-	1,620,883	964,521	202,103	233,714	932,910		687,973
	\$ 237,665,784	\$ 4,882,688	\$ 1,183,443	\$ -	\$ 241,365,029	\$ 57,518,148	\$ 5,465,182	\$ 1,177,980	\$ 61,805,350	\$	179,559,679
<b>Infrastructure Assets</b>											
Land	\$ 18,492,537	\$ -	\$ -	\$ -	\$ 18,492,537	\$ -	\$ -	\$ -	\$ -	\$	18,492,537
Land improvements	24,881,202	155,733	-	-	25,036,935	18,976,309	617,939	-	19,594,248		5,442,687
Buildings and building components	24,846,461	414,900	-	-	25,261,361	6,236,255	795,641	-	7,031,896		18,229,465
Machinery and Equipment	2,215,852	333,883	-	-	2,549,735	1,337,213	136,777	-	1,473,990		1,075,745
Vehicles	2,677,286	328,733	298,405	-	2,707,614	1,506,292	321,440	298,405	1,529,327		1,178,287
Linear Assets	503,423,767	5,571,993	1,352,464	-	507,643,296	220,426,390	9,520,451	1,288,158	228,658,683		278,984,613
	\$ 576,537,105	\$ 6,805,242	\$ 1,650,869	\$ -	\$ 581,691,478	\$ 248,482,459	\$ 11,392,248	\$ 1,586,563	\$ 258,288,144	\$	323,403,334
<b>Construction in Progress</b>	\$ 6,233,623	\$ 13,551,850	\$ 4,364,945	\$ -	\$ 15,420,528	\$ -	\$ -	\$ -	\$ -	\$	15,420,528
<b>Total Tangible Capital Assets</b>	\$ 820,436,512	\$ 25,239,780	\$ 7,199,257	\$ -	\$ 838,477,035	\$ 306,000,607	\$ 16,857,430	\$ 2,764,543	\$ 320,093,494	\$	518,383,541

**The Corporation of the Town of Newmarket**  
**Segment Disclosures - Service Bundle**  
**Year ended December 31, 2020**

Schedule 2

	Fire & Emergency Services		Water, Wastewater & Solid Waste		Bylaw & Licensing Services		Roads, Bridges & Sidewalks	
	2020	2019	2020	2019	2020	2019	2020	2019
<b>EXPENSES</b>								
Salaries and wages	\$ 23,221,865	\$ 21,887,315	\$ 3,020,925	\$ 2,984,615	\$ 1,636,527	\$ 1,483,143	\$ 2,525,070	\$ 2,666,574
Materials, goods and supplies	882,375	1,061,909	1,005,126	2,693,217	74,469	84,394	904,665	1,284,288
Utilities	168,785	170,685	27,180	25,385	-	-	815,928	1,055,088
Contracted and general services	631,879	753,604	30,627,376	31,044,455	527,188	519,589	720,454	925,555
Rents and financial	31,212	30,600	84,500	78,561	11,925	8,567	1,598	2,325
Interest on long-term debt	-	-	22,597	198,780	-	-	-	-
Capital repairs and maintenance	163,982	901,581	1,288,439	1,365,745	-	-	945,394	2,082,039
Amortization expenses	550,760	507,714	3,098,720	3,085,920	25,843	25,843	7,745,770	7,516,169
Allocations	(9,288,479)	(8,356,926)	3,394,253	1,586,858	861,072	720,080	1,262,139	3,258,806
<b>Total expenses</b>	<b>16,362,379</b>	<b>16,956,482</b>	<b>42,569,116</b>	<b>43,063,536</b>	<b>3,137,024</b>	<b>2,841,616</b>	<b>14,921,018</b>	<b>18,790,844</b>
<b>REVENUES</b>								
Taxation	18,851,183	17,304,734	3,711,255	3,542,595	2,506,664	1,820,284	10,535,543	10,056,751
User charges	446,540	331,878	43,825,255	42,001,281	492,228	514,910	107,084	131,011
External non-tax revenues	787,112	34,111	17,693,951	5,506,081	360,444	601,930	12,960,100	6,244,478
(Loss)/Gain on sale of tangible capital assets	6,171	17,601	(256,337)	(88,220)	-	-	(473,100)	(175,667)
<b>Total revenues</b>	<b>20,091,006</b>	<b>17,688,324</b>	<b>64,974,124</b>	<b>50,961,737</b>	<b>3,359,336</b>	<b>2,937,124</b>	<b>23,129,627</b>	<b>16,256,573</b>
Income (Loss) from Newmarket Hydro Holdings Inc.	-	-	-	-	-	-	-	-
<b>Annual Surplus (Deficit)</b>	<b>\$ 3,728,627</b>	<b>\$ 731,842</b>	<b>\$ 22,405,008</b>	<b>\$ 7,898,201</b>	<b>\$ 222,312</b>	<b>\$ 95,508</b>	<b>\$ 8,208,609</b>	<b>\$ (2,534,271)</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, 2020**

**Schedule 2**

	Planning & Development Services		Community Programs & Events		Facilities, Parks & Trails		Corporate Support & Governance	
	2020	2019	2020	2019	2020	2019	2020	2019
<b>EXPENSES</b>								
Salaries and wages	\$ 4,426,567	\$ 4,594,089	\$ 4,140,920	\$ 6,735,505	\$ 7,053,853	\$ 8,370,343	\$ 13,015,767	\$ 12,596,321
Materials, good and supplies	107,805	243,610	43,421	160,883	1,822,077	3,363,876	710,615	466,418
Utilities	-	-	2,748	3,053	1,796,752	2,332,566	504,477	630,436
Contracted and general services	263,894	303,704	520,614	1,545,602	916,603	1,711,903	3,604,869	3,560,916
Rents and financial	31	-	31,216	53,259	18,319	51,559	20,243	53,006
Interest on long-term debt	-	-	-	-	-	-	1,747,666	1,895,306
Capital repairs and maintenance	153,600	553,049	-	-	1,052,919	2,011,189	(52,359)	271,602
Amortization expenses	-	-	72,497	72,497	4,529,878	4,353,606	956,734	875,045
Allocations	3,255,046	2,650,422	2,120,376	2,178,767	3,602,256	2,985,245	(17,584,985)	(16,333,254)
<b>Total expenditures</b>	<b>8,206,943</b>	<b>8,344,874</b>	<b>6,931,792</b>	<b>10,749,566</b>	<b>20,792,657</b>	<b>25,180,287</b>	<b>2,923,027</b>	<b>4,015,796</b>
<b>REVENUES</b>								
Taxation	4,372,523	4,126,615	4,818,409	4,599,434	16,646,226	18,287,800	-	-
User charges	3,672,746	3,236,410	1,069,440	5,376,311	908,420	2,478,134	551,216	1,663,975
External non-tax revenues	1,331,245	1,873,953	276,877	934,197	2,127,070	1,101,715	7,572,592	6,441,438
(Loss)/Gain on sale of tangible capital assets	-	-	-	-	(6,645)	23,287	-	-
<b>Total revenues</b>	<b>9,376,514</b>	<b>9,236,978</b>	<b>6,164,726</b>	<b>10,909,942</b>	<b>19,675,071</b>	<b>21,890,936</b>	<b>8,123,808</b>	<b>8,105,413</b>
Income (Loss) from Newmarket Hydro Holdings Inc.	-	-	-	-	-	-	1,423,813	(541,634)
<b>Annual Surplus (Deficit)</b>	<b>\$ 1,169,571</b>	<b>\$ 892,104</b>	<b>\$ (767,066)</b>	<b>\$ 160,376</b>	<b>\$ (1,117,586)</b>	<b>\$ (3,289,351)</b>	<b>\$ 6,624,594</b>	<b>\$ 3,547,983</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, 2020**

**Schedule 2**

	Public Library Services		Main Street District BIA		Consolidated	
	2020	2019	2020	2019	2020	2019
<b>EXPENSES</b>						
Salaries and wages	\$ 2,496,628	\$ 2,587,639	\$ -	\$ -	\$ 61,538,122	\$ 63,905,544
Materials, good and supplies	358,156	302,607	2,768	18,975	5,911,477	9,680,177
Utilities	85,969	95,916	-	-	3,401,839	4,313,129
Contracted and general services	80,460	102,914	9,119	1,712	37,902,456	40,469,954
Rents and financial	1,867	2,057	-	-	200,911	279,934
Interest on long-term debt	-	-	-	-	1,770,263	2,094,086
Capital repairs and maintenance	219,127	134,315	-	-	3,771,102	7,319,520
Amortization expenses	416,237	420,636	-	-	17,396,439	16,857,430
Allocations	629,275	580,100	-	-	(11,749,047)	(10,729,902)
<b>Total expenditures</b>	<b>4,287,719</b>	<b>4,226,184</b>	<b>11,887</b>	<b>20,687</b>	<b>120,143,562</b>	<b>134,189,872</b>
<b>REVENUES</b>						
Taxation	4,309,384	3,854,536	30,000	30,000	65,781,187	63,622,749
User charges	12,169	69,099	-	-	51,085,098	55,803,009
External non-tax revenues	132,680	310,386	-	8,178	43,242,071	23,056,467
(Loss)/Gain on sale of tangible capital assets	-	-	-	-	(729,911)	(222,999)
<b>Total revenues</b>	<b>4,454,233</b>	<b>4,234,021</b>	<b>30,000</b>	<b>38,178</b>	<b>159,378,445</b>	<b>142,259,226</b>
(Loss)/Income From Newmarket Hydro Holdings Inc.	-	-	-	-	1,423,813	(541,634)
(Loss)/Gain on foreign exchange					(206,903)	(543,220)
<b>Annual Surplus (Deficit)</b>	<b>\$ 166,514</b>	<b>\$ 7,837</b>	<b>\$ 18,113</b>	<b>\$ 17,491</b>	<b>\$ 40,451,793</b>	<b>\$ 6,984,500</b>

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

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Financial statements of  
Town of Newmarket  
Main Street District BIA

December 31, 2020

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Independent Auditor's Report	1-2
Statement of Operations	3
Statement of Financial Position	3
Statement of Cash Flows	4
Notes to the Financial Statements	5

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## Independent Auditor's Report

To the Members of Council of  
The Corporation of the Town of Newmarket

### Opinion

We have audited the financial statements of The Corporation of the Town of Newmarket Main Street District BIA (the "BIA"), which comprise the statement of financial position as at December 31, 2020, and the statements of operations and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the BIA as at December 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the BIA in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the BIA's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the BIA or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the BIA's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 BIA's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the BIA's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the BIA to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants  
Licensed Public Accountants  
June 21, 2021

# THE CORPORATION OF THE TOWN OF NEWMARKET

## Main Street District BIA

### Statement of Operations

Year ended December 31, 2020

	2020		2019
	Budget	Actual	Actual
<b>REVENUES</b>			
Taxation	\$ 30,000	\$ 30,000	\$ 30,000
Events	-	-	\$ 8,178
<b>Total revenues</b>	<b>30,000</b>	<b>30,000</b>	<b>\$ 38,178</b>
<b>EXPENSES</b>			
Promotion and events	9,000	7,856	\$ 19,568
Advertising	21,000	4,031	\$ 1,119
<b>Total expenses</b>	<b>30,000</b>	<b>11,887</b>	<b>\$ 20,687</b>
<b>ANNUAL SURPLUS</b>	<b>-</b>	<b>18,113</b>	<b>\$ 17,491</b>
<b>FUND BALANCE, BEGINNING OF YEAR,</b>	<b>38,405</b>	<b>38,405</b>	<b>\$ 20,914</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 38,405</b>	<b>\$ 56,518</b>	<b>\$ 38,405</b>

### Statement of Financial Position

Year ended December 31, 2020

	2020	2019
<b>ASSET</b>		
Due from the Town of Newmarket	\$ 56,518	\$ 38,405
<b>FUND BALANCE AND NET FINANCIAL ASSETS</b>	<b>\$ 56,518</b>	<b>\$ 38,405</b>



# THE CORPORATION OF THE TOWN OF NEWMARKET

## Main Street District BIA

### Statement of Cash Flows

Year ended December 31, 2020

	2020	\$	2,019
<b>Cash received from</b>			
Taxation	\$ 30,000	\$	30,000
Events	-	\$	8,178
Transfer (to) from the Town of Newmarket	(18,113)	\$	(17,491)
	11,887	\$	20,687
<b>Cash paid for</b>			
Promotion and events	7,856	\$	19,568
Advertising	4,031	\$	1,119
	11,887	\$	20,687
<b>Net Change in Cash</b>	-	\$	-
<b>Cash, Beginning of Year</b>	-	\$	-
<b>Cash, End of Year</b>	\$ -	\$	-

# THE CORPORATION OF THE TOWN OF NEWMARKET

## Main Street District BIA

### Notes to the Financial Statements

December 31, 2020

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#### 1. NATURE OF OPERATIONS

On January 22, 2007 the Corporation of the Town of Newmarket 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.



## Financial statement discussion and analysis

The Town of Newmarket's consolidated financial statements have been prepared in accordance with reporting standards set by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada. The consolidated financial statements include the financial results of:

- Town of Newmarket;
- Newmarket Public Library Board;
- The Main Street District Business Improvement Area;
- The Town's proportionate share of the joint venture with the Town of Aurora – Central York Fire Services

The Town's investment in Newmarket Hydro Holdings Inc. is accounted for on a modified equity basis. Newmarket Hydro Holdings Inc. has two subsidiaries – Newmarket-Tay Power Distribution Ltd. and Envi Networks Ltd.

A selection of financial indicators are explained below:

2020 Financial Highlights	2020	2019
<b>Financial position</b>	<b>\$632,694,296</b>	<b>\$592,242,503</b>
Financial position refers to the net position of assets in excess of liabilities. Positive balances indicate the Town's ability to cover debt obligations and to have funds set aside for future sustainability. The balance is increasing year over year. The Town's continued focus on increasing assets while lowering liabilities will keep this indicator on a positive trend.		
<b>Capital reserves as % of accumulated amortization</b>	<b>13.3%</b>	<b>10.3%</b>
<b>Capital reserve contribution as % of amortization</b>	<b>88.1%</b>	<b>96.4%</b>

These two ratios show the level of reserve funding for future capital purposes compared to the total depreciation to date and to the current rate of amortization. The more the Town funds capital reserves as compared to the annual amortization expense, the more the infrastructure gap narrows.

Breakdown of capital reserves as % of accumulated amortization was as follows:

Tax-supported	-9.1%
Utility (W/WW) rate supported	45.0%

Breakdown of the capital reserve contribution as % of amortization was as follows:	
Tax-supported	57.9%
Utility (W/WW) rate supported	227.8%

2020 Financial Highlights	2020	2019	BMA Study 2019 Results
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<b>Receivables as % of total taxes levied (includes Region and School Board)</b>	<b>7.4%</b>	<b>3.0%</b>	<b>5.5%</b>
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Uncollected property taxes as a percentage of total taxes charged is a good indication of the strength of the local economy and the ability of the community to pay their annual taxes. The Town has a low ratio showing good economic health, increased liquidity, and strong controls over tax collection. Credit Rating agencies consider over 8% a negative factor. Based on the 2019 financial indicator review of 19 municipalities in the Greater Toronto Area from the BMA study, the average was 5.5%. In 2019, the Town's collection rate on taxes was at 97% as compared to the average 94.5%. The pandemic had an impact on the Town's taxes receivables in 2020.

<b>Asset consumption ratio</b>	<b>38.3%</b>	<b>38.2%</b>	<b>42.4%</b>
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The asset consumption ratio shows the value of the tangible capital assets that have been consumed. Total accumulated amortization is calculated as a percentage of the gross cost of depreciable assets. This ratio highlights the aged condition of the Town's physical assets and potential asset replacement needs. A higher ratio may indicate significant replacement needs. Out of 96 municipalities in the BMA study, the average was 42.4% in 2019 which is considered to be moderately new.

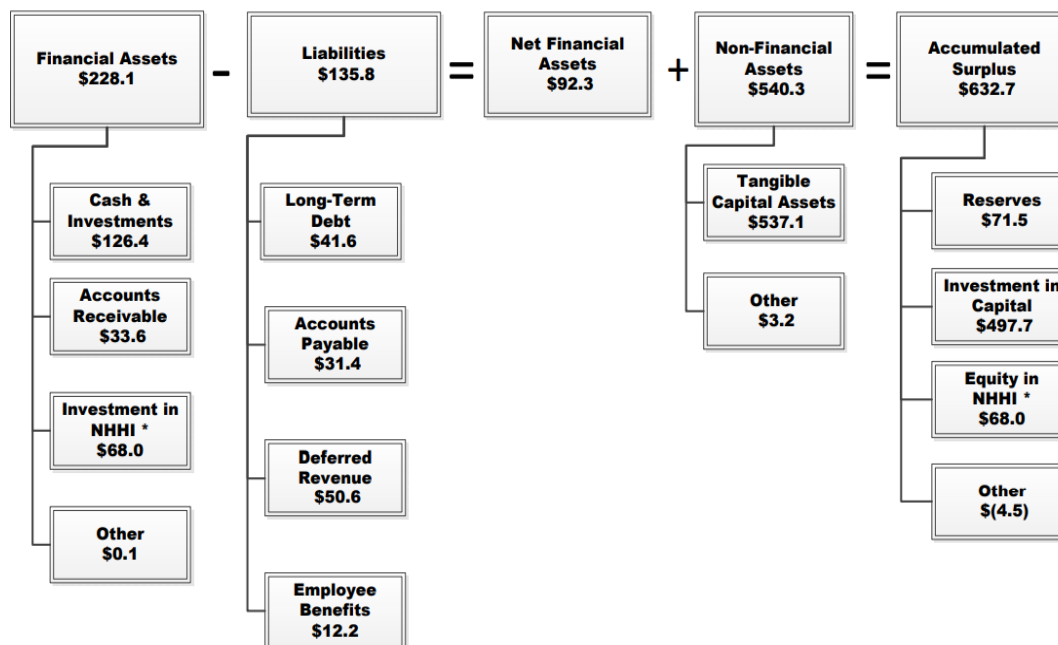
<b>Debt service costs as a % of own source revenues</b>	<b>4.4%</b>	<b>10.8%</b>
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This ratio indicates the extent to which the Town's own source revenues are committed to debt charges.

The Ministry of Municipal Affairs and Housing considers a ratio between 5% and 10% to be a moderate risk and a ratio below 5% to be low risk. Credit rating agencies consider that principal and interest should be below 10% of own source revenue. This is the same calculation as that used for the Annual Repayment Limit.

## The Consolidated statement of financial position: Overview

The Consolidated Statement of Financial Position highlights key financial figures. The chart below presents the information reported in the Consolidated Statement of Financial Position (in millions).

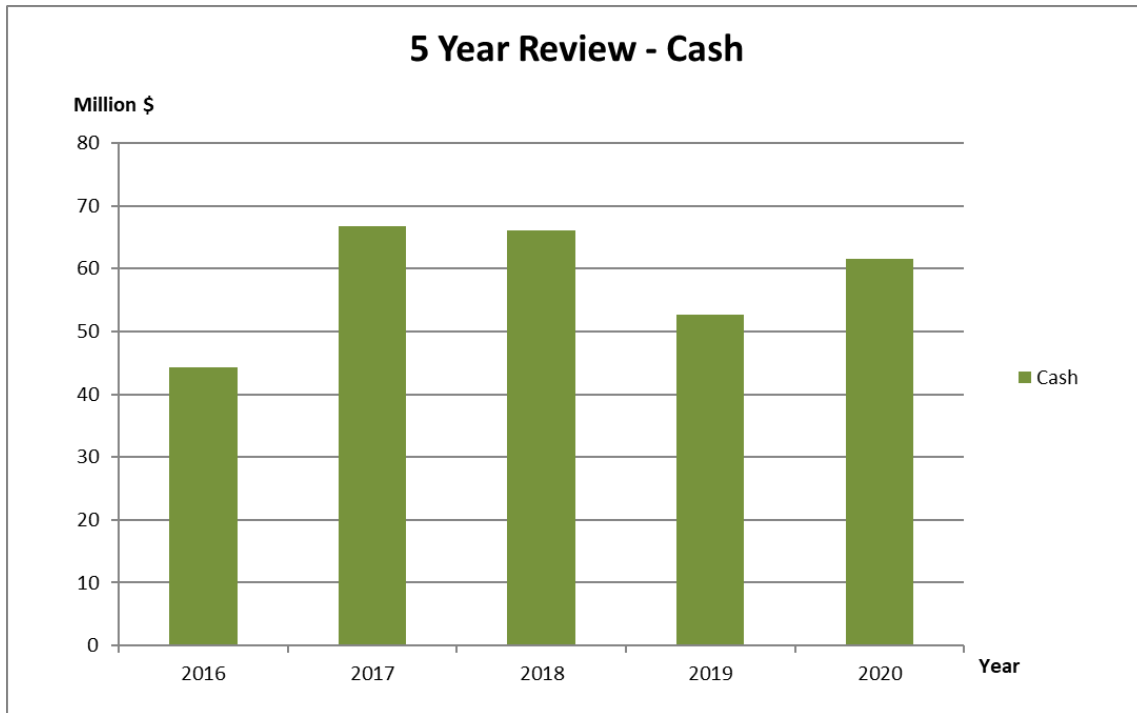


\*Newmarket Hydro Holdings Inc.

### **Cash resources**

The Town's cash position is closely managed and remains adequate, combined with short-term investments, to meet ongoing cash requirements. Management considers all highly liquid investments with maturity of three months or less to be cash equivalents. The year-end cash position increased by \$8.9 million from \$52.6 million (2019) to \$61.5 million (2020), while temporary investments increased by \$1.8 million from \$63.0 million (2019) to \$64.8 million (2020).





The cash position increased by \$8.9 million from 2019 mostly due to higher development charge collections net of expenses and lower capital expenditures due to the pandemic.

### ***Net Financial Asset Position***

Financial assets include cash and other assets expected to be converted to cash, sold, or consumed within a year. The Town ended the year with net financial assets totaling \$92.3 million (2019 - \$70.8 million), an increase of \$21.5 million. This balance is calculated as total financial assets less liabilities that represents the amount available to finance future operations.

### **Deferred revenue**

Deferred revenues are considered liabilities until the funds are spent or used for their intended purpose. The major deferred revenues include:

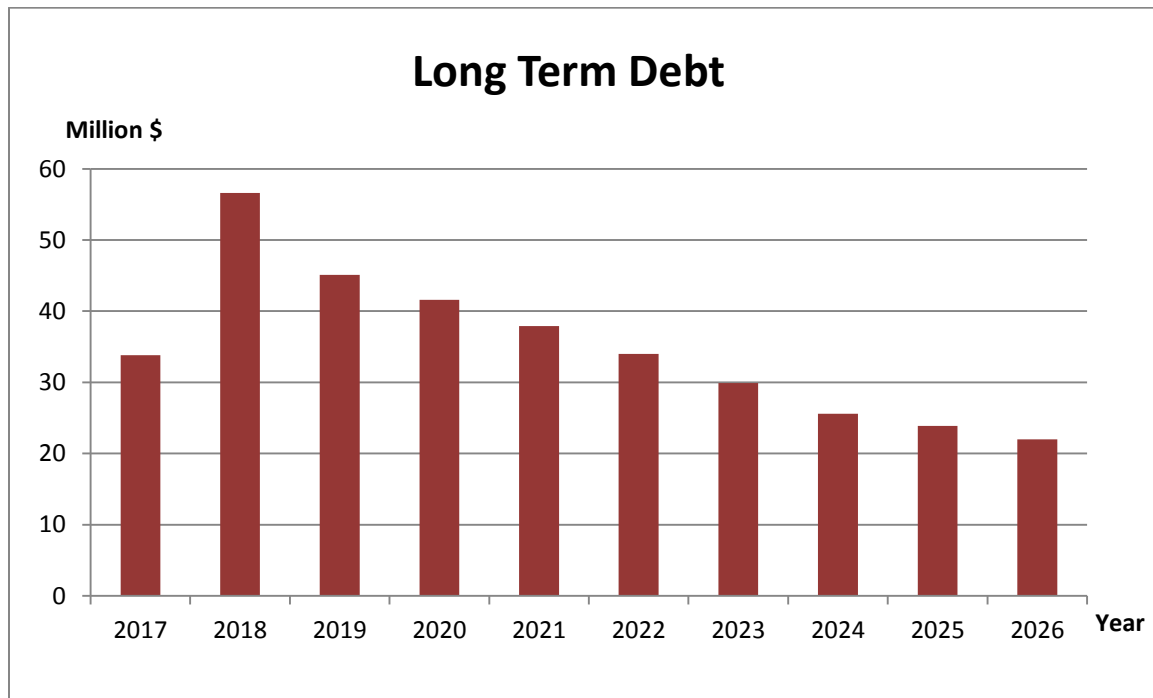
- development charges;
- building permit revenue;
- Federal gas tax and other grants;
- parkland cash in-lieu;
- engineering administration revenues.

In 2020, the Town collected \$14.1 million and allocated \$5.8 million to capital projects.

## Long-term debt

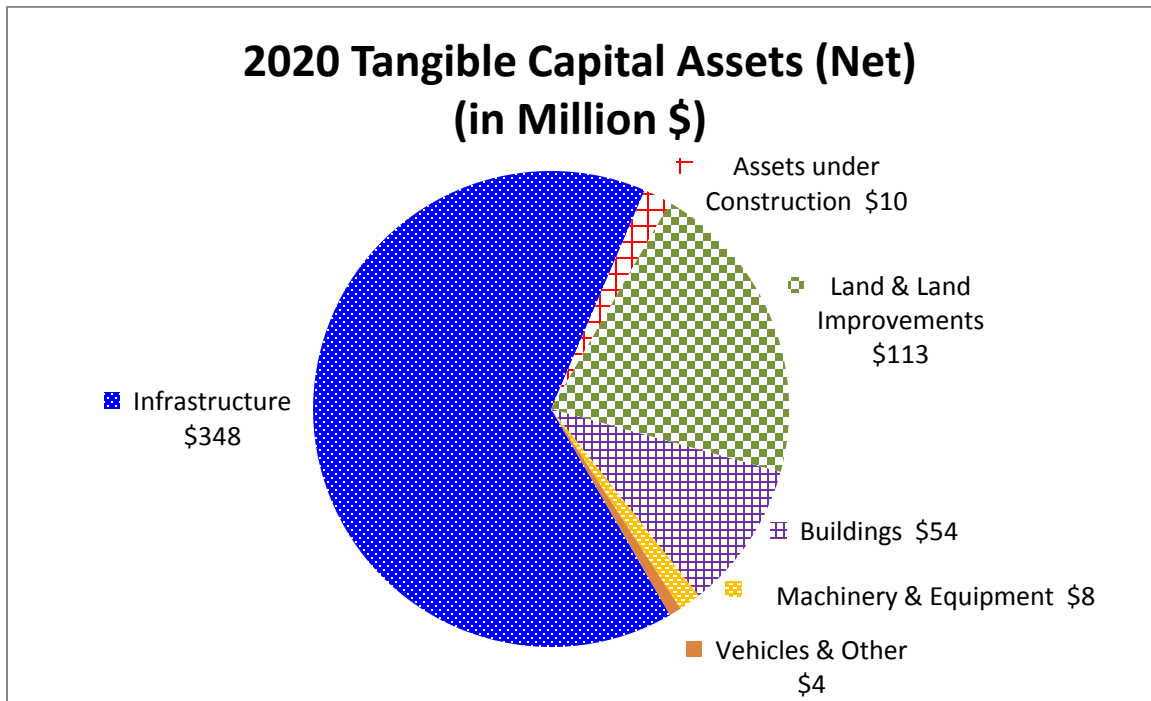
A significant component of the financial liabilities is the Town's long-term debt. A new debt policy was adopted in May 2018 that established the criteria for loans. Generally, debt financing is only available for capital expenditures included in the Asset Management Plan when other sources of financing are not available. The revised policy continues to have a servicing limit (principle and interest) equal to 10% of the Town's own source revenues which is lower than the 25% limit that the province allows municipalities.

In 2020, the Town's actual debt servicing was 4.4% (2019 – 10.8%). 2019 was higher due to the repayment of the Operations Centre debenture. At an annual interest rate of 5% with a term of 20 years, the Town could borrow another \$120 million and still remain within its 10% debt servicing (borrowing) limit. Debt represents 8.0% of the net book value of Town's tangible capital assets (2019 – 9.0%).



The Town's long-term debt position reflects the pattern of investment in major infrastructure projects. In 2018, a 30 year \$26 million debenture was issued by Infrastructure Ontario through York Region for the purchase of the Mullock Farm property. In 2019, the debenture for the Operations Centre was paid off which accounts for \$8.1 million of the repayments in the year.

## Non-financial assets



A transition to a multi-year capital budget began in 2019. Previously approved but unspent capital budgets were assigned to a more appropriate timeline based on anticipated capital delivery.

The 2020 approved capital budget totaled \$37.8 million. \$31.2 million was budgeted for tangible capital assets (TCA) and \$6.6 million for major repair and maintenance expenses and items below the threshold for TCA. \$14.2 million (37.6%) of TCA were added in 2020. The timing and delivery of capital spending was directly impacted by the pandemic.

One of the Town's goals has been to develop a sustainable capital financing strategy. A review of the Town's asset replacement funds took place to determine the financial requirements to replace the Town's assets and how the Town's annual contributions to these reserve funds compare. Since 2013, additional capital levies ranging from 0.74% to 1% were added every year except in 2017. A capital levy of 1% was included in 2020.

The Town has an approved asset management plan and strategy. Staff continues to refine and update the plan, and it is anticipated to be on track to meet provincial regulations.

The Town's tangible capital assets (net of amortization expense) increased by \$18.7 million in 2020 compared to an increase of \$3.9 million in 2019.

## ***Accumulated surplus (deficit)***

The Town's accumulated surplus for fiscal 2020 is \$632.7 million (2019 - \$592.2 million). The accumulated surplus reflects the resources that have been built up over time at the Town of Newmarket and the balance includes items such as tangible capital assets, equity in Newmarket Hydro Holdings Inc., and various reserves and reserve funds.

### **21. ACCUMULATED SURPLUS**

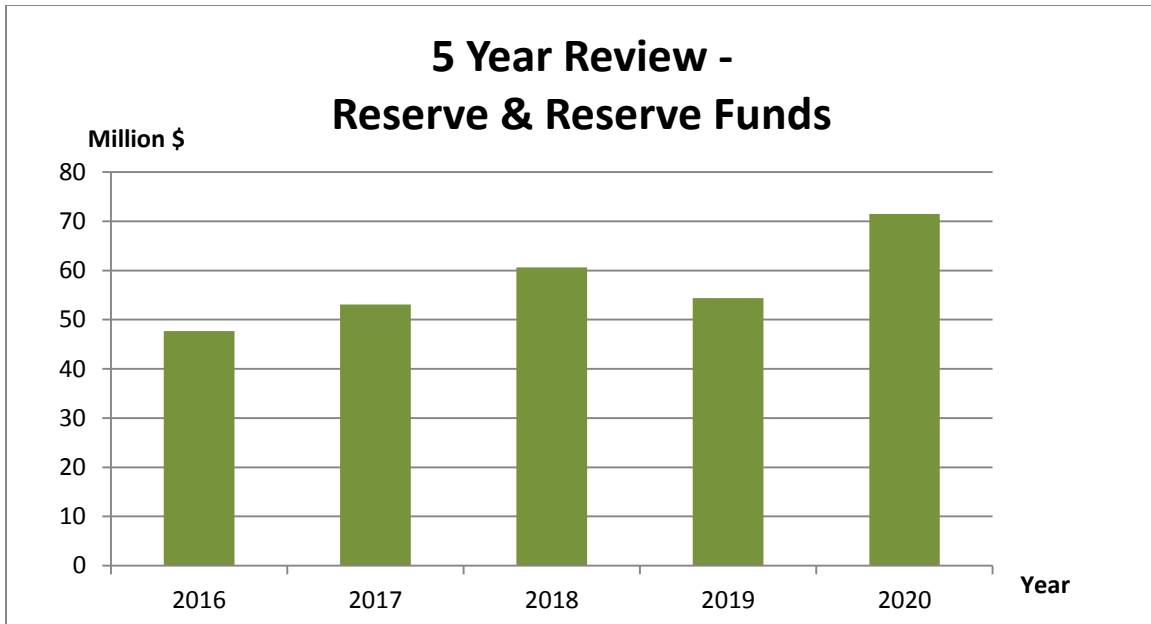
The Accumulated Surplus is comprised of the following:

	2020	2019
<b>Reserves set aside for specific purposes by Council</b>		
Reserves for operating purposes	\$ 10,612,811	\$ 8,247,696
Reserves for capital purposes	3,607,567	3,559,717
Newmarket Public Library	974,027	606,104
Water & Wastewater Rate Stabilization	5,400,466	1,754,643
<b>Total Reserves</b>	<b>20,594,871</b>	<b>14,168,160</b>
<b>Reserve funds set aside for specific purposes by Council</b>		
Asset replacement funds	31,720,559	22,319,524
Reserve funds for operating purposes	5,468,176	5,910,476
Reserve funds for capital purposes	9,096,868	7,150,036
Self-insured long-term disability	4,628,173	4,834,221
<b>Total Reserve Funds</b>	<b>50,913,776</b>	<b>40,214,257</b>
<b>Total Reserves and Reserve Funds</b>	<b>71,508,647</b>	<b>54,382,417</b>
Invested in tangible capital assets	537,113,344	518,383,541
Less: amount financed by long-term debt	(41,561,103)	(45,081,715)
Equity in Newmarket Hydro Holdings Inc. (Note 10)	67,998,430	67,910,617
Employee future benefits to be recovered	(4,541,937)	(5,206,897)
Operating	486,339	-
Capital Fund Balance	1,690,576	1,854,540
<b>Accumulated Surplus</b>	<b>\$ 632,694,296</b>	<b>\$ 592,242,503</b>

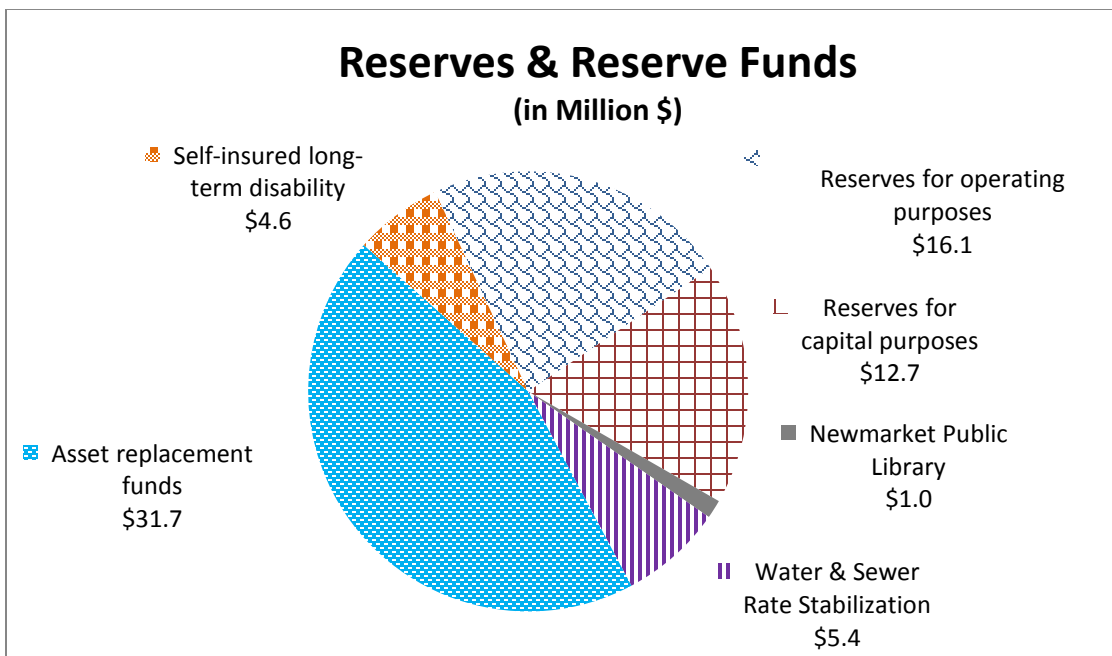
It is the Town's practice to record year-end transfers in the current year to balance rate-supported operating budgets such as water, wastewater, stormwater, as well as the building department.

## **Reserves and Reserve Funds**

Reserves and reserve funds are used to set aside funding for the future replacement of the Town's assets, as well as other expected and unexpected obligations. They also help to minimize potential fluctuations in the tax and utility rates, which is commonly referred to as Rate Stabilization.



The total of the Town's reserves and reserve funds at the end of 2020 was \$71.5 million, an increase of \$17.1 million from the beginning of the year. The major factor for the increase was the delay in delivering capital projects as a result of the pandemic which reduced reserve and reserve fund expenditures. Contributions to asset replacement net of expenditures was \$9.4 million, the remaining increase is made of operating and general capital reserve contributions net of expenditures.

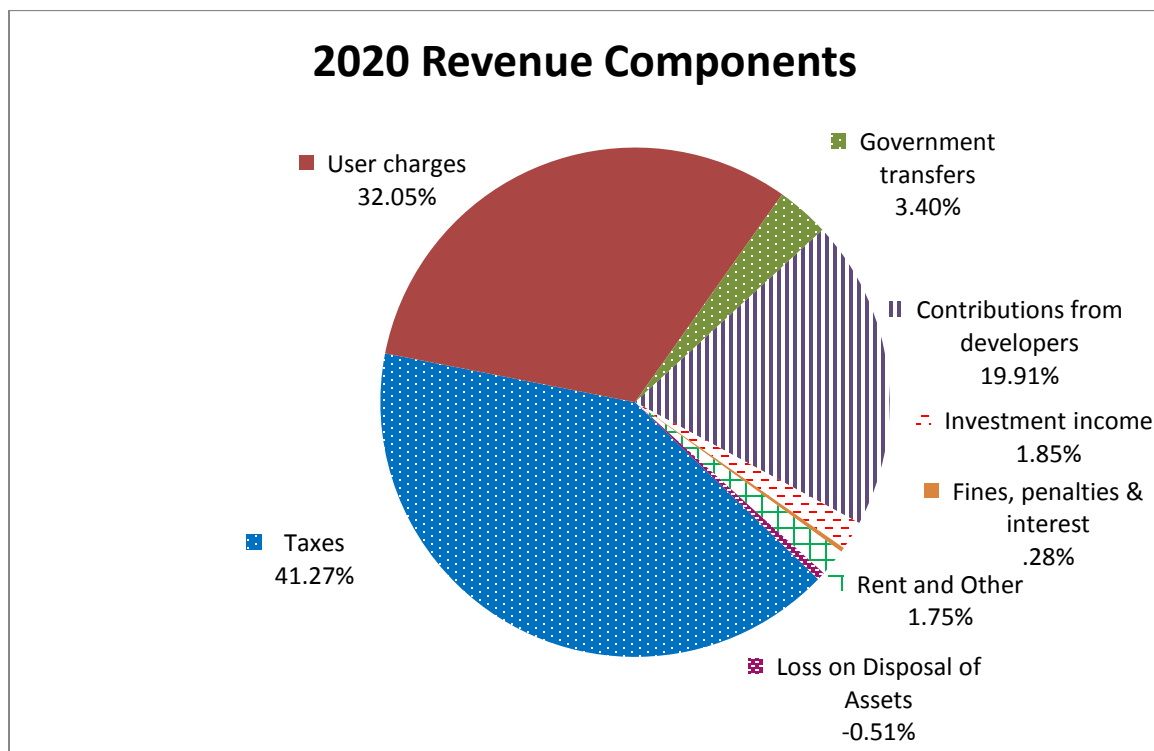


## Consolidated statement of operations and surplus

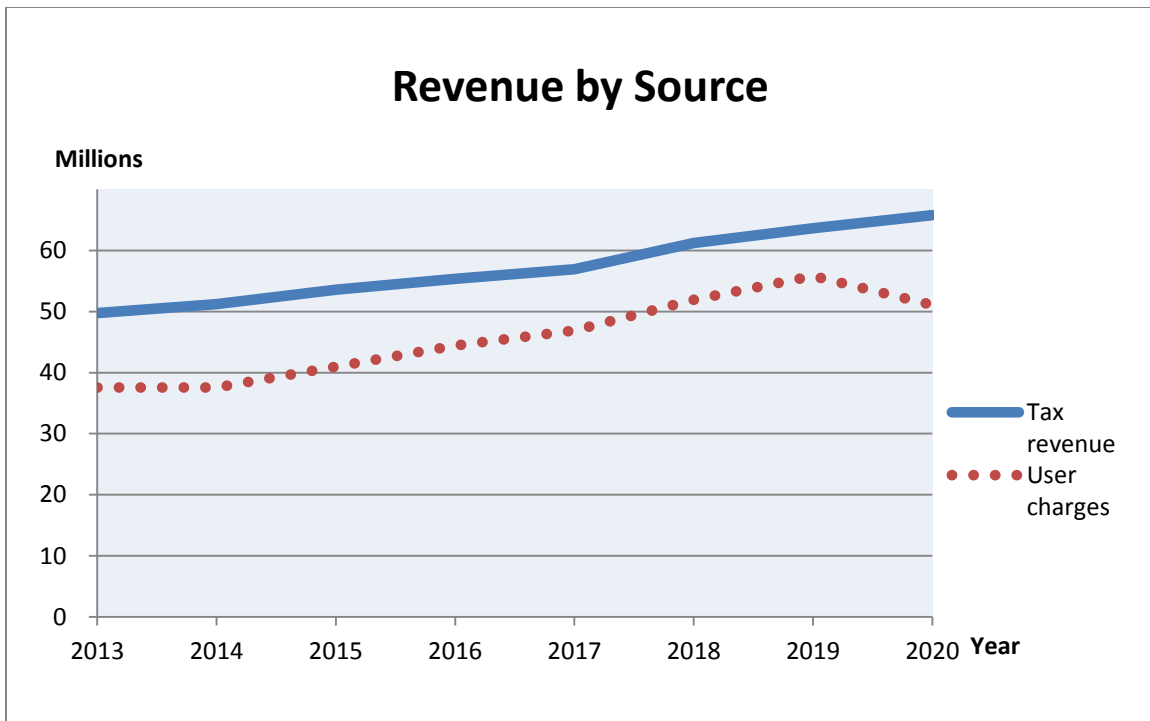
The consolidated statement of operations reports the revenue collected by the Town, the cost of providing municipal services and the resulting annual surplus or deficit.

### **Revenues**

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







Revenue highlights for 2020 include:

- Property taxes increased by \$2.5 million. Year over year the percentage of revenue from property taxes has remained over 40% of total revenues. Reducing our dependence on property taxes is one of the Town's financial goals.

Supplementary taxes are difficult to predict and sustain. Actual billings in 2020 were \$300,459, which was down from the 2019 level of \$686,000. The reduction in supplementary revenue was a result of the pandemic. The 2020 supplementary budget was \$596,547.

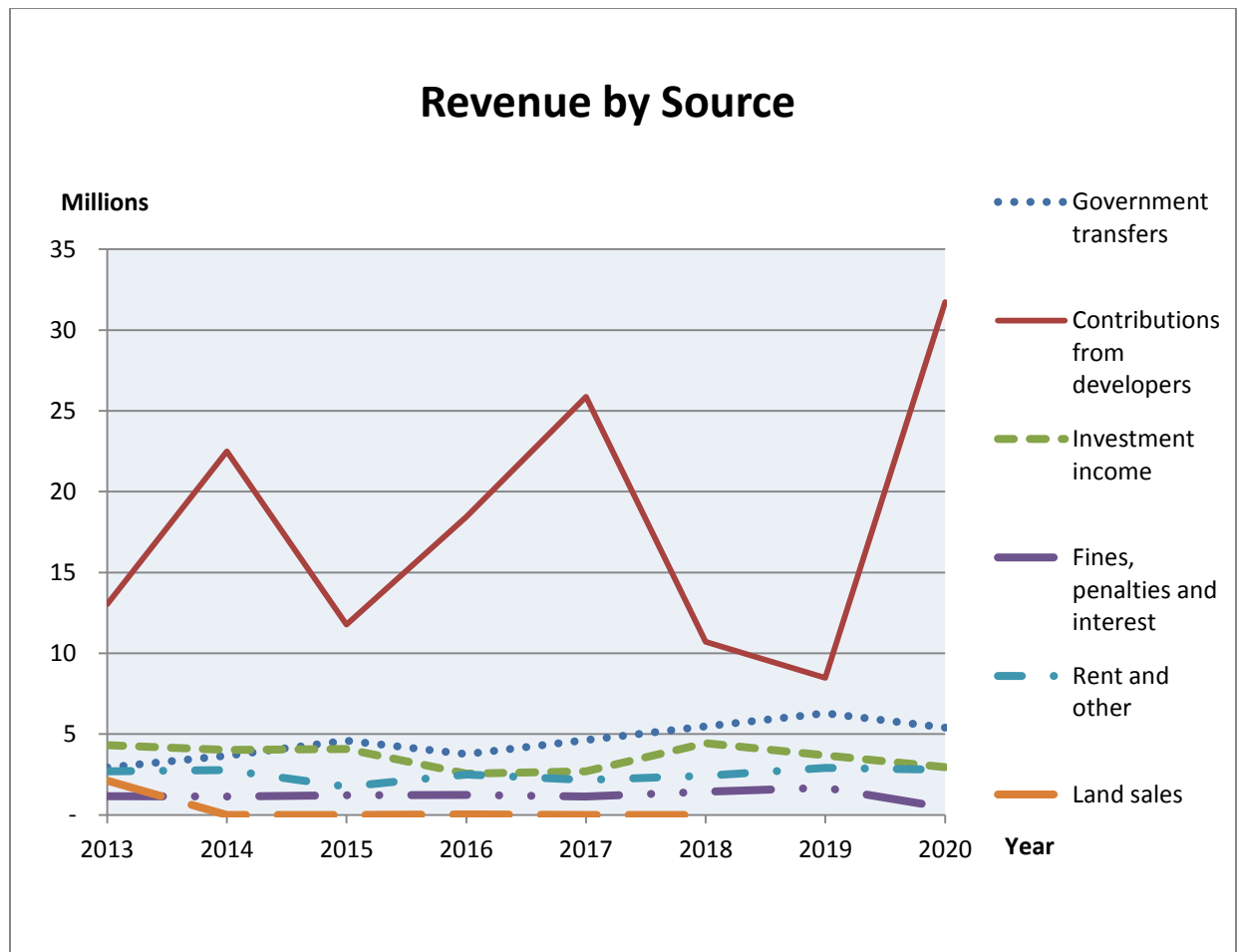
Write offs and provisions, which reduce tax revenues, were significantly lower than in 2019. The Government of Ontario paused all appeals as part of the emergency measures introduced in March 2020. The emergency measures were subsequently lifted in September 2020.

The Town approved a total of \$225,507 charity rebates in 2020. This was slightly less than 2019 at \$235,876. There were 41 applications processed in 2020 versus 39 in 2019. The proactive assessment management plan, started in 2014 and continues with a shifted focus to undervalued or missing assessments along with open appeals.

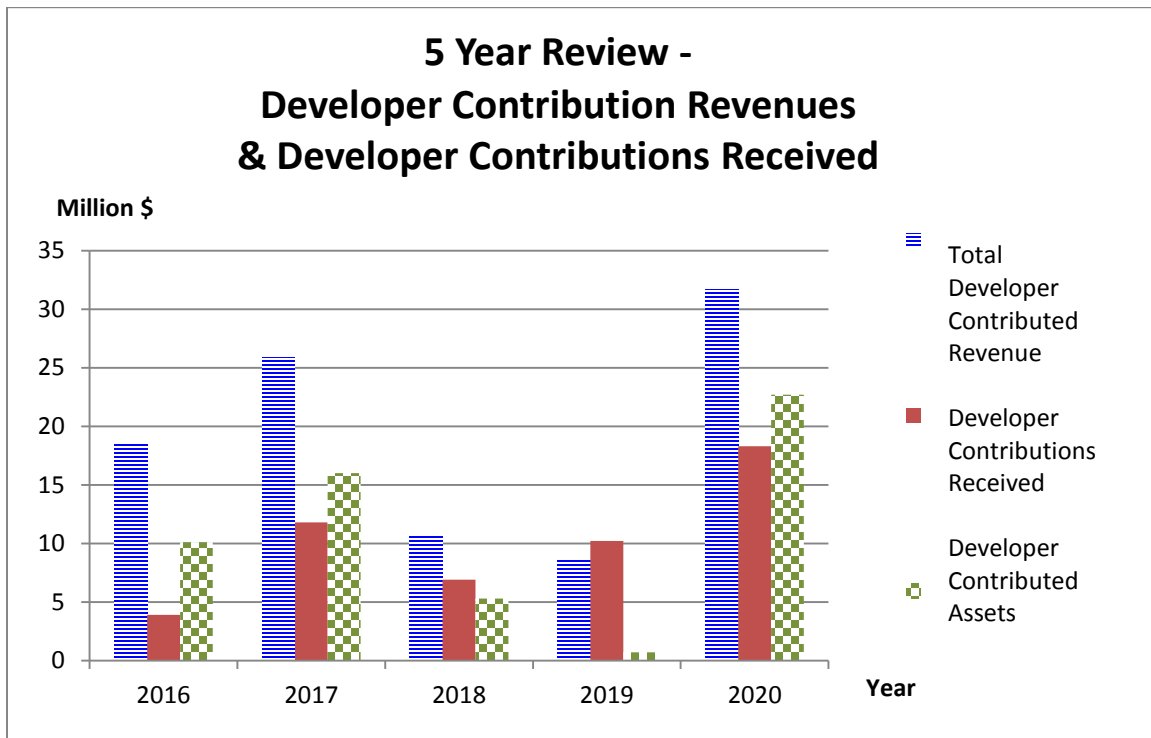
- User charges include water, wastewater, and stormwater revenues, recreation program revenues, license fees, and building permit fees. The majority of user charges are water and wastewater revenues where the average resident's bill increased by 4.9% or \$60 from 2019 for the first four months of 2020. The Town introduced a Financial Relief program as a result of the pandemic. This program authorized the water & wastewater rates to revert back to the 2019 rates effective May 2020.

Building permit revenues were 16% higher than in 2019, but it was 36% less than the budget resulted in a \$1.3 million draw from the Building Permit Reserve Fund. Up until Jan 1, 2020, there had been no price increase to the fees since 2016 when the fee structure was modified, based on a review done by BMA Consulting.

A few new fees and charges for recreation and culture programs and services were introduced in 2020, while majority of the fees remained at the 2019 levels. Recreation and culture was directly affected by the pandemic with facility closures and many programs temporarily cancelled.



- Government transfers were lower than 2019 by \$0.9 million. In 2020, the Town received the Safe Restart grant from the Federal government of \$1.8 million. In 2019, the Town received a “top up” gas tax payment of \$2.5 million which was the main difference in the year over year change. Most grant funding is only received after costs have been incurred.
- Contributions from developers were \$23.2 million higher than in 2019, mostly due to the significantly higher level of contributed assets (\$22.7 million vs. \$0.7 million in 2019). Tangible capital assets contributed to the Town included 102 streetlights and many road segments and associated infrastructure and sidewalks constructed between 2007 and 2018. The assumption of subdivisions is not budgeted for as the amounts and timing are very difficult to predict (see the red line on Revenue by Source chart below). Capital fund developer contributions are mostly development charges (DC's) and are driven by financing requirements for capital projects.
- Contributions received represent the cash inflows from developers. Revenues from developers are tied to agreements, capital projects or operating expenditures, such as a debenture, as a funding source.



- Interest earned in the Operating Fund was significantly lower than budget in 2020 (actual - \$0.2 million; budget - \$0.8 million). The prime rate dropped from 3.95% after Q1 and remained at 2.45% for the rest of the year. The interest rates on our operating account also fell to 0.95%, from 2.45%.

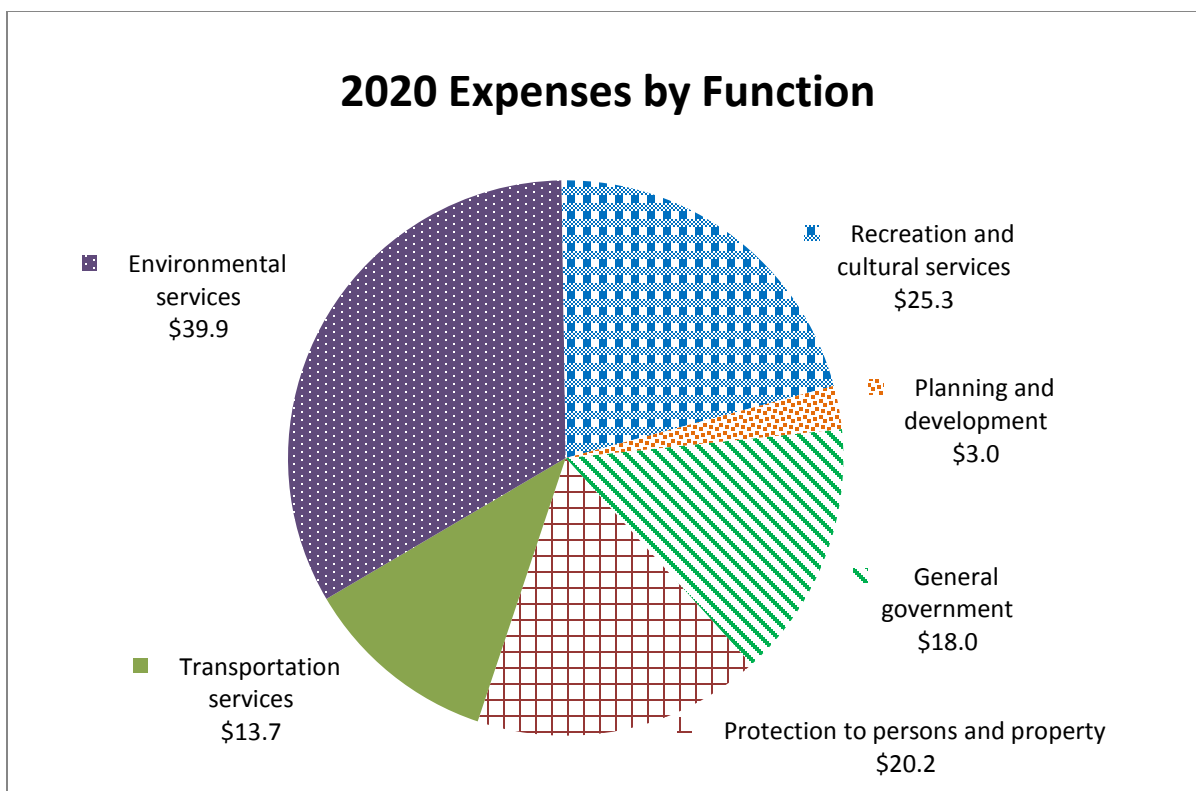
Our investments include a number of non-traditional investments (loan to a user group, installation of solar panels, and energy retrofit project). The Town is transitioning towards a multi-year capital budget which will improve cash forecasting and long-term investing.

It has been the Town's practice to recognize the dividend from Newmarket-Tay Power before it is paid or even declared. This accrual was acceptable, as there was a board-approved dividend policy and a consistent practice of receiving this payment the following year. Due to the pandemic, the 2019 dividend, which would normally be paid in December 2020, was not guaranteed. Therefore, the dividend of \$1,336,000 was not accrued in 2019 which was subsequently received in 2020. The same practice was applied in 2020; therefore the 2020 dividend was not accrued. The Town will continue to address dividends as declared on a cash basis.

- Rent and Other was below budget. Included in this section were capital recovery amounts from Aurora for their portion of the shared fire services which included the construction of Station 4-5. Capital project delivery timelines were greatly impacted by the pandemic.
- Gains (losses) on the disposal of tangible capital assets are not budgeted. When roads, trails or walkways are reconstructed, any remaining unamortized cost represents a loss as there are no corresponding proceeds.

## **Expenses**

The Town provides a wide variety of municipal services to its residents. The chart below provides an overview of these services by functional activities, consistent with provincially-legislated requirements.



Some of the major services included in each category are:

**General government:**

Finance, Human Resources, Information Technology, Communications, Legal, Customer Services, Clerks Office, Council and Executive Office expenses

**Protection to persons and property:**

Fire services, Licensing, and Bylaw Enforcement

**Transportation services:**

Roads and Road Maintenance, Snowplowing, Operations and Capital Projects Engineering

**Environmental services:**

Water and Wastewater Services, and Solid Waste Collection

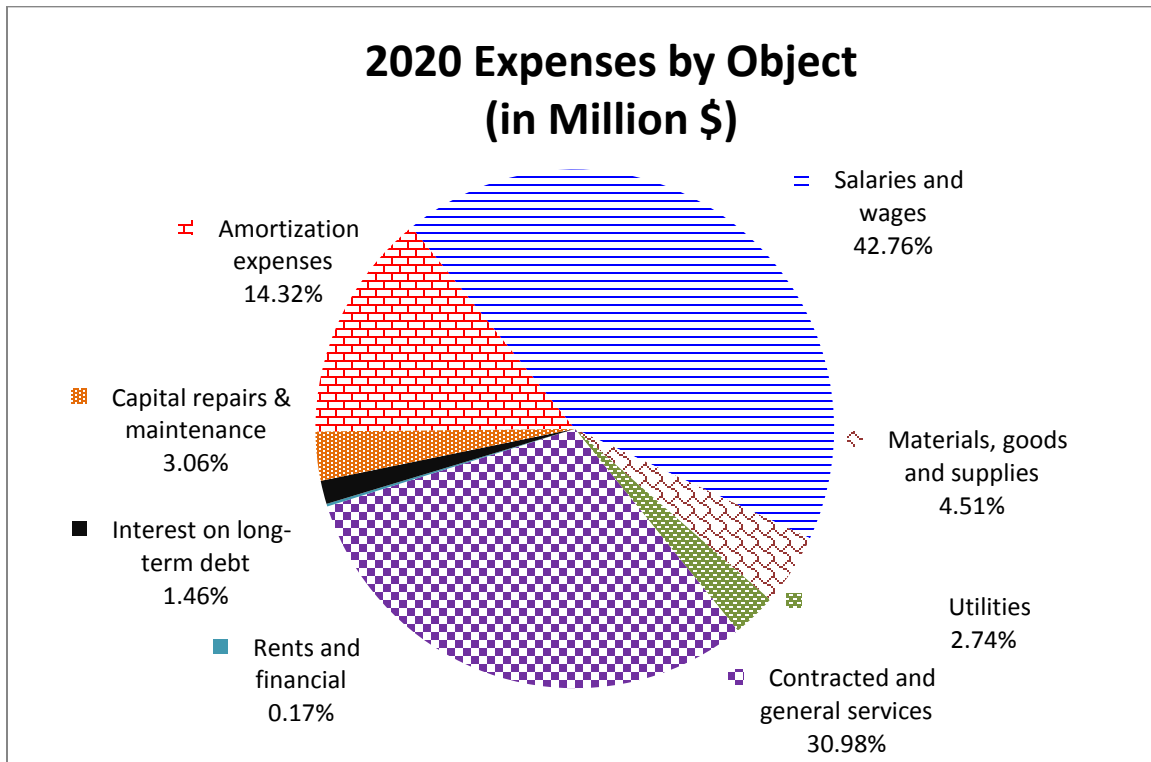
**Recreational and cultural services:**

Programs and Facility costs at all Recreation Centres, Parks Maintenance, Library, Theatre and Museum

### Planning and development:

Planning and Building, Engineering and Development, and Economic Development

*Schedule 2 to the Consolidated Financial Statements (pages 27-29) shows a breakdown of these costs by service bundle.*



- Total expenses in 2020 were \$120.1 million, a decrease of \$14.0 million over 2019. Reduced spending in 2020 was a result of delays and restrictions due to the pandemic.
- Salaries, wages and benefits are the most significant component of the Town's costs which decreased by \$2.4 million over 2019. The economic increase in 2020 was 1.74%. Casual wages were significantly lower in Recreation due to the cancellation of most recreation and culture programs; this included the cancelation of all camps such as March, summer and winter breaks.
- Materials, goods and supplies (including minor capital, water meters and materials for main replacement, equipment rental, and repairs and maintenance) decreased by \$2.0 million over 2019.



- Contracted and general services were lower by \$2.0 million over 2019. Charges from the Region for water and wastewater are the biggest component of this expense category; however the charges for the year were marginally lower than 2019. This was due to the fact that the Region waived its 2020 planned increase due to the pandemic offset by an increase in water purchases due to higher consumption. Community Programs, Facilities, Parks and Trails made up the largest reduction year over year.
- Capital repairs and maintenance includes capital expenses that do not meet the definition of TCA and annual maintenance programs. Some examples include parks spot improvements, playground equipment replacement, playground resurfacing, sidewalk spot repairs and trail rehabilitation. These expenses were significantly lower than 2019 levels.
- Amortization (or depreciation) increased by 3.1% over 2019.

### ***Annual (current year) surplus***

The annual (current year) surplus for the year was \$40.4 million.

<b>ANNUAL SURPLUS RECONCILIATION</b>	
<b>Surplus based on operating fund</b>	<b>\$ 486,339</b>
<b>Add:</b> Principal payment on long-term debt	3,520,612
Contributed tangible capital assets	22,678,699
Acquisition of tangible capital assets	14,265,592
Income from Newmarket Hydro Holdings Inc. (net)	87,813
Financing from future revenue (employee benefits)	664,960
Reserves and reserve fund	17,126,230
<b>Less:</b> Capital fund balance	(163,964)
Amortization expenses	(17,396,439)
Book value of disposals	(818,049)
<b>Surplus Per Consolidated Statement of Operations</b>	<b>\$ 40,451,793</b>

### Employee Future Benefits

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. The projected benefit liability of \$7,323,665 was determined by the last actuarial valuation carried out as at December 31, 2019 using a discount rate of 2.8%.

	<b>2020</b>	<b>2019</b>
Accrued obligation benefits	\$ 7,131,664	\$ 6,790,658
Unamortized actuarial gains (losses)	\$ 192,001	\$ 215,594
<b>Employee future benefits liability</b>	<b>\$ 7,323,665</b>	<b>\$ 7,006,252</b>

The impact of a change in actuarial assumptions would have the following impact on the obligation:

	<b>Reasonable Possible Change %</b>	<b>Accumulated Benefit Obligation</b>	<b>Difference \$</b>	<b>Difference %</b>
<b>Discount Rate</b>	1	(700,607)	(65,946)	-0.9%
<b>Discount Rate</b>	-1	975,366	83,300	1.1%
<b>Cost Trends</b>	1	603,854	52,454	0.7%
<b>Cost Trends</b>	-1	(518,715)	(43,246)	-0.6%