



Town of Newmarket

Agenda

Audit Committee

Date: Thursday, June 12, 2025
Time: 9:30 AM
Location: Streamed live from the Municipal Offices
395 Mulock Drive
Newmarket, ON L3Y 4X7

Pages

1. Notice

Members of the public may watch the live stream at newmarket.ca/meetings or attend this meeting in person at the Council Chambers at 395 Mulock Drive.

2. Additions & Corrections to the Agenda

3. Conflict of Interest Declarations

4. Approval of Minutes

4.1 Audit Committee meeting minutes of November 7, 2024

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1. That the Audit Committee meeting minutes of November 7, 2024 be approved.

5. Presentations

5.1 2024 Financial Statement Review

6

Note: Anita Gibson, Supervisor Financial Reporting will provide a presentation on this matter.

1. That the presentation provided by Anita Gibson, Supervisor Financial Reporting and Analysis regarding the 2024 Financial Statement Review be received.

5.2 The Corporation of the Town of Newmarket Audit Findings Report for the year ended December 31, 2024 - KPMG LLP

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Note: Kevin Travers, Lead Audit Engagement Partner, KPMG and Lyle Abbott, Audit Engagement Manager will provide a presentation

on this matter.

1. That the presentation provided by Kevin Travers, Lead Audit Engagement Partner, KPMG; and Lyle Abbott Audit Engagement Manager, KPMG regarding the The Corporation of the Town of Newmarket Audit Findings Report for the year ended December 31, 2024 - KPMG LLP be received.

6. Items

6.1 Town of Newmarket 2024 Consolidated Financial Statements

- | | | |
|-------|--|----|
| 6.1.1 | Consolidated Financial Statements of the Corporation of the Town of Newmarket Year Ended December 31, 2024 | 50 |
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The Audit Committee recommends to Council:

1. That the Consolidated Financial Statements of the Corporation of the Town of Newmarket Year Ended December 31, 2024 be approved.

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|-------|--|----|
| 6.1.2 | Financial Statements of the Corporation of the Town of Newmarket Main Street District Business Improvement Area Year Ended December 31, 2024 | 96 |
|-------|--|----|

The Audit Committee recommends to Council:

1. That the Financial Statements of the Corporation of the Town of Newmarket Main Street District Business Improvement Area Year Ended December 31, 2024 be approved.

6.2	2024 Financial Statement Discussion and Analysis (FSD&A)	108
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1. That the 2024 Financial Statement Discussion and Analysis be received.

6.3 2025 Committee Accomplishments Update

Note: Simon Granat, Legislative Coordinator will speak to this matter.

7. New Business

8. Closed Session (if required)

9. Adjournment



Town of Newmarket

Minutes

Audit Committee

Date: Thursday, November 7, 2024
 Time: 10:30 AM
 Location: Streamed live from the Municipal Offices
 395 Mulock Drive
 Newmarket, ON L3Y 4X7

Members Present: Sabina Fjodorova, Chair
 Dennis Dai
 Councillor Woodhouse
 Councillor Simon
 Scott Fitzpatrick
 Councillor Twinney (10:41 AM to 10:52 AM)

Staff Present: I. McDougall, Chief Administrative Officer
 E. Armchuk, Commissioner of Corporate Services
 A. Tang, Manager of Finance & Accounting/Deputy Treasurer
 S. Granat, Legislative Coordinator

The meeting was called to order at 10:30 AM.
 Sabina Fjodorova in the Chair

1. Notice

Sabina Fjodorova advised that members of the public can watch the live stream at newmarket.ca/meetings, or attend this meeting in person at the Council Chambers at 395 Mulock Drive.

2. Additions & Corrections to the Agenda

None.

3. Conflict of Interest Declarations

None.

4. Approval of Minutes

4.1 Audit Committee meeting minutes of June 20, 2024

Moved by: Councillor Woodhouse

Seconded by: Councillor Simon

1. That the Audit Committee meeting minutes of June 20, 2024 be approved.

Carried

5. Items

5.1 Audit Planning Report for the year ending December 31, 2024

Kevin Travers, Lead Audit Engagement Partner, KPMG, provided a presentation regarding the Audit Planning Report for the year ending December 31, 2024 including highlights, audit strategy, risk assessment, required enquiries with Audit Committee and key milestones and deliverables.

Committee members queried the presenter regarding asset retirement obligation changes.

Moved by: Councillor Simon

Seconded by: Scott Fitzpatrick

1. That the presentation provided by Kevin Travers, Lead Audit Engagement Partner, KPMG regarding the Audit Planning Report for the year ending December 31, 2024 be received.

Carried

5.2 Memorandum - Audit Committee Accomplishments 2023-24

Moved by: Councillor Twinney

Seconded by: Dennis Dai

1. That the Memorandum - Audit Committee Accomplishments 2023-24 be approved.

Carried

6. New Business

None.

7. Closed Session (if required)

The Audit Committee did not resolve into Closed Session.

8. Adjournment

Moved by: Scott Fitzpatrick

Seconded by: Dennis Dai

1. That the meeting be adjourned at 10:52 AM.

Carried

Sabina Fjodorova, Chair

Date

2024 Financial Statement Review



1. Accounting Changes
 - a) PS 3160 - Public Private Partnerships
 - b) PS 3400 – Revenue
 - c) PSG - 8 - Purchased Intangibles
2. Statement of Financial Position
3. Statement of Operations and Accumulated Surplus
4. Reserve & Reserve Funds
5. Next Steps

1. Accounting Standard Changes (PSAB)⁸³

a) Public Private Partnerships – PS 3160

- The standards on accounting for public private partnerships is the relationship between public and private sector entities where the public sector entity procures infrastructure using a private sector partner.
- The standard notes that recognition of infrastructure by the public sector entity would occur when it controls the purpose and use of the infrastructure, when it controls access and the price, if any, charged for use, and it controls any significant interest accumulated in the infrastructure when the public private partnership ends.
- After reviewing contracts and discussing with internal department representatives, it was determined that none of its present asset infrastructure arrangements require recognition within its financial statements; consequently, no significant measurement assumptions were necessary.

1. Accounting Standard Changes (PSAB) ⁹ ⁴

b) Revenue – PS 3400

- The standard notes that unilateral revenue arises when no performance obligations are present, and recognition occurs when there is authority to record the revenue and an event has happened that gives the public sector entity the right to the revenue.
- The standard notes that in the case of revenue arising from an exchange transaction, a public sector entity must ensure the recognition of revenue aligns with the satisfaction of related performance obligations.
- The Town reviewed and determined that no significant changes were required to meet this criteria. As a result, there is no impact to the financial statements for 2024.

1. Accounting Standard Changes (PSAB) ¹⁰ ⁵

c) Purchased Intangibles - PSG – 8

- The new guideline provides guidance on recognizing and accounting for purchased intangible assets. These are identifiable non-monetary economic resources without physical substance, acquired through an arm's length exchange transaction between knowledgeable, willing parties.
- The Town reviewed and determined there are no assets that meet this criteria. As a result, there is no impact to the financial statements for 2024.

2. Statement of Financial Position

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\$ in millions	2024	2023	Increase/ (Decrease)
Cash & Cash Equivalents (F/S Pages 1, 16, FSDA Page 4-5)	\$98.4	\$95.8	\$2.6
Investments (F/S Pages 1, 16-17, FSDA Page 5)	\$103.3	\$98.3	\$5.0

- Cash & Cash Equivalents increased by \$2.6 million, mainly from repayment of \$2.4 million from a loan receivable.
- Investment increased by \$5.0 million, mainly due to One Investment's unrealized capital gains.

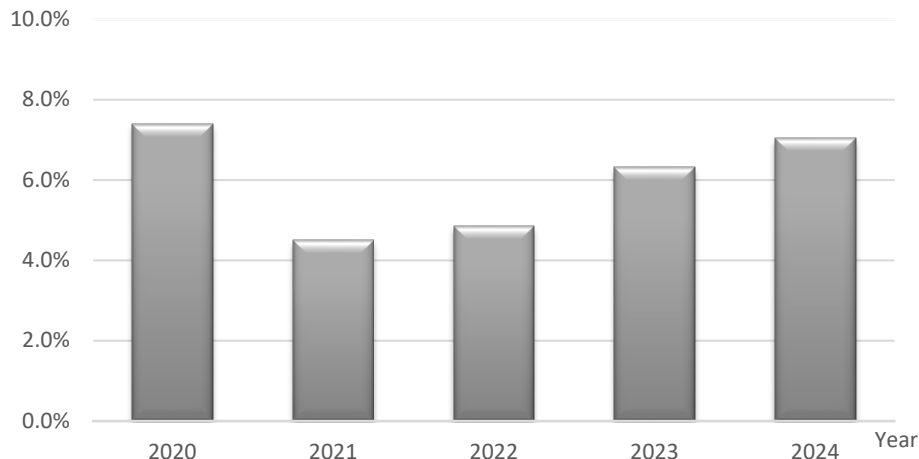
**ONE Investment's Mission is to empower Ontario municipalities to harness the power of investments as a financial planning tool.*

2. Statement of Financial Position

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\$ in millions	2024	2023	Increase/ (Decrease)
Taxes Receivables (F/S Pages 1, 17)	\$14.7	\$12.7	\$2.0
Taxes Receivables as % of total taxes levied (FSDA Page 2)	7.0%	6.3%	0.7%

Taxes Receivables as % of Total Taxes Levied

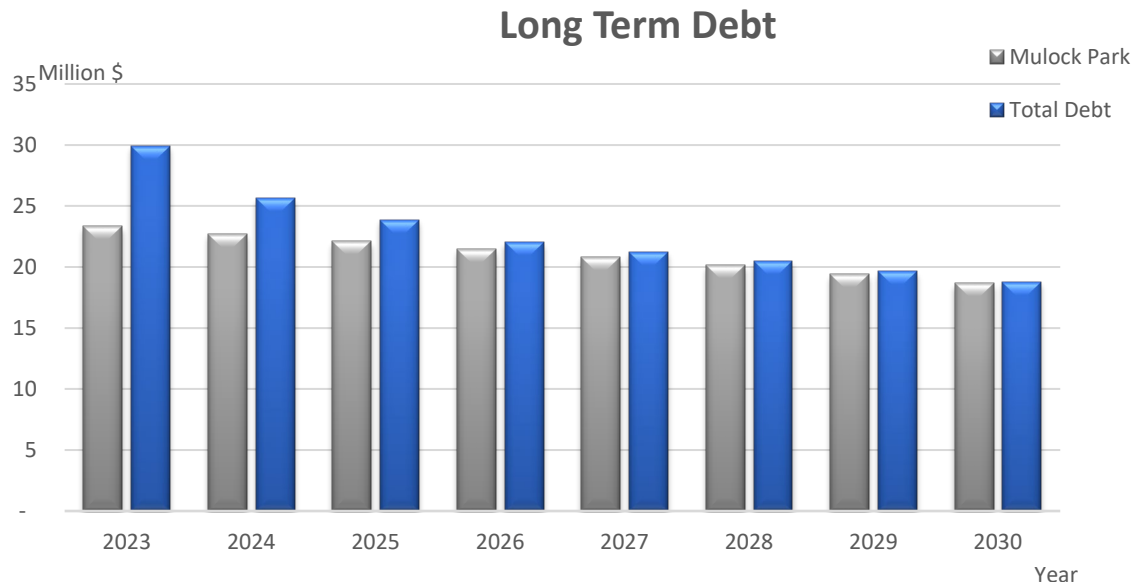


- The BMA Study identified in the Greater Toronto Hamilton Area (GTHA) that the average rate is 7.6%.
- The study also noted that credit rating agencies consider 8% or above to be a negative factor.

2. Statement of Financial Position

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\$ in millions	2024	2023	Increase/ (Decrease)
Long term debt (F/S Pages 1, 27, FSDA Page 6)	\$25.6	\$29.9	-\$4.3

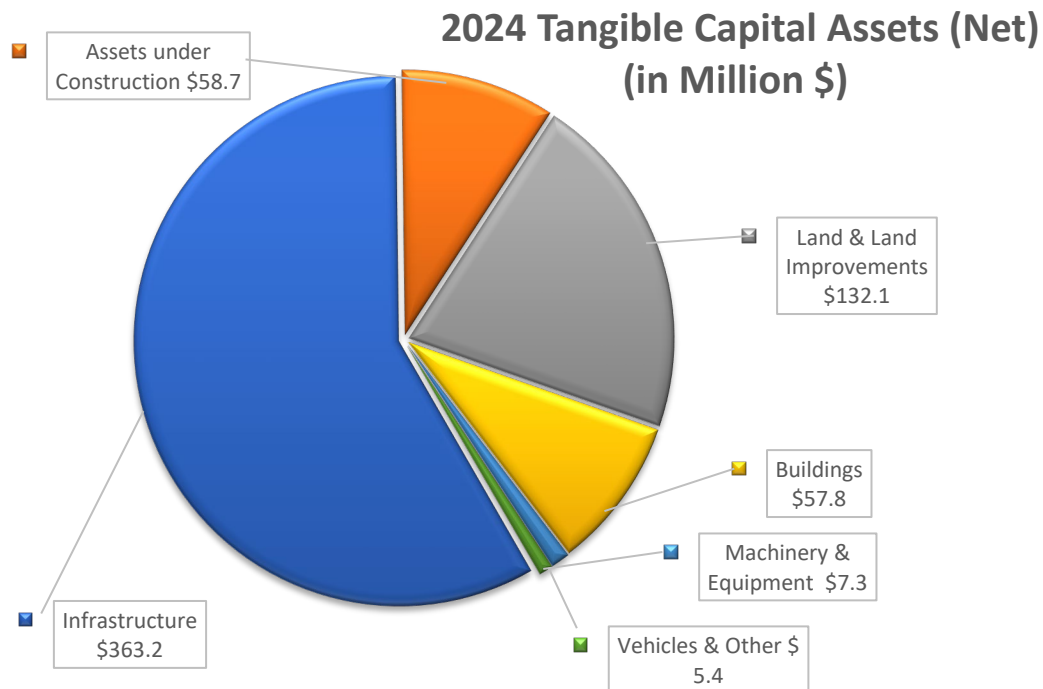


- In 2024, 88.6% of the long-term debt is from the Mulock estate; the only remaining debt starting in 2032

2. Statement of Financial Position

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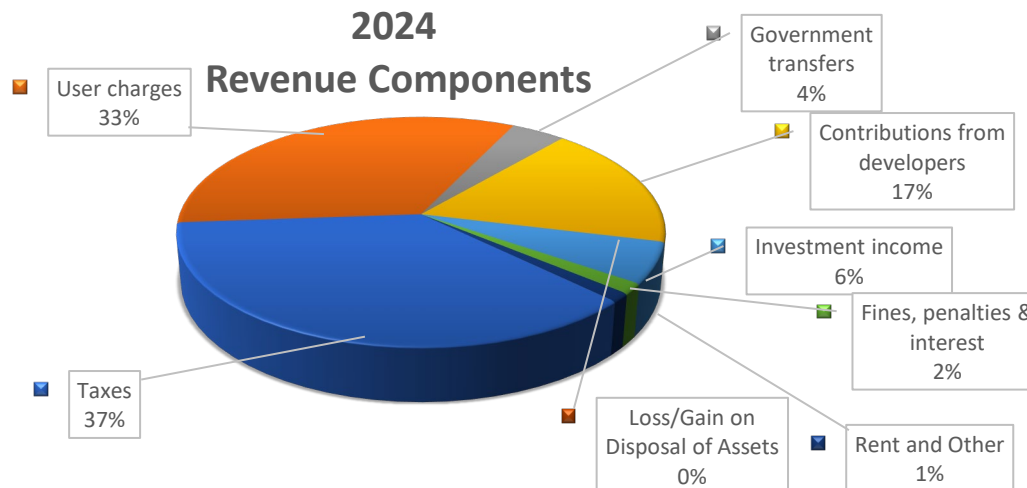
\$ in millions	2024	2023	Increase/ (Decrease)
Tangible capital assets (F/S Pages 1, 32, FSDA Pages 7)	\$624.6	\$590.5	\$34.1



- Includes work-in-progress costs for Mulock Park, roads and underground replacements, trail lighting, and facility replacements
- Amortization expenses totaled \$20.2 million (2023 - \$19.9 million)

3. Statement of Operations¹⁵ and Accumulated Surplus - Revenues 10

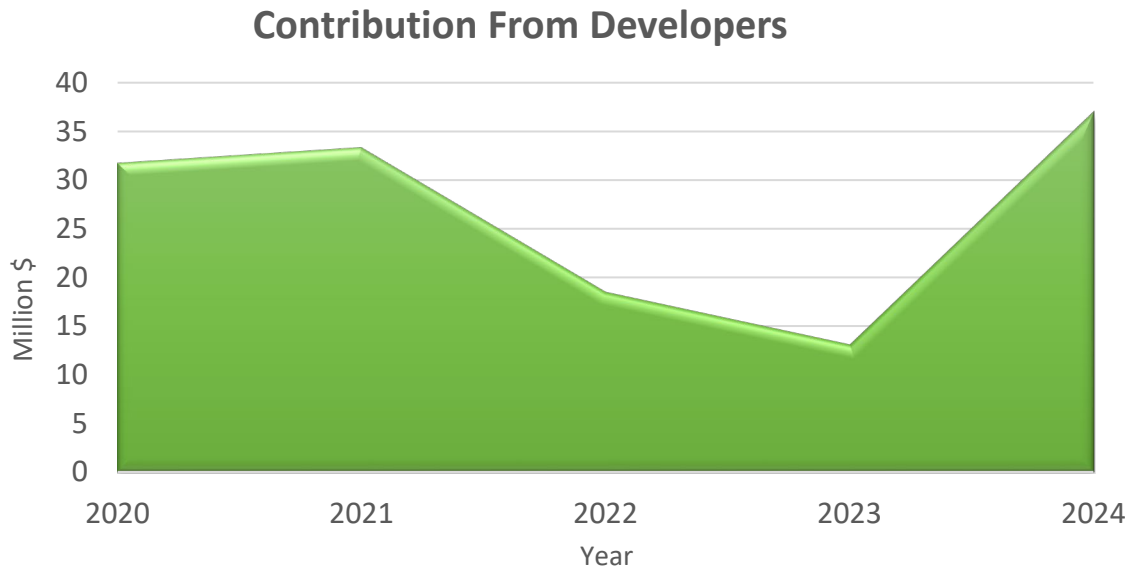
\$ in millions	2024	2023	Increase/ (Decrease)
Taxation and user charges (F/S Page 2, FSDA Pages 11-12)	\$148.8	\$135.3	\$13.5
Investment Income (F/S Pages 2 and 16-17, FSDA Page 13)	\$12.3	\$8.4	\$3.9



- Taxes continued to remain around 37% of total revenues
- Fees and charges increased on average by 3.4% in 2024
- Investment Income increased due to higher interest rates, and unrealized capital gains

3. Statement of Operations and Accumulated Surplus - Revenue¹¹

\$ in millions	2024	2023	Increase/ (Decrease)
Contribution from developers (F/S Page 2, FSDA Pages 12-13)	\$37.1	\$13.1	\$24.0

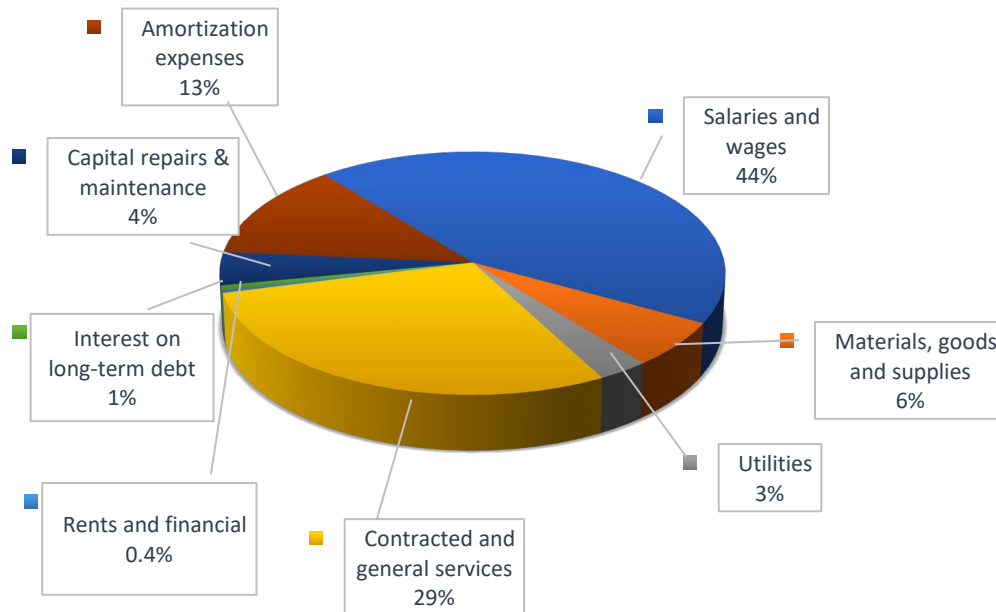


- Developer contribution revenues are mainly development charges (DCs) driven by financing requirements for growth-related capital projects. Mullock Park was the most significant project in 2024.
- Other developer contributions are tied to agreements

3. Statement of Operations and Accumulated Surplus - Expenses ¹⁷ 12

\$ in millions	2024	2023	Increase/ (Decrease)
Total Expenses (F/S Page 2, FSDA Pages 13-16)	\$158.1	\$148.2	\$9.9

2024 Expenses by Object



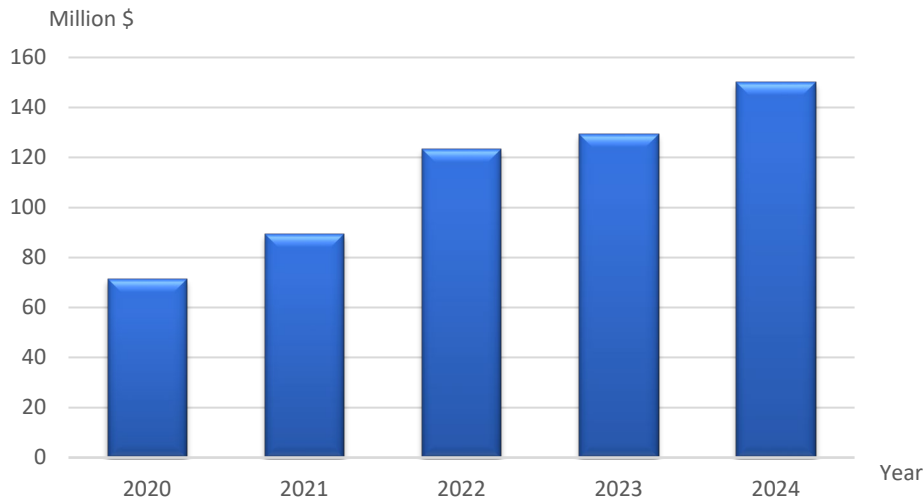
- Salaries and benefits represented 44% of total expenses.
- Materials, goods, and supplies include playground equipment replacement, park spot improvements, facility repairs and maintenance, and various equipment repairs.
- Long-term contract renewals were impacted by inflation.

4. Reserve & Reserve Funds

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\$ in millions	2024	2023	Increase/ (Decrease)
Total Reserves & Reserve Funds (FS Page 30, FSDA Pages 9-10)	\$149.9	\$129.5	\$20.4

Reserve & Reserve Funds



- Asset management reserve fund increased by \$30 million, which was offset by operating and capital expenditures that were drawn from respective reserves.

5. Next Steps¹⁹

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- Committee of the Whole – Monday June 16, 2025
- Council Meeting – Monday, June 23, 2025



The Corporation of the Town of Newmarket

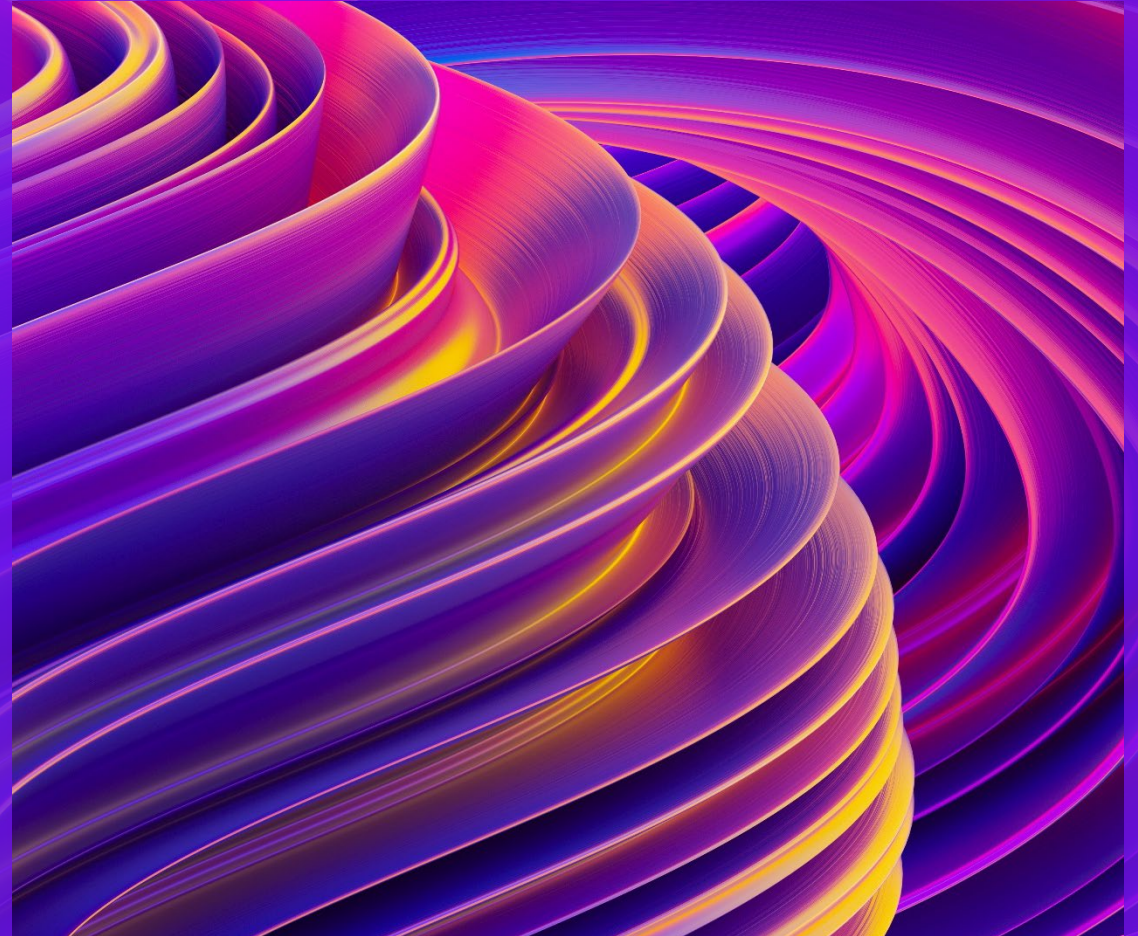
**Audit Findings Report
for the year ended
December 31, 2024**

KPMG LLP

Licensed Public Accountants

Prepared as of May 12, 2025 for presentation on June 12, 2025

kpmg.ca/audit



KPMG contacts

Key contacts in connection with this engagement



Kevin Travers

Lead Audit Engagement Partner

416-228-7004

ktravers@kpmg.ca



Lyle Abbott

Audit Engagement Manager

416-468-7795

labbott@kpmg.ca



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Digital use information

This Audit Findings Report is also available as a “hyper-linked” PDF document.

If you are reading in electronic form (e.g. In “Adobe Reader” or “Board Books”), clicking on the home symbol on the top right corner will bring you back to this slide.



Click on any item in the table of contents to navigate to that section.

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Highlights

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Status

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Risks and results

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Appendices

The purpose of this report is to assist you, as a member of the Audit Committee, in your review of the results of our audit of the consolidated financial statements as at and for the year ended December 31, 2024. This report builds on the Audit Plan we presented to the Audit Committee. This report is intended solely for the information and use of Management, the Audit Committee, and Town Council and should not be used for any other purpose or any other party. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.



Audit highlights



No matters to report



Matters to report – see link for details

Status

We have completed the audit of the consolidated financial statements (“financial statements”) of the Corporation of the Town of Newmarket (the “Town”), with the exception of certain remaining outstanding procedures, which are highlighted on the ‘Status’ slide of this report.



Significant changes



Significant changes since our audit plan

There were no significant changes to our audit plan which was originally communicated in the audit planning report.

Risks and results



Presumption of the risk of fraud involving improper revenue recognition



Presumed risk of management override of controls



Other risks of material misstatement



- Employee future benefits liabilities
- Deferred revenue earned
- Investments
- Tangible capital assets
- Contingencies
- Consolidation

Policies and practices



Accounting policies and practices



Corrected misstatements



Corrected misstatements



Refer to management representation letter for details on corrected misstatements

Uncorrected misstatements



Uncorrected misstatements

We did not identify any uncorrected misstatements

Control deficiencies



Significant deficiencies



We did not identify any significant control deficiencies that we determined to be significant deficiencies in internal control over financial reporting. See slide 15 for certain required communications regarding control deficiencies.

Audit Quality



Learn more about how we deliver audit quality



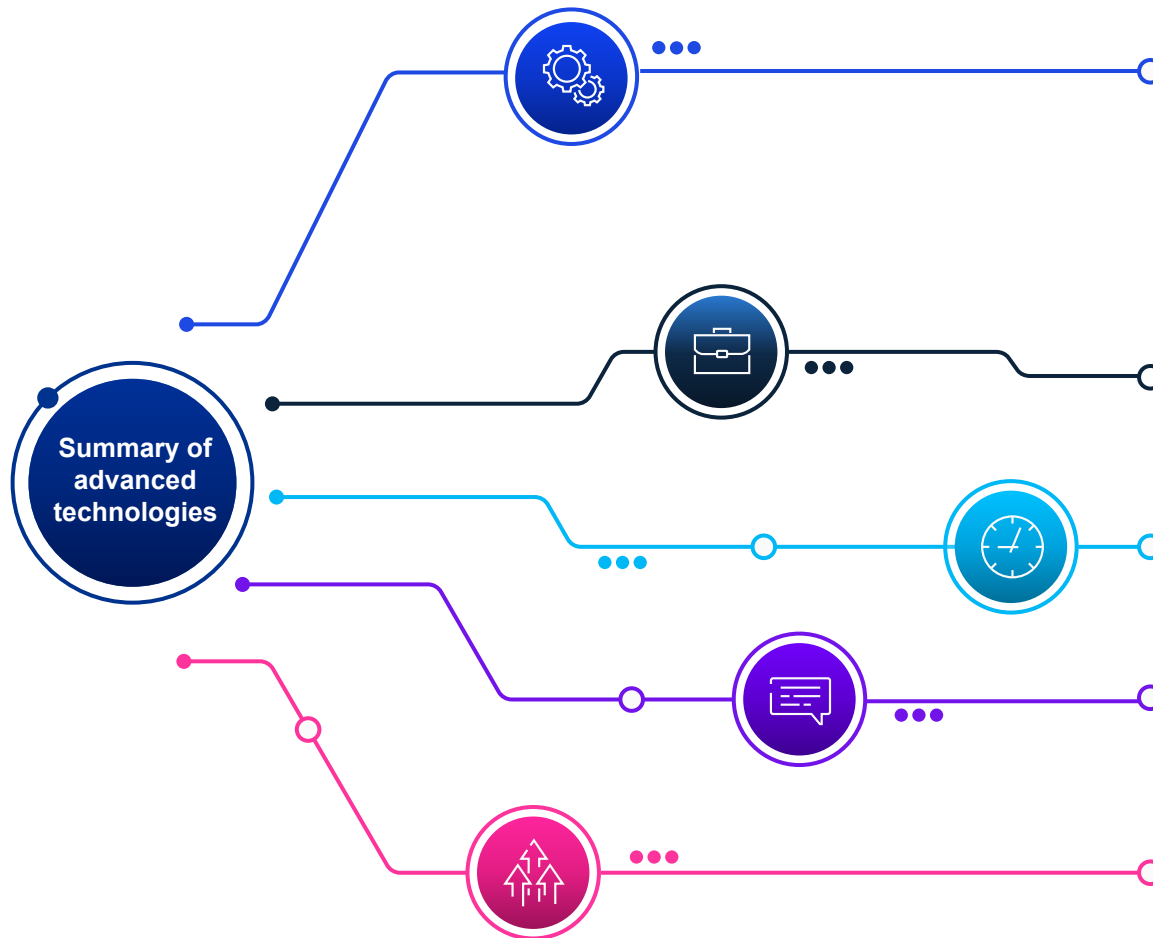


Technology highlights

KPMG Clara



We have utilized technology to enhance the quality and effectiveness of the audit.



DataSnipper

DataSnipper uses optical character recognition and robotic process automation to automate vouching procedures.

We will import your documents into the tool, which automatically matches specified excel data to the corresponding documents, leaving an audit trail behind for review by our audit team members.

Monetary Unit Sampling (MUS)

We will use our Clara software to import GL transaction details for selected revenue and expense accounts. Based on performance materiality and the level of risk in each area, the MUS routine will select samples for testing to source documentation.

Sample selection is a systematic method and results in a lower sample size compared to a haphazard or random sample selection made manually. We will be able to achieve efficiencies in our audit by using this tool.

Computer Assisted Audit Techniques (CAATs)

We will utilize CAATs to verify completeness of GL data, analyze journal entries, and apply pre-determined criteria to identify potential high-risk journal entries for further testing. Refer to slide 7 for details.

Microsoft Teams

We use Microsoft Teams to perform certain testing and walkthroughs that require audit evidence gathered through screen-sharing capabilities, and to correspond with management.

KPMG Clara for clients (KCfc)

This web-based tool is a secure portal used to organize and receive all audit requests from management and allows the finance team to upload responses to our specific requests via secure link on the web portal.



Status

As of the date of preparation of this Audit Findings Report, we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include amongst others:

- Completing our discussions with the Audit Committee
- Obtaining evidence of the Council's approval of the financial statements
- Completion of subsequent event review procedures
- Receipt of the signed management representation letter (to be signed upon the approval of the financial statements)

We will update the Audit Committee, and not solely the Chair, on significant matters, if any, arising from the completion of the audit, including the completion of the above procedures.

Our auditor's report will be dated upon the completion of any remaining procedures.

KPMG Clara for Clients (KCc)



Real-time collaboration and transparency

We leveraged **KCfc** to facilitate real-time collaboration with management and provide visual insights into the status of the audit!

On our audit we used KCfc to coordinate requests with management.

[Learn more](#)



Significant risks and results

We highlight our significant findings in respect of **significant risks**.



Presumption of the risk of fraud involving improper revenue recognition

RISK OF
 
ERROR FRAUD

Significant risk

Estimate?

This is a presumed risk of material misstatement due to fraud. This risk has not been rebutted. Audit standards require us to assume there are generally pressures/incentives on management to commit fraudulent financial reporting through inappropriate revenue recognition. This can be perpetrated through revenue cut-off or manual journal entries and other adjustments related to revenue recognition.

No

The primary risk of fraudulent revenue recognition resides with manual journal entries for revenue transactions not in the normal course of business, specifically related to management's calculation of the deferred revenue – obligatory reserve funds.

Our response and findings

- Our audit methodology incorporated the required procedures in professional standards to address this risk.
- Our audit approach consisted of evaluating the design and implementation of selected relevant controls. We tested journal entries that meet specific criteria. This criteria was designed during the planning phase of the audit and is based on areas and accounts that are susceptible to manipulation through management override. We also designed search filters that allowed us to identify any unusual journal entries.
- As part of our audit approach to address the inherent risk of error in revenue recognition, we substantively tested revenues (both recognized and amounts held as deferred at year end). We also incorporated an element of unpredictability into the journal entries and revenue testing.
- We obtained management's assessment of the impact upon the adoption of PS 3400 Revenue and agree with management's assessment that the impact was not significant.
- We reviewed controls implemented pertaining to revenue recognition and performed walkthroughs of key controls surrounding the revenue process.
- We did not identify any issues related to fraud risk associated with revenue recognition.



Significant risks and results

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Other risks of material misstatement and results

We highlight our significant findings in respect of **other risks of material misstatement**.



Employee future benefits liability and long-term disability benefits liability

Other risks of material misstatement	Estimate?
Employee future and long-term disability benefits represent a liability computed by management's actuarial experts. A full actuarial study of the obligation was performed as at December 31, 2022 for employee future benefits liability and December 31, 2024 for long-term disability benefits liability. As the benefits liabilities are significant and complex estimates, KPMG actuarial specialists were involved in completing the audit	Yes
Our response	
<ul style="list-style-type: none">• We assessed the participant data supplied by management to the Actuary for completeness and accuracy.• We obtained the actuarial valuation report and engaged our KPMG actuarial specialist team to audit the method and assumptions applied in the valuation.• We evaluated the discount rate in comparison with rates issued by the Canadian Institute of Actuaries ("CIA") and KPMG LLP.• We assessed the qualifications, competence and objectivity of the actuary as required by the Canadian auditing standards.• We assessed the disclosures in the financial statements against the requirements of the PSAS.	
Our findings	
<ul style="list-style-type: none">• Based on our review of the memo prepared by the Actuary, we noted that method applied for the estimates are acceptable per the CIA and PSAS 3250 Retirement benefits and PSAS 3255 Post-employment benefits• We assessed the key assumptions used by the actuary in light of the Town's financial results. We also performed a sideways glance to compare the assumptions used by the actuary for the Town's with other Ontario municipalities and we did not note any significant differences.• We noted that the discount rate used by the actuary is a key assumption. Discount rates of 4.60% (2023 – 4.60%) were used for the determination of the employee future benefits liability and 4.4% (2023 – 5.0%) for long-term disability benefits liability. We evaluated the discount rates against the discount rate curve issued by different reliable sources including The Canadian Institute of Actuaries (CIA), Fiera Capital and KPMG LLP. Our actuarial specialists assessed the discount rate and other assumptions using actuarial techniques and market data. Based on this evaluation, we concluded that the discount rates used are reasonable.• The disclosures included in the financial statements are in accordance with the requirements of the PSAS. The employee benefit liability and long-term disability liability as at December 31, 2024 are outlined in note 12 and note 13 to the financial statements.• Based on the audit work performed, we did not note any issues related to the calculation of the Town's benefits liabilities as at December 31, 2024.	



Other risks of material misstatement and results



Deferred revenue earned

Other risks of material misstatement	Estimate?
Recognition of revenue relating to amounts previously deferred as a result of legislation or contractual agreements. During our substantive testing, we noted that the Town recognized \$44M (2023 - \$17M) of deferred revenue earned.	No
Our response and findings	
<ul style="list-style-type: none">• We obtained the deferred revenue continuity schedule and selected samples for testing to determine if the selected amounts had been recognized in the current year in accordance with the appropriate legislation or agreements that the revenues pertain to.• We recalculated management’s calculation of deferred revenue – obligatory reserve funds as at year-end.• We also selected a sample of the increases (cash receipts) and decreases (revenue recognized) for deferred revenue during the current year to ensure appropriate revenue recognition.• We obtained management’s assessment of the impact of the newly effective PS 3400 Revenue accounting standard and reviewed it against the PSAS criteria and our general understanding of the Town’s operations. Management’s assessment indicated that there is no significant impact on the revenue recognition process as a result of this adoption. We reviewed management assessment and noted no issues.• No exceptions were noted during testing.	





Other risks of material misstatement and results



Investments

Other risks of material misstatement	Estimate?
<p>In accordance with PS 3450 Financial Instruments, investments with embedded derivative components must be recorded at fair value. PS 3450 allows the Town to either bifurcate the embedded derivatives from the host contract or value the entire contract at fair value.</p> <p>The Town records the Principal Protected Notes (PPNs) at fair value due to that embedded derivatives that fall under the requirements of PS 3450. The cumulative change in fair value of the instrument is recorded in accumulated surplus as remeasurement gains and losses.</p> <p>During the year, the Town recognized \$2,438,000 (2023 – \$1,002,000) as unrealized gain attributable to revaluation of PPNs, as reflected in the Statement of Remeasurement Gains and Losses.</p> <p>The other remaining investments are carried at cost and amortized cost.</p>	Yes
Our response and findings	
<ul style="list-style-type: none">• We obtained and reviewed management’s support for fair value reported by the Town for PPNs.• The Town also reported Other Comprehensive Losses of \$52,312 (2023 - \$87,334) related to the government business enterprise equity investment in Newmarket Hydro Holdings Inc.• We confirmed all of the investment balances with the respective investment custodians.• We reviewed financial statement note disclosure in line with the PSAS.• No matters to report.	



Other risks of material misstatements and results



Tangible capital assets

Other risks of material misstatement

Estimate?

Tangible capital assets present the biggest non-financial asset for the Town. There is a risk of material misstatement related to the existence and accuracy of tangible capital assets and accuracy of timing of revenue recognition, particularly related to funds intended for tangible capital assets.

No

Our response and findings

- We obtained management's assessment of the impact of the newly effective PS 3160, Public Private Partnerships (P3) and PSG-8, Purchased Intangibles accounting standard and reviewed it against the PSAS criteria, along with our general understanding of the Town's operations. Management's assessment indicated that there are no current transactions that would meet the P3 or/and PSG-8 criteria, and we did not identify any issues with this assessment or the overall adoption process.
- We reviewed on a sample basis the additions to tangible capital assets and noted that management has appropriately capitalized the additions including transfers from work in progress to tangible capital assets. We obtained assurance related to the accuracy and existence of these additions and also assessed if these additions met the criteria for capitalization.
- For each sample of additions to tangible capital assets reviewed, we also assessed whether any of the additions related to a procurement contract for infrastructure or a betterment to infrastructure with private sector partners that would meet the recognition criteria under PS 3160, Private Public Partnership and PSG-8, Purchased Intangibles.
- We reviewed work in progress additions to ensure amounts are properly transferred to correct capital asset classes and amortization commences on a timely basis.
- We reviewed financial statement note disclosure in line with the PSAS.
- We obtained amortization policy and assessed reasonableness of estimated useful lives in use and to address the requirements of CAS 540, Auditing Accounting Estimates and Related Disclosure related to useful lives.
- There were no other significant findings as a result of our audit procedures for tangible capital assets. The amounts reported for tangible capital assets are reasonable and disclosures in the financial statements are in accordance with the Public Sector Accounting Standards.



Other risks of material misstatements and results



Contingencies

Other risks of material misstatement

PSAS 3300 Contingent Liabilities requires that the Town recognize a liability when “it is likely that a future event will confirm that a liability has been incurred at the date of the financial statements; and the amount can be reasonably estimated.” At any point in time, the Town is subject to a number of matters which could potentially result in the determination of a contingent liability as defined above, including, but not limited to matters such as legal claims, etc.

The Town has disclosed the contingent liability in note 18 of the financial statements.

Estimate?

Yes - Estimation uncertainty exists related to the likelihood and measurement of the contingent liability.

However, this estimation uncertainty does not result in a risk of material misstatement.

Our response

- We reviewed the Town’s assessments and claims listing that are used to develop and record the estimated liabilities.
- We obtained a legal confirmation from internal legal counsel and evaluated the assessments made by internal legal counsel on the pending legal matters in terms of determination of likelihood and measurability.
- We reviewed Council and committee meeting minutes to determine the completeness of contingencies and held discussions thereon with senior management, including internal legal representatives.

Our findings

- We reviewed the listing of active litigation and potential claims provided by internal legal counsel and reviewed assessments of each matter and the process employed to develop and record the related estimated liabilities. Management has recorded an accrual based on the likely amounts of loss after accounting for insurance coverage.
- As these items are resolved, it is possible that the final amounts recorded for these liabilities may change, however, the amounts currently recorded represent management’s best estimates of exposure given the information presently available.
- Based on the work performed, the contingent liabilities reported by the Town are reasonable.



Other risks of material misstatement and results



Consolidation

Other risks of material misstatement

Estimate?

The Town consolidates the following entities and organizations in the consolidated financial statements:

- Newmarket Public Library Board
- Newmarket Main Street District Business Improvement Area

Inter-departmental and inter-organizational transactions and balances are between these entities and organizations are eliminated.

In addition, the Town reports its government business enterprise equity investment in Newmarket Hydro Holdings Inc. based on the fair value of its investment reflected in the financial statements of the investment.

No

Our response and findings

- Each of the entities and organizations noted above are considered non-significant components to the Town's financial statements. For each of these entities and organizations, there is a required statutory audit performed. These individual audits are performed by the same audit team as for the main Town.
- We obtained an understanding the consolidation process in place by management including the review and approval controls, checks and balances, and information system being utilized for the consolidation process and the financial reporting process.
- We obtained the consolidation workbook from management and completed our audit procedures related to consolidation including elimination of inter-departmental and inter-organizational transactions, pick-up of government business enterprises and any other transactions that are relevant for consolidation.
- For the equity investment in Newmarket Hydro Holdings Inc., we obtained the draft audited financial statements of the entity and reported the amount of total comprehensive income for the year attributable to the Town of Newmarket.
- Based on the work performed, we did not identify any issues or errors.



Control deficiencies

Consideration of internal control over financial reporting (ICFR)



In planning and performing our audit, we considered ICFR relevant to the Entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on ICFR.

Our understanding of internal control over financial reporting was for the limited purpose described above and was not designed to identify all control deficiencies that might be significant deficiencies. The matters being reported are limited to those deficiencies that we have identified during the audit that we have concluded are of sufficient importance to merit being reported to those charged with governance.

Our awareness of control deficiencies varies with each audit and is influenced by the nature, timing, and extent of audit procedures performed, as well as other factors. Had we performed more extensive procedures on internal control over financial reporting, we might have identified more significant deficiencies to be reported or concluded that some of the reported significant deficiencies need not, in fact, have been reported.

A deficiency in internal control over financial reporting



A deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed, or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

Significant deficiencies in internal control over financial reporting



A deficiency, or a combination of deficiencies, in internal control over financial reporting that, in our judgment, is important enough to merit the attention of those charged with governance.

No significant deficiencies in internal control were noted during the audit.



Accounting policies and practices



Initial selection

The following new accounting standards came into effect for the year ended December 31, 2024 and were implemented by the Town:

- PS 3160 *Public Private Partnerships*
- PS 3400 *Revenues*
- PSG-8 *Purchased Intangibles*

Impact on adoption of new accounting policies are disclosed in Note 27 to the financial statements.



Revised

None in 2024.



Significant qualitative aspects

Significant accounting policies are disclosed in Note 1 to the financial statements.

Estimates and assumptions are disclosed in Note 1(r).



Audit quality - How do we deliver audit quality?

Quality essentially means doing the right thing and remains our highest priority. Our Global Quality Framework outlines how we deliver quality and how every partner and staff member contributes to its delivery.

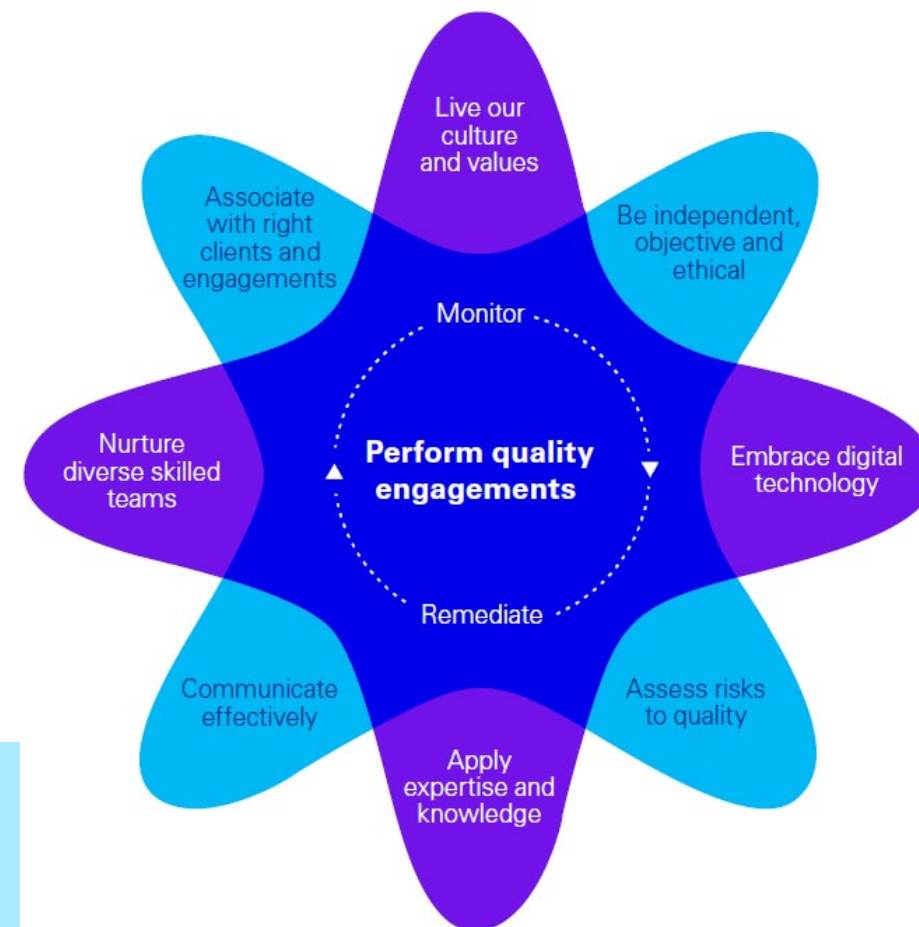
The drivers outlined in the framework are the ten components of the KPMG System of Quality Management (SoQM). Aligned with ISQM 1/CSQM 1, our SoQM components also meet the requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA) and the relevant rules of professional conduct / code of ethics applicable to the practice of public accounting in Canada, which apply to professional services firms that perform audits of financial statements. Learn more about our system of quality management and our firm's statement on the effectiveness of our SoQM:



[KPMG Canada Transparency Report](#)

We define 'audit quality' as being the outcome when:

- audits are **executed consistently**, in line with the requirements and intent of **applicable professional standards** within a strong **system of quality management**; and
- all of our related activities are undertaken in an environment of the utmost level of **objectivity, independence, ethics and integrity**.



Doing the right thing. Always.



Appendices

A

Other required communications

B

Required inquiries

C

Future changes in accounting standards

D

New auditing standards

E

Insights

F

Unleashing tomorrow – today with AI





Appendix A: Other required communications



Engagement terms

A copy of the engagement letter and any subsequent amendments has been provided to the Audit Committee.



CPAB communication protocol

The reports available through the following links were published by the Canadian Public Accountability Board to inform Audit Committees and other stakeholders about the results of quality inspections conducted over the past year:

- [CPAB Regulatory Oversight Report: 2023 Annual Inspections Results](#)
- [CPAB Audit Quality Insights Report: 2024 Interim Inspections Results](#)
- [CPAB Regulatory Oversight Report: 2024 Annual Inspections Results](#)



Appendix B: Required inquiries of the Audit Committee



Inquiries regarding risk assessment, including fraud risks

- What are the Audit Committee's views about fraud risks, including management override of controls, in the Town? And have you taken any actions to respond to any identified fraud risks?
- Is the Audit Committee aware of, or has the Audit Committee identified, any instances of actual, suspected, or alleged fraud, including misconduct or unethical behavior related to financial reporting or misappropriation of assets?
 - If so, have the instances been appropriately addressed and how have they been addressed?
- How does the Audit Committee exercise oversight of the Town's fraud risks and the establishment of controls to address fraud risks?



Inquiries regarding company processes

- Is the Audit Committee aware of tips or complaints regarding the Town's financial reporting (including those received through the Audit Committee's internal whistleblower program, if such programs exist)? If so, the Audit Committee responses to such tips and complaints?



Inquires regarding related parties and significant unusual transactions

- Is the Audit Committee aware of any instances where the Town entered into any significant unusual transactions?
- What is the Audit Committee's understanding of the Town's relationships and transactions with related parties that are significant to the Town?
- Is the Audit Committee concerned about those relationships or transactions with related parties? If so, the substance of those concerns?



Appendix C: Future changes in accounting standards

Standard	Summary and implications
Concepts Underlying Financial Performance	<ul style="list-style-type: none"> The revised conceptual framework is effective for fiscal years beginning on or after April 1, 2026 (<i>the Town's December 31, 2027 year-end</i>) with earlier adoption permitted. The framework provides the core concepts and objectives underlying Canadian public sector accounting standards. The ten chapter conceptual framework defines and elaborates on the characteristics of public sector entities and their financial reporting objectives. Additional information is provided about financial statement objectives, qualitative characteristics and elements. General recognition and measurement criteria, and presentation concepts are introduced.
Financial Statement Presentation	<ul style="list-style-type: none"> The proposed section PS 1202 <i>Financial statement presentation</i> will replace the current section PS 1201 <i>Financial statement presentation</i>. PS 1202 <i>Financial statement presentation</i> will apply to fiscal years beginning on or after April 1, 2026 (<i>the Town's December 31, 2027 year-end</i>) to coincide with the adoption of the revised conceptual framework. Early adoption will be permitted. The section includes the following: <ul style="list-style-type: none"> Relocation of the net debt indicator to its own statement called the statement of net financial assets/liabilities, with the calculation of net debt refined to ensure its original meaning is retained. Separating liabilities into financial liabilities and non-financial liabilities. Restructuring the statement of financial position to present total assets followed by total liabilities. Changes to common terminology used in the financial statements, including re-naming accumulated surplus (deficit) to net assets (liabilities). Removal of the statement of remeasurement gains (losses) with the information instead included on a new statement called the statement of changes in net assets (liabilities). This new statement would present the changes in each component of net assets (liabilities), including a new component called "accumulated other". A new provision whereby an entity can use an amended budget in certain circumstances. Inclusion of disclosures related to risks and uncertainties that could affect the entity's financial position.



Appendix C: Future changes in accounting standards (continued)

Standard	Summary and implications
Employee benefits	<ul style="list-style-type: none"> • The Public Sector Accounting Board has initiated a review of sections PS 3250 <i>Retirement benefits</i> and PS 3255 <i>Post-employment benefits, compensated absences and termination benefits</i>. • The intention is to use principles from International Public Sector Accounting Standard 39 Employee benefits as a starting point to develop the Canadian standard. • Given the complexity of issues involved and potential implications of any changes that may arise from the review of the existing guidance, the new standards will be implemented in a multi-release strategy. The first standard will provide foundational guidance. Subsequent standards will provide additional guidance on current and emerging issues. • The proposed section PS 3251 <i>Employee benefits</i> will replace the current sections PS 3250 <i>Retirement benefits</i> and PS 3255 <i>Post-employment benefits, compensated absences and termination benefits</i>. • This proposed section would result in public sector entities recognizing the impact of revaluations of the net defined benefit liability (asset) immediately on the statement of financial position. Organizations would also assess the funding status of their post-employment benefit plans to determine the appropriate rate for discounting post-employment benefit obligations. • The Public Sector Accounting Board is in the process of evaluating comments received from stakeholders on the exposure draft.





Appendix D: Newly effective and upcoming changes to auditing standards

For more information on newly effective and upcoming changes to auditing standards - see Current Developments



Effective for periods beginning on or after December 15, 2023 (effective for year ended December 31, 2024 for the Town of Newmarket)

ISA 600/CAS 600

.....

Revised special considerations – Audits of group financial statements

Effective for periods beginning on or after December 15, 2024

ISA 260/CAS 260

.....

Communications with those charged with governance

ISA 700/CAS 700

.....

Forming an opinion and reporting on the financial statements



Appendix E: Audit and assurance insights

Our latest thinking on the issues that matter most to Audit Committees, board of directors and management.

KPMG Audit & Assurance Insights

Curated research and insights for audit committees and boards.

Board Leadership Centre

Leading insights to help board members maximize boardroom opportunities

Current Developments

Series of quarterly publications for Canadian businesses including Spotlight on IFRS, Canadian Assurance & Related Services, Canadian Securities Matters, and US Outlook reports.

Accelerate - The key issues driving the audit committee agenda

Discover the most pressing risks and opportunities that face audit committees, boards and management teams.

Sustainability Reporting

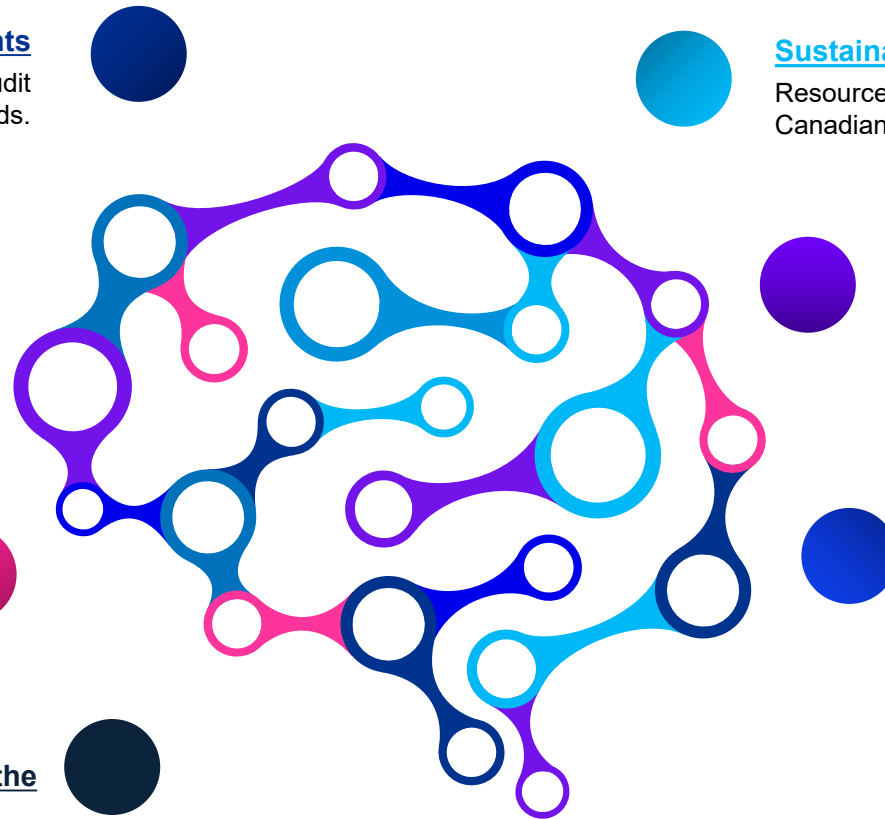
Resource centre on implementing the new Canadian reporting standards

IFRS Breaking News

A monthly Canadian newsletter that provides the latest insights on accounting, financial reporting and sustainability reporting.

Audit Committee Guide – Canadian Edition

A practical guide providing insight into current challenges and leading practices shaping audit committee effectiveness in Canada.





Appendix F: Unleashing tomorrow - today with AI

Turn AI into a cornerstone of sustainable, competitive growth.

A comprehensive business strategy can seamlessly intertwine technology with your business's goals, transform AI from a concept into a key driver of your objectives, strategy and ROI.

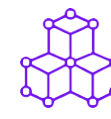
It's not just about tech; it's about people, striving to ensure smooth transitions and unlocking human potential alongside AI innovations.

This holistic approach can extend to governance, supply chain, data analytics, implementation and more, solidifying your operations against future challenges.



Assessing opportunities

Seek to understand how AI can impact or disrupt your business and what the existing opportunities are.



Scaling AI initiatives

Scaling up existing AI projects, aligned to the overall business strategy to help ensure success.

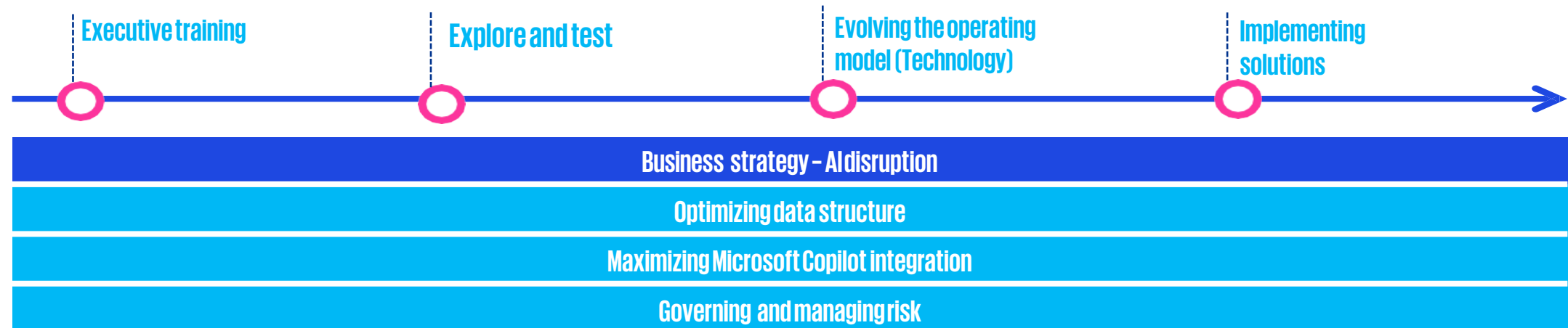


Competitive edge

Staying competitive in a rapidly evolving market where AI is disrupting business operations is key.

Brighter business intelligence, powered by AI

Your company's strategy and business intelligence are at the heart of your business decisions. It should be intimately linked to your artificial intelligence (AI) strategy, efforts, and goals.





Appendix F: Unleashing tomorrow - today with AI (Continued)

4 key phases of a successful AI strategy



Understand

Hyper Diagnostic

Demonstrate the “art of the possible” and the current AI landscape, explore diverse use cases, and assess peer adoption.

AI readiness assessment

Deploy AI readiness assessment to ensure the company is prepared from a tech, data, governance and people perspective.

Perspective on AI strategy

Assess AI's disruptive potential across core and support functions, demonstrate its impact on operations and costs, and establish an initial AI strategy aligned with company priorities.



Design

Risk Assessment

Discuss the potential risks and opportunities associated with the key scenarios.

Opportunity assessment

Pinpoint quick wins, evaluating their potential benefits, and conduct a high-level feasibility assessment.

Present available subsidy and grant options for relevant AI projects.



Initiate

Stakeholder involvement

Provide recommendations for engaging internal stakeholders and collect insights on AI adoption throughout the company's value chain.

Financial implications and opportunity validation Quantify the impact of various AI scenarios, calculating ROI. Identify and engage necessary people, processes, and technologies for execution.

Strategic roadmap

Create a concise strategic plan, encompassing vision, values, competitive advantage, key initiatives, and a roadmap with resource allocation and KPIs.



Operationalize

Transform technology services with generative AI

Assessment of current IT capabilities and the foundations necessary for the implementation of the selected generative AI solutions

Define the IT delivery model for solutions.

Enterprise architecture adapted to AI

Support for the integration of Gen AI into the enterprise architecture and into the organization's roadmap.

Define a Target Operating Model

Orchestrate business capabilities

Orchestration of all business practices and underlying IT capabilities necessary for operationalization.



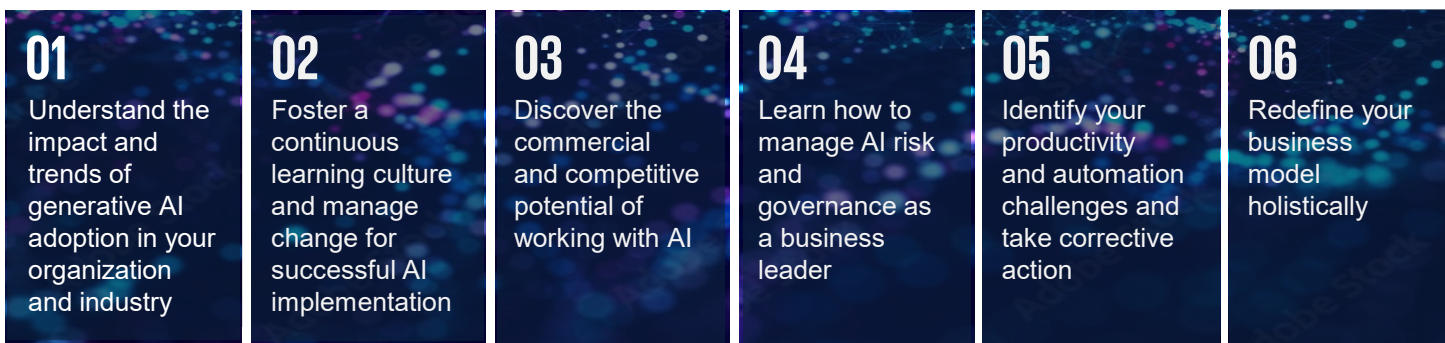
Appendix F: AI Education and Training for executives & boards

Embrace the future with AI, the driving force of the new economy, set to help transform your business model. This transformative power can drive your organization's position in the market. Consider the impending changes and strategize for the years ahead, helping to ensure a seamless and secure integration of this groundbreaking technology.

60%

of organizations plan to adopt generative AI within 6 to 12 months*.

Change starts with you



A first step in the adoption of AI in your business

Implementing generative AI starts with your business priorities, supported by executive and board engagement to drive a transformation aligned with your corporate ambitions.

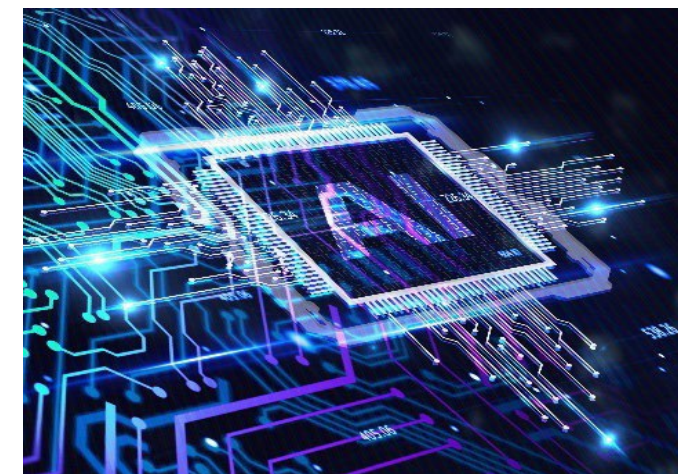
Executive and board training

- Presentation to various executive committees
- Presentation to the Board of Directors
- Role and responsibilities around AI as a board member and executive
- Workshop on concrete business potential
- AI strategic plan

AI strategy and value

Use case development

Implement AI solutions



Governing and managing risk (Trusted AI)

Workforce transformation and adoption

AI Data & Cloud infrastructure

*KPMG survey of 300 executives on generative AI, March 2023



Appendix F: AI Education and Training for executives and boards (Continued)

A three-part training program Discover real-life uses of generative AI, tailored to your business sector



Updated overview of this fast-paced technology

- Learn what is new in the world of AI
- Explore industry-specific use cases that could benefit your organization
- Manage AI risk and governance adequately



Technology demonstrations

- See the impact of generative AI on the future of your organization through concrete, contextualized demonstrations
- Assess the potential benefits for your organization



Brainstorming workshops

- Identify organizational priorities for AI adoption and how to prepare your teams for change upstream
- Educate and empower key stakeholders to drive AI strategy and the governance framework at the executive level

KPMG, a leader in generative AI

200+

Professionals dedicated to generative AI recognized for their technical skills and innovative strategic vision.

800+

Tailor-made use cases for all business sectors.

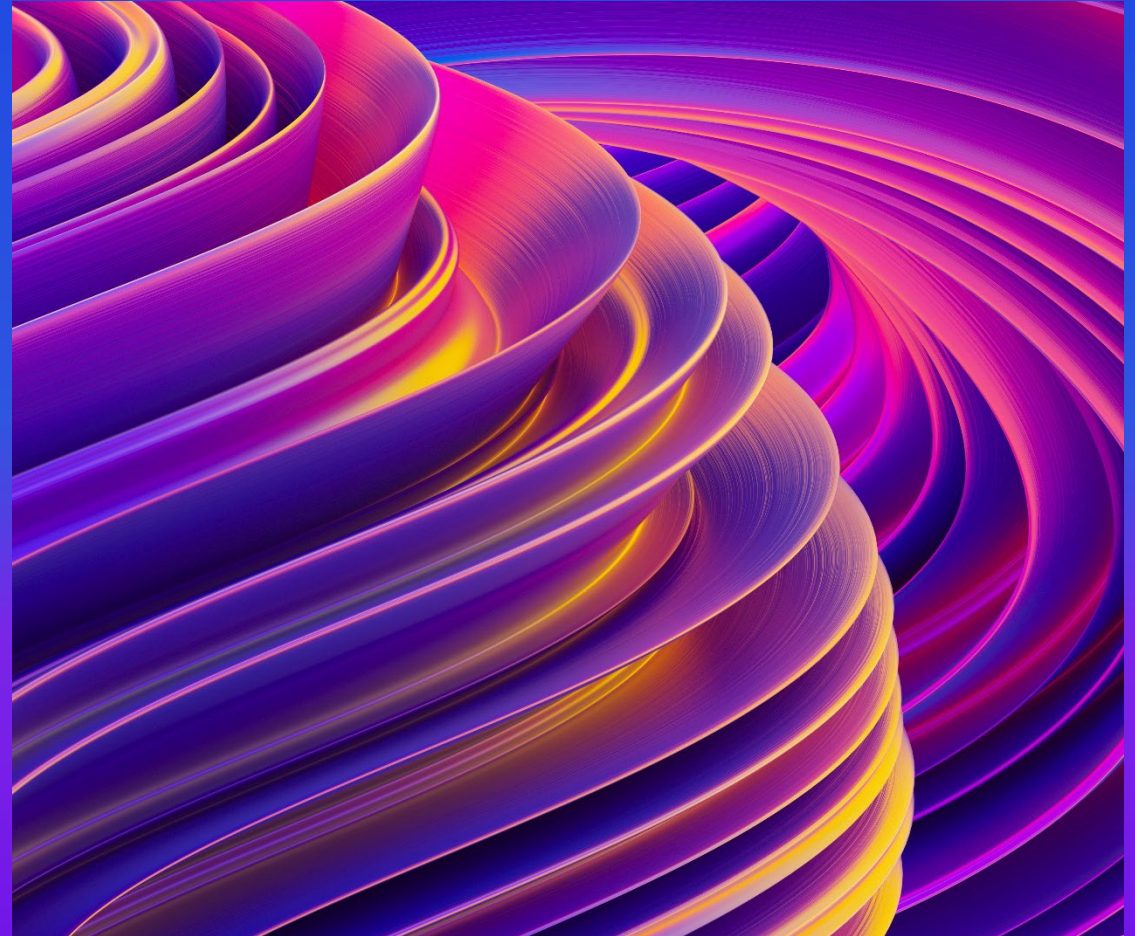
50+

Board and executive education and training sessions delivered in the last year. Our team understands the challenges you face as an executive or board member and can help you build confidence and accelerate the value AI can bring to your business.



<https://kpmg.com/ca/en/home.html>

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DRAFT

Consolidated Financial Statements of

**THE CORPORATION OF
THE TOWN OF NEWMARKET**

And Independent Auditor's Report thereon

Year ended December 31, 2024

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 Entity), which comprise:

- the consolidated statement of financial position as at December 31, 2024
- the consolidated statement of operations for the year then ended
- the consolidated statement of remeasurement gains and losses
- the consolidated statement of change in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2024, and its consolidated results of operations, its consolidated remeasurement gains and losses, its consolidated change in net financial assets and its consolidated 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. Our responsibilities under those standards are further described in the **"Auditor's Responsibilities for the Audit of the Financial Statements"** section of our auditor's report.

We are independent of the Entity 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 generally accepted auditing standards 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 the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, 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 Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Page 3

- 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 Entity'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 Entity 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.
- 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.

DRAFT

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

THE CORPORATION OF THE TOWN OF NEWMARKET

DRAFT Consolidated Statement of Financial Position

December 31, 2024, with comparative information for 2023

	2024	2023
Financial Assets		
Cash and cash equivalents (note 4)	\$ 98,363,548	\$ 95,801,297
Investments (note 5)	103,330,230	98,315,708
Tax receivable (note 6(a))	14,704,822	12,674,845
User charges receivable	13,551,232	11,375,099
Accounts receivable (note 6(b))	8,474,659	7,140,331
Inventory for resale (note 8)	100,197	58,131
Surplus land (note 9)	155,285	155,285
Loans receivable (note 6(c))	9,759,832	12,168,185
Investment in Newmarket Hydro Holdings Inc. (note 10)	59,363,902	57,948,486
	307,803,707	295,637,367

Liabilities

Accounts payable and accrued liabilities (note 11)	48,019,473	37,444,173
Interest payable on long-term debt	392,076	462,474
Employee future benefits liability (note 12)	9,439,649	9,044,891
Long-term disability benefits liability (note 13)	6,118,401	5,284,101
Deferred revenue (note 14)	37,302,049	59,536,943
Long-term debt (note 15)	25,629,979	29,909,074
Asset retirement obligation (note 16)	5,467,606	5,172,705
	132,369,233	146,854,361

Net financial assets	175,434,474	148,783,006
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Non-Financial Assets

Inventory (note 8)	1,155,606	1,241,723
Prepaid expenses and other (note 7)	1,939,180	2,480,344
Tangible capital assets (note 25)	624,619,971	590,529,170
	627,714,757	594,251,237

Accumulated surplus (note 22)	\$ 803,149,231	\$ 743,034,243
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Accumulated surplus comprises:

Accumulated operating surplus	\$ 799,848,877	\$ 742,119,577
Accumulated rereasurement gains	3,300,354	914,666

Accumulated surplus (note 22)	\$ 803,149,231	\$ 743,034,243
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Contingencies and lease agreements (notes 18 and 19)

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE TOWN OF NEWMARKET

DRAFT Consolidated Statement of Operations

Year ended December 31, 2024, with comparative information for 2023

	Budget 2024 (note 2)	Actual 2024	Actual 2023
Revenue:			
Taxation and user charges:			
Property taxation	\$ 76,134,781	\$ 76,953,431	\$ 73,417,018
Taxation under other governments	823,185	980,500	960,804
User charges	72,451,233	70,884,441	60,942,667
	149,409,199	148,818,372	135,320,489
Government transfers (note 23):			
Government of Canada	100,000	66,389	235,640
Canada Community Building Fund (note 14)	6,750,000	4,312,058	2,908,072
Province of Ontario	5,298,015	4,484,233	5,503,686
	12,148,015	8,862,680	8,647,398
Other:			
Contributions from developers	37,146,541	37,052,106	13,147,192
Investment	4,971,337	12,245,534	8,376,333
Fine, penalties and interest	1,854,697	3,091,707	2,975,833
Rent and other	6,916,343	2,581,560	3,636,422
Gain on disposal of tangible capital assets	—	12,969	151,221
	50,888,918	54,983,876	28,287,001
	212,446,132	212,664,928	172,254,888
Expenses (note 26):			
General government	21,527,166	23,579,420	23,014,069
Protection to persons and property	22,414,602	24,897,481	21,937,136
Transportation services	16,250,851	19,565,616	17,603,431
Environmental services	46,548,002	44,720,098	45,371,169
Recreation and cultural services	38,706,735	40,708,831	36,960,228
Planning and development	4,556,280	4,640,010	3,297,641
	150,003,636	158,111,456	148,183,674
	62,442,496	54,553,472	24,071,214
Income from Newmarket Hydro Holdings Inc. (note 10)	2,000,000	2,799,827	2,469,603
Gain (loss) on foreign exchange	—	376,001	(250,848)
Annual surplus	64,442,496	57,729,300	26,289,969
Accumulated operating surplus, beginning of year	742,119,577	742,119,577	715,829,608
Accumulated operating surplus, end of year	\$ 806,562,073	\$ 799,848,877	\$ 742,119,577

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE TOWN OF NEWMARKET

DRAFT Consolidated Statement of Remeasurement Gains and Losses

Year ended December 31, 2024, with comparative information for 2023

	2024	2023
Accumulated remeasurement gains, beginning of year	\$ 914,666	\$ –
Unrealized gains attributable to fair value adjustment (note 5)	2,438,000	1,002,000
Other comprehensive loss from Newmarket Hydro Holdings Inc. (note 10)	(52,312)	(87,334)
Accumulated remeasurement gains, end of year	\$ 3,300,354	\$ 914,666

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE TOWN OF NEWMARKET

DRAFT Consolidated Statement of Change in Net Financial Assets

Year ended December 31, 2024, with comparative information for 2023

	Budget 2024 (note 2)	Actual 2024	Actual 2023
Annual surplus	\$ 64,442,496	\$ 57,729,300	\$ 26,289,969
Acquisition of tangible capital assets	(46,887,700)	(51,110,656)	(28,453,973)
Contributed tangible capital assets	–	(2,985,348)	(5,638,022)
Amortization of tangible capital assets	20,789,895	20,233,222	19,867,723
Proceeds on disposal of tangible capital assets	–	79,851	239,645
Gain on disposal of tangible capital assets	–	(12,969)	(151,221)
Adjustment of the asset retirement obligation	–	(294,901)	(4,984,227)
	(26,097,805)	(34,090,801)	(19,120,075)
Changes in inventory balance	250,000	86,117	38,273
Changes in prepaid expenses and other	140,000	541,164	(395,445)
	390,000	627,281	(357,172)
Increase in remeasurement gains	1,000,000	2,385,688	914,666
Change in net financial assets	39,734,691	26,651,468	7,727,388
Net financial assets, beginning of year	148,783,006	148,783,006	141,055,618
Net financial assets, end of year	\$ 188,517,697	\$ 175,434,474	\$ 148,783,006

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE TOWN OF NEWMARKET

DRAFT Consolidated Statement of Cash Flows

Year ended December 31, 2024, with comparative information for 2023

	Budget 2024 (note 2)	Actual 2024	Actual 2023
Cash provided by (used in):			
Operating activities:			
Cash received from:			
Taxation	\$ 78,858,695	\$ 75,648,597	\$ 70,286,330
User charges	70,060,598	70,225,532	60,043,876
Government transfers	12,148,015	6,801,700	9,744,039
Contributions from developers	6,733,053	11,028,492	3,121,560
Investment income	4,971,337	10,467,810	8,204,512
Fine, penalties and interest	1,854,697	3,014,203	2,737,206
Rent and other	6,916,343	2,882,046	3,438,394
Aurora's share of Central York Fire Services	13,063,936	13,054,068	12,451,188
	194,606,674	193,122,448	170,027,105
Cash paid for:			
Salaries, wages, and employee benefits	75,683,267	77,923,796	70,319,987
Materials, goods and supplies	7,050,098	6,170,048	6,646,966
Utilities	4,057,854	788,281	3,978,288
Contracted and general services	44,424,547	49,693,783	58,680,780
Capital repairs and maintenance	4,187,252	561,373	4,187,252
Interest on long-term debt	1,069,281	1,069,281	1,273,411
Rents and financial	982,732	278,765	935,935
	137,455,031	136,485,327	146,022,619
	57,151,643	56,637,121	24,004,486
Capital activities:			
Proceeds on disposal of tangible capital assets	—	79,851	239,645
Acquisition of tangible capital assets	(46,887,700)	(51,110,656)	(28,453,973)
Asset retirement obligation	—	(294,901)	(4,984,227)
	(46,887,700)	(51,325,706)	(33,198,555)
Financing activities:			
Loans receivable settled (issued)	2,400,000	2,398,353	(459,146)
Principal repayment on long-term debt	(4,279,098)	(4,279,095)	(4,074,965)
	(1,879,098)	(1,880,742)	(4,534,111)
Investing activities:			
Gain (loss) on foreign exchange	—	376,001	(250,848)
Investments	(1,684,292)	(2,576,522)	(36,106,056)
Dividend received	—	1,332,099	1,336,000
	(1,684,292)	(868,422)	(35,020,904)
Increase (decrease) in cash and cash equivalents	6,700,553	2,562,251	(48,749,084)
Cash and cash equivalents, beginning of year	95,801,297	95,801,297	144,550,381
Cash and cash equivalents, end of year	\$ 102,501,850	\$ 98,363,548	\$ 95,801,297
Supplemental information:			
Interest paid		\$ 1,263,944	\$ 1,481,758
Interest received		6,424,944	8,356,127

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE TOWN OF NEWMARKET

DRAFT Notes to Consolidated Financial Statements

Year ended December 31, 2024

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

1. Significant accounting policies:

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

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.

(b) 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 the Canadian Public Sector Accounting Standards ("PSAS") 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.

THE CORPORATION OF THE TOWN OF NEWMARKET

DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

1. Significant accounting policies (continued):

(c) 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.

(d) Basis of accounting:

Accrual basis of accounting:

Revenue and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenue 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.

(e) 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 revenue over expenses, provides the change in net financial assets for the year.

THE CORPORATION OF THE TOWN OF NEWMARKET

DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

1. Significant accounting policies (continued):

(f) 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:

Land improvements	20 - 40 years
Buildings and building components	20 - 40 years
Vehicles	4 - 15 years
Machinery and equipment, including pooled assets	3 - 20 years
Library collection	7 years
Linear assets:	
Road base	40 years
Road paved surface	20 years
Sewer	80 years
Watermain	80 years
Sidewalks	25 years
Trails and walkways	25 years
Bridges and structures	25 - 75 years

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.

THE CORPORATION OF THE TOWN OF NEWMARKET

DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

1. Significant accounting policies (continued):

(g) 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.

(h) Interest capitalization:

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

(i) 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.

(j) 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.

(k) 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.

THE CORPORATION OF THE TOWN OF NEWMARKET

DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

1. Significant accounting policies (continued):

(l) 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.

(m) Deferred revenue:

Deferred revenues include 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.

(n) Employee future benefits:

The present value of the cost of providing employees with future benefit programs other than participation in multi-employer pension plan 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.

THE CORPORATION OF THE TOWN OF NEWMARKET

DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

1. Significant accounting policies (continued):

(o) 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.

(p) 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.

(q) Revenue recognition:

The Town recognizes revenue in accordance with PS 3400, Revenue ("PS 3400"). Under this standard, revenue transactions are classified and recognized based on the presence or absence of performance obligations:

- Revenue with Performance Obligations: Revenue is recognized when the organization satisfies the performance obligation(s) in the agreement. Performance obligations are satisfied either at a point in time or over time, depending on the nature of the transaction.
- Revenue without Performance Obligations: Revenue is recognized when the organization has the right to the revenue. This includes transactions such as grants or contributions that do not require the organization to deliver specific goods or services in return.

THE CORPORATION OF THE TOWN OF NEWMARKET

DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

1. Significant accounting policies (continued):

Revenue is measured based on the consideration specified in the agreement, net of any discounts or rebates, and adjusted for the probability of collection, where applicable. This accounting policy is consistent with the requirements of PS 3400 and reflects the Town's approach to recognizing revenue in a reliable and relevant manner.

Taxation and user charges:

Taxation are recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. For property taxation, the taxable event is the period for which the tax is levied. Tax receivables 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 are both recognized on an accrual basis.

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.

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 consolidated statement of operations and accumulated surplus as the stipulation liabilities are settled.

THE CORPORATION OF THE TOWN OF NEWMARKET

DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

1. Significant accounting policies (continued):

(r) Use of estimates:

The preparation of financial statements in conformity with the Canadian PSAS 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, long-term disability benefits liability, and asset retirement obligations. Actual results could differ from these estimates.

(s) Budget figures:

Budget figures have been reclassified for the purposes of these financial statements to comply with the 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.

(t) Asset retirement obligations:

An asset retirement obligation is recognized when, as at the financial reporting date, all of the following criteria are met:

- There is a legal obligation to incur retirement costs in relation to a tangible capital asset.
- The past transaction or event giving rise to the liability has occurred.
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

THE CORPORATION OF THE TOWN OF NEWMARKET

DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

1. Significant accounting policies (continued):

A liability has been recognized based on estimated future expenses on the closure of the site and post-closure care at several of the buildings owned by the Town. The increase in liability resulted in an accompanying increase in the respective tangible capital assets. The increase in the tangible capital assets is being amortized with the building in accordance with the depreciation accounting policies outlined in note 1(f).

(u) Financial instruments:

The Town financial instruments include cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities, accrued payroll and benefits, and long-term debt. The carrying value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and accrued payroll and benefits approximate their fair values due to the short-term nature of these financial assets and liabilities.

The following is a list of the Town's financial instruments and their related measurement basis as at December 31, 2024:

Financial instruments	Measurement
Cash and cash equivalents	Fair value
Accounts receivable	Fair value
Loans receivable	Cost
Accounts payable and accrued liabilities	Fair value
Accrued payroll and benefits	Fair value
Long-term debt	Fair value
Guaranteed Investment Certificates ("GICs") and bonds	Amortized cost
Portfolio investments	Amortized cost
Principal protected note embedded derivatives ("PPNs")	Fair value

Unrealized changes in fair value on PPNs are recognized in the consolidated statement of remeasurement gains and losses until they are realized, when they are transferred to the consolidated statement of operations.

THE CORPORATION OF THE TOWN OF NEWMARKET

DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

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 budget has also been adjusted to account for material changes due to PSAB reporting requirements.

	Revenue	Expenses
Council approved budget for 2024:		
Operating fund - December 4, 2023	\$ 160,744,579	\$ 160,744,579
Principal payments to long-term debt	—	(4,279,098)
Transfers to other funds	(2,031,889)	(29,375,447)
Capital budget - December 4, 2023	70,606,000	70,606,000
Capital transfers to other funds	(26,489,876)	—
Reserves and reserve funds - June 17, 2024	38,992,765	28,521,765
Reserves and reserve funds transfers to other funds	(29,375,447)	(28,521,765)
Total council approved budget	212,446,132	197,696,034
Less capitalized tangible capital assets		(67,971,000)
Plus:		
Budgeted amortization expense	—	20,789,895
Post-employment benefit expenses	—	(511,293)
Investment income from Newmarket Hydro Holdings Inc.	2,000,000	—
Budget as presented on the consolidated statement of operations and accumulated surplus	\$ 214,446,132	\$ 150,003,636

3. Operations of school boards and the Region of York:

Further to note 1(c), taxation and revenues of the school boards and the Region of York are comprised of the following:

	School boards	Region of York
Property taxation and taxation from other governments	\$ 51,364,025	\$ 79,486,745

THE CORPORATION OF THE TOWN OF NEWMARKET

DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

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 and cash equivalents are segregated as follows:

	2024	2023
Restricted - Obligatory Reserve Funds (note 14)	\$ 31,817,758	\$ 55,768,994
Designated - reserve funds (note 22)	113,439,990	94,680,542
	145,257,748	150,449,536
Less:		
Book value of investments (note 5)	(99,890,230)	(97,313,708)
	45,367,518	53,135,828
Unrestricted and undesignated	52,996,030	42,665,469
	\$ 98,363,548	\$ 95,801,297

5. Investments:

GICs and bonds:

These investments are comprised of guaranteed investment certificates, bonds, and cash held in investment accounts. These investments have maturities ranging from 2025 to 2033 (2023 - 2024 to 2033), earning interest at annual rates ranging from 0.60% to 6.00% (2023 - 0.60% to 6.10%) per annum.

Portfolio investments:

Investments held with ONE Investment, a professionally managed group of investment funds composed of pooled investments that meet the eligibility criteria as defined by O.Reg 438/97. During the year, a realized capital gain and investment income of \$4,094,954 (2023 - \$1,086,000) was recorded.

THE CORPORATION OF THE TOWN OF NEWMARKET

DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

5. Investments (continued):

PPNs:

PPNs are a structured investment product that provides returns linked to the performance of a reference asset while also guaranteeing 100% principal protection at maturity. The original principal is fully protected at maturity regardless of the performance of the reference asset. These investments have maturities ranging from 2030 to 2033 (2023 - 2030 to 2033), earning interest at annual rates ranging from 4.95% to 5.80% (2023 - 4.95% to 5.80%) per annum.

During the year, there was unrealized gains attributable to fair value adjustment of \$2,438,000 (2023 - \$1,002,000) on PPNs recognized in the consolidated statement of remeasurement gains and losses.

Investments are comprised of:

	2024	2023
GICs	\$ 31,415,431	\$ 31,205,029
Bonds	20,000,000	20,000,000
Portfolio investments	28,005,173	23,910,220
PPNs	20,000,000	22,000,000
Cash held in investment accounts	469,626	198,459
Book value of investments	99,890,230	97,313,708
Accumulated remeasurement gains on PPNs	3,440,000	1,002,000
	\$ 103,330,230	\$ 98,315,708

6. Receivables:

(a) Tax receivable:

	2024	2023
Current year	\$ 15,799,437	\$ 13,808,901
Arrears previous years	121,127	81,686
	15,920,564	13,890,587
Less valuation allowance	1,215,742	1,215,742
	\$ 14,704,822	\$ 12,674,845

THE CORPORATION OF THE TOWN OF NEWMARKET

DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

6. Receivables (continued):

(b) Accounts receivable:

	2024	2023
Government entities	\$ 3,569,735	\$ 2,600,404
Trade receivables, user fees and other receivables	5,375,647	5,026,500
	8,945,382	7,626,904
Less valuation allowance	470,723	486,573
	\$ 8,474,659	\$ 7,140,331

(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.

Site Plan agreements included the deferral of development charges and other fees. The agreements deferred parkland contributions and 50% of other fees. The deferral for development charges is for 20 years after the issuance of building permits for rental apartments, and 48 months for condo units. Deferral of other fees includes tree security, engineering, planning, parkland dedication and finance fees for a deferral period of 48 months.

	2024	2023
Due from developers	\$ 9,756,544	\$ 12,154,897
Other community loans	3,288	13,288
	\$ 9,759,832	\$ 12,168,185

THE CORPORATION OF THE TOWN OF NEWMARKET

DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

7. Prepaid expenses and other:

Prepaid expenses include prepaid insurance premiums, software licenses 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 \$140,556 (2023 - \$140,556).

	2024	2023
Prepaid insurance premiums and software licenses	\$ 746,225	\$ 1,197,371
Other prepaid artificial turf field shared use agreement	468,441	608,997
Miscellaneous prepaids	724,514	673,976
	\$ 1,939,180	\$ 2,480,344

8. Inventory:

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 Town 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.

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 CORPORATION OF THE TOWN OF NEWMARKET

DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

10. Investment in Newmarket Hydro Holdings Inc. (continued):

The financial statements of Newmarket Hydro Holdings Inc. (the "Corporation") have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee (IFRIC).

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

	2024	2023
Share capital:		
Newmarket Hydro Holdings Inc. -		
201 common shares	\$ 29,609,342	\$ 29,609,342
Retained earnings, end of year:		
Newmarket Hydro Holdings Inc.	29,754,560	28,339,144
Total investment	\$ 59,363,902	\$ 57,948,486

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.

	2024	2023
Revenue:		
Investment income	\$ 95,507	\$ 95,507
Rent, property tax and other	1,016,041	523,976
Other services	35,342	33,060
Expenses:		
Energy purchases	2,990,758	2,832,029
Services	38,689	4,561
Water and sewer	879,122	742,800
Dividends received during the year	1,332,099	1,336,000
Accounts payable	256,879	293,976

THE CORPORATION OF THE TOWN OF NEWMARKET

DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

10. Investment in Newmarket Hydro Holdings Inc. (continued):

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

	2024	2023
Financial position		
Current assets	\$ 42,965,913	\$ 31,808,431
Capital assets, future income taxes and other	181,741,325	163,790,757
Regulatory deferral account debit balances	11,703,943	11,676,897
Total assets	\$ 236,411,181	\$ 207,276,085
Current liabilities	\$ 36,731,424	\$ 31,374,697
Long-term liabilities	131,256,033	111,625,737
Total liabilities	167,987,457	143,000,434
Non-controlling interest	4,121,110	4,019,984
Shareholder equity:		
Share capital	29,609,342	29,609,342
Retained earnings	29,577,169	28,109,441
Accumulated other comprehensive gain	177,391	229,703
	59,363,902	57,948,486
Regulatory deferral account credit balances	4,938,712	2,307,181
Total liabilities and equity	\$ 236,411,181	\$ 207,276,085
Results of operations		
Revenue	\$ 139,946,763	\$ 124,799,571
Operating expenses	(131,780,886)	(122,254,931)
Financing expenses	(3,544,882)	(3,022,735)
Other income	1,687,396	1,779,512
Non-controlling interest	(210,147)	(137,223)
Income taxes	(708,885)	(743,685)
Net movement on regulatory accounts	(2,589,532)	2,049,094
Net income	2,799,827	2,469,603
Other comprehensive loss	(52,312)	(87,334)
Net income and comprehensive income	\$ 2,747,515	\$ 2,382,269
Retained earnings, beginning of year	\$ 28,339,144	\$ 27,292,875
Net income and comprehensive income	2,747,515	2,382,269
Dividends paid	(1,332,099)	(1,336,000)
Retained earnings, end of year	\$ 29,754,560	\$ 28,339,144

THE CORPORATION OF THE TOWN OF NEWMARKET

DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

11. Accounts payable and accrued liabilities:

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

	2024	2023
Government entities	\$ 10,599,444	\$ 12,011,682
Payroll liabilities	5,844,760	4,552,649
Trade payables and other accrued liabilities	31,575,269	20,879,842
	<u>\$ 48,019,473</u>	<u>\$ 37,444,173</u>

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 future liabilities for employee future benefits has been completed and forms the basis for the estimated liability reported in these consolidated financial statements.

	2024	2023
Employee future benefits liability	\$ 8,686,500	\$ 8,394,500
Vacation pay	753,149	650,391
	<u>\$ 9,439,649</u>	<u>\$ 9,044,891</u>

Employee future benefits are health and dental benefits that are provided to early retirees, future retirees, and employees currently on a long-term disability. The Town recognizes these post-retirement costs as they are earned during the employee's tenure of service. A benefit liability of \$8,686,500 (2023 - \$8,394,500) was determined by the actuarial valuation carried out as at December 31, 2024, using a discount rate of 4.60%.

THE CORPORATION OF THE TOWN OF NEWMARKET

DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

12. Employee future benefits liability (continued):

Total benefit payments to retirees during the year were \$305,100 (2022 - \$298,500). The plan is substantially unfunded and requires no contributions from employees. The employee future benefits liability as at December 31 includes the following components:

	2024	2023
Accrued benefits obligation	\$ 7,146,100	\$ 6,739,600
Unamortized actuarial losses	1,540,400	1,654,900
Employee future benefits liability	\$ 8,686,500	\$ 8,394,500
Employee future benefits liability, beginning of year	\$ 8,394,500	\$ 8,131,100
Annual amortization of actuarial losses	(114,500)	(114,500)
Current period service cost	390,700	373,500
Interest cost	320,900	302,900
Benefits paid	(305,100)	(298,500)
Employee future benefits liability, end of year	\$ 8,686,500	\$ 8,394,500

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, 2022.

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.

THE CORPORATION OF THE TOWN OF NEWMARKET

DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

12. Employee future benefits liability (continued):

The assumptions used in the December 31, 2022 actuarial valuation were:

(a) Interest (discount) rate:

The present value as at December 31, 2024 of the future benefits was determined using a discount rate of 4.60% (2023 - 4.60%).

(b) Health costs:

Health cost premiums were assumed to increase at a 3.58% rate (2023 - 4.00%).

(c) Dental costs:

Dental cost premiums were assumed to increase at a 4.00% rate (2023 - 4.00%).

13. Long-term disability benefits payable:

The Town provides disabled employees who meet the requirements for long-term disability benefits monthly disability income, life insurance, health, and dental benefits. An actuarial valuation for currently disabled employees was completed as at December 31, 2024.

	2024	2023
Accrued benefits obligation	\$ 6,310,162	\$ 8,197,097
Unamortized actuarial gains	(191,761)	(2,912,996)
Long-term disability benefits payable	\$ 6,118,401	\$ 5,284,101
Long-term disability benefits payable, beginning of year	\$ 5,284,101	\$ 4,784,927
Annual amortization of actuarial gain (losses)	488,968	340,433
Current period service cost	960,671	914,925
Interest cost	408,281	395,987
Benefits paid	(1,023,620)	(1,152,171)
Long-term disability benefits payable, end of year	\$ 6,118,401	\$ 5,284,101

THE CORPORATION OF THE TOWN OF NEWMARKET

DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

13. Long-term disability benefits payable (continued):

Actuarial valuations for accounting purposes are performed every year using the projected benefit method. The most recent actuarial report was prepared at December 31, 2024. The unamortized actuarial gain will be amortized into future years' expenses over five years, the average expected period during which benefits will be paid.

The assumptions used in the December 31, 2024 actuarial valuation were:

(a) Interest (discount) rate:

The present value of the future benefits as at December 31, 2024 was determined using a discount rate of 4.4% (2023 - 5.0%).

(b) Health and dental costs:

Health trend rates are assumed to increase by 6.0% starting in 2024 and decrease by 0.10% per year to an ultimate rate of 4.5% per year. Dental cost premiums are assumed to increase by 4.5% per year starting in 2024.

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 of a building permit, unless they are for Town-wide engineering services, in which case they are payable upon registration of a subdivision agreement. Development charges are not recognized as revenue until the identified capital costs for growth are incurred.

THE CORPORATION OF THE TOWN OF NEWMARKET

DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

14. Deferred revenue (continued):

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 Canada Community Building Fund is restricted to infrastructure and requires annual reporting. The following Obligatory Reserve Funds have statutory restrictions and as such are classified as deferred revenue:

	Balance, December 31, 2023	Inflows	Outflows	Balance, December 31, 2024
Parkland	\$ 8,180,802	\$ 402,284	\$ 250,000	\$ 8,333,086
Development charges	34,268,505	7,164,142	31,408,535	10,024,112
Building permit fees	330,845	11,768	288,903	53,710
Engineering administration	702,122	1,046,089	—	1,748,211
Canada Community Building Fund	12,286,720	3,683,977	4,312,058	11,658,639
Total obligatory reserve funds	55,768,994	12,308,260	36,259,496	31,817,758
Other	3,767,949	9,461,827	7,745,485	5,484,291
Total deferred revenue	\$ 59,536,943	\$ 21,770,087	\$ 44,004,981	\$ 37,302,049

THE CORPORATION OF THE TOWN OF NEWMARKET

DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

15. Long-term debt:

- (a) The balance of long-term debt reported on the consolidated statement of financial position comprises the following:

			2024	2023
Long-term debt incurred by the Town			\$ 25,629,979	\$ 29,909,074
Purpose	Rates	Maturity date	2024	2023
Mulock Farm	3.490%	2048	\$ 22,710,383	\$ 23,307,145
Land for recreation facilities	5.724%	2024	—	997,615
Youth Centre	5.724%	2024	—	231,155
Downtown renewal	5.724%	2024	—	73,321
Recreation facility	5.246%	2024	—	938,880
Parklands	5.246%	2024	—	199,590
Traffic flow improvements	5.246%	2024	—	115,013
Downtown revitalization	5.246%	2024	—	31,296
Recreation facility	4.756%	2026	2,127,512	3,118,576
Federation of Canadian Municipalities loan for Operations Centre	2.000%	2031	792,084	896,483
			\$ 25,629,979	\$ 29,909,074

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

2025	\$ 1,763,054
2026	1,836,923
2027	772,870
2028	798,396
2029	824,809
2030 and thereafter	19,633,927
	\$ 25,629,979

- (c) Interest expense on long-term debt amounted to \$998,882 (2023 - \$1,206,940). Interest expense includes the net decrease in accrual amount of \$70,399 (2023 - \$66,471).

THE CORPORATION OF THE TOWN OF NEWMARKET

DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

16. Asset retirement obligations:

The Town owns and operates several buildings that are known to have asbestos, which represents a health hazard upon demolition of the building and there is a legal obligation to remove it. The Town recognized an obligation relating to the removal and post-removal care of the asbestos in these buildings as estimated at December 31, 2024. An asset retirement obligation of \$5,467,606 (2023 - \$5,172,705) was recognized in the statement of financial position, representing the estimated asbestos costs for buildings, disposal of fuel storage tanks, and decommissioning of R22 refrigerant.

A reconciliation of the amount of the liability is as follows:

	Buildings	Land improvement	Total
Balance, beginning of year	\$ 5,137,398	\$ 35,307	\$ 5,172,705
Change in estimate	288,510	6,391	294,901
Balance, end of year	\$ 5,425,908	\$ 41,698	\$ 5,467,606

17. Insurance coverage:

Claim costs incurred during the year amounted to \$138,827 (2023 - \$285,890). Insurance premiums of \$2,241,795 (2023 - \$1,934,715) were expensed during the year on the consolidated statement of operations and accumulated surplus.

18. Contingencies:

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

THE CORPORATION OF THE TOWN OF NEWMARKET

DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

19. Lease agreements:

The Town has entered into lease agreements for vehicles, and parking lot rentals. The aggregate minimum payments under these leases over the next two years are as follows:

2025	\$ 307,494
2026	173,114
	<hr/>
	\$ 480,608

20. Contractual obligations:

During the year, the Town performed work on several major projects relating to the construction, repair and replacement of certain facilities and infrastructure. The total purchase commitment from such contracts amounted to approximately \$117,100,000 (2023 - \$61,600,000), of which expenses of approximately \$65,300,000 (2023 - \$26,470,000) were outstanding as at December 31, 2024.

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 \$62,600,000 (2023 - \$48,564,000), of which expenses of approximately \$41,900,000 (2023 - \$19,960,000) were outstanding as at December 31, 2024.

21. 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 pensions benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted as at December 31, 2024. The results of this valuation disclosed total actuarial liabilities of \$142.5 billion in respect of benefits accrued for service with actuarial assets at that date of \$139.6 billion indicating an actuarial deficit of \$2.9 billion. Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Town does not recognize any share of the OMERS pension surplus or deficit.

THE CORPORATION OF THE TOWN OF NEWMARKET

DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

21. Pension agreements (continued):

Contributions in 2024 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 \$5,914,831 (2023 - \$5,527,618).

22. Accumulated surplus:

Accumulated surplus comprises the following:

	2024	2023
Reserves set aside for specific purposes by Council:		
Reserves for operating purposes	\$ 23,103,907	\$ 19,549,696
Reserves for capital purposes	1,325,459	4,108,925
Newmarket Public Library	680,962	1,271,395
Water and wastewater rate stabilization	11,352,010	9,860,153
Total reserves	36,462,338	34,790,169
Reserve funds set aside for specific purposes by Council:		
Asset replacement funds	103,663,834	72,148,842
Reserve funds for operating purposes	6,222,048	6,360,935
Reserve funds for capital purposes	2,208,447	13,644,191
Self-insured long-term disability	1,345,661	2,526,574
Total reserve funds	113,439,990	94,680,542
Total reserves and reserve funds	149,902,328	129,470,711
Invested in tangible capital assets	624,619,971	590,529,170
Financed by long-term debt	(25,629,979)	(29,909,074)
Equity in Newmarket Hydro Holdings Inc. (note 10)	59,363,902	57,948,486
Employee future benefits to be recovered	(5,430,698)	(4,290,807)
Land surplus	(110,000)	—
Prior year unrealized gain on PPNs	1,002,000	—
Operating surplus	3,736,043	3,188,982
Capital fund balance	(4,304,336)	(3,903,225)
Accumulated surplus	\$ 803,149,231	\$ 743,034,243

THE CORPORATION OF THE TOWN OF NEWMARKET

DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

23. Government transfers:

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

	2024	2023
Grants with stipulations	\$ 4,312,058	\$ 2,908,072
Other grants	4,550,622	5,739,326
	<u>\$ 8,862,680</u>	<u>\$ 8,647,398</u>

24. Central York Fire Services:

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

	2024	2023
Net expenses before allocation	\$ 31,312,869	\$ 29,873,292
Less Aurora's allocation (2024 - 41.69%; 2023 - 41.68%)	13,054,335	12,451,188
Newmarket's net allocation	<u>\$ 18,258,534</u>	<u>\$ 17,422,104</u>

THE CORPORATION OF THE TOWN OF NEWMARKET

DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

25. 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, wastewater 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 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 road network has 256 kilometers (2023 - 254 kilometers).

(b) Capitalization of interest:

No interest was capitalized in 2024 (2023 - nil).

(c) Construction in progress:

The consolidated financial statements and accompanying Schedule 1 include \$58,742,527 (2023 - \$25,926,131) 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 subdivisions assumed during the year.

	2024	2023
Linear assets	\$ 2,985,348	\$ 5,638,022

THE CORPORATION OF THE TOWN OF NEWMARKET

DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

26. Segmented information:

Certain allocation methodologies and accounting estimates 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 (note 24). Activity based costing is used to allocate internal support costs to departments. These costs include the net expenses for departments, such as human resources, information systems, finance, and others, commonly referred to as overhead. Measures of activity, or drivers, are used to apportion the support costs.

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

Schedule 2 - Service Bundles:

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

(a) Fire and emergency services:

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

(b) Water, wastewater and 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.

THE CORPORATION OF THE TOWN OF NEWMARKET

DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

26. Segmented information (continued):

(c) By-law and 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.

(d) Roads, bridges and 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.

(e) Planning and 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.

(f) Community programs and 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.

(g) Facilities, parks and 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

DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

26. Segmented information (continued):

(h) Corporate support and governance:

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

(i) 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.

(j) 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.

27. Adoption of new accounting standards:

(a) PS 3160, Public Private Partnerships:

On January 1, 2024, the Town adopted PS 3160, Public Private Partnerships ("P3") on a prospective basis. The new standard establishes specific recognition, measurement, and disclosure requirements for public-private partnership arrangements. This policy addresses how public sector entities should account for infrastructure assets and liabilities arising from P3 arrangements.

As a result of this adoption, the Town has revised its accounting policy for P3 arrangements. Under the new policy:

- Infrastructure assets acquired through P3 arrangements are recognized when the entity controls the infrastructure and derives substantial benefits from its service capacity.
- Liabilities related to the payment obligations to private sector partners are recognized as the infrastructure is constructed or becomes available for use.

THE CORPORATION OF THE TOWN OF NEWMARKET

DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

27. Adoption of new accounting standards (continued):

As at December 31, 2024, the Town determined that the implementation of this new standard did not result in the identification of transactions that would meet the definition of P3. The adoption of P3 aligns with PSAS, although there is no impact on the consolidated financial statements.

(b) PS 3400, Revenue:

On January 1, 2024, the Town adopted PS 3400 on a prospective basis. The new standard establishes specific recognition, measurement, and disclosure requirements for revenue transactions, including those with and without performance obligations. The Town has adopted PS 3400 to ensure consistent recognition and presentation of revenue transactions in its consolidated financial statements. Revenue is recognized based on the presence or absence of performance obligations, following the guidance provided in the standard. This change was made to comply with PS 3400 and to enhance the relevance and reliability of financial information related to revenue transactions.

Under the new policy:

- Revenue from exchange transactions is recognized as performance obligations are fulfilled.
- Revenue from non-exchange transactions is recognized when conditions are satisfied.

As at December 31, 2024, the Town determined that the adoption of this new standard did not have an impact on the amounts presented in the consolidated financial statements.

THE CORPORATION OF THE TOWN OF NEWMARKET

DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

27. Adoption of new accounting standards (continued):

(c) PSG 8, Purchased Intangibles ("PSG 8"):

On January 1, 2024, the Town adopted PSG 8 on a prospective basis. The Town has assessed the applicability of PSG 8, which requires the recognition of purchased intangible assets meeting specific criteria. Purchased intangibles are identifiable non-monetary economic resources without physical substance acquired through an arm's-length exchange transaction between knowledgeable, willing parties who are under no compulsion to act. The Town has adopted PSG 8 to ensure consistent recognition and presentation of purchased intangible assets in its financial statements. Under this guideline, purchased intangible assets are recognized as assets when acquired. The new standards provide comprehensive requirements for the recognition, measurement, presentation and disclosure requirements for purchased intangible assets.

As at December 31, 2024, the Town determined that the implementation of this new standard did not result in identification of assets that would meet the definition of purchased intangibles. The adoption of PSG 8 aligns with PSAS, although there is no impact on the consolidated financial statements.

28. Comparative figures:

Certain 2023 comparative amounts have been regrouped from the financial statements previously presented, to conform with the presentation adopted in 2024.

THE CORPORATION OF THE TOWN OF NEWMARKET

DRAFT Schedule 1 - Tangible Capital Assets - Summary by Asset Category

December 31, 2024, with comparative information for 2023

2024	Cost					Accumulated amortization				Net book value
	Balance, beginning of year	Additions and betterments	Disposals/ transfers	Write downs	Balance, end of year	Balance, beginning of year	Amortization expense	Accumulated amortization on disposal	Balance, end of year	Total
General capital assets:										
Land	\$ 113,845,693	\$ 8	\$ —	\$ —	\$ 113,845,701	\$ —	\$ —	\$ —	\$ —	\$ 113,845,701
Land improvements	23,248,453	1,909,498	—	—	25,157,951	6,019,613	864,703	—	6,884,316	18,273,635
Buildings and building components	114,266,736	2,999,919	—	—	117,266,655	55,518,228	3,926,884	—	59,445,112	57,821,543
Machinery and equipment	22,869,172	2,492,528	(112,584)	—	25,249,116	16,345,019	1,663,589	(91,286)	17,917,322	7,331,794
Vehicles	9,698,284	948,769	(122,342)	—	10,524,711	4,974,997	781,721	(122,342)	5,634,376	4,890,335
Library collection	1,376,879	165,057	(201,171)	—	1,340,765	819,980	165,906	(201,171)	784,715	556,050
	285,305,217	8,515,779	(436,097)	—	293,384,899	83,677,837	7,402,803	(414,799)	90,665,841	202,719,058
Infrastructure assets:										
Land	18,492,537	—	—	—	18,492,537	—	—	—	—	18,492,537
Land improvements	26,645,574	1,454,533	—	—	28,100,107	21,675,819	518,456	—	22,194,275	5,905,832
Buildings and building components	27,121,122	—	—	—	27,121,122	9,304,808	953,304	—	10,258,112	16,863,010
Machinery and equipment	3,151,576	—	(26,236)	—	3,125,340	1,914,201	214,019	(19,677)	2,108,543	1,016,797
Vehicles	3,474,277	220,201	—	—	3,694,478	2,484,021	346,924	—	2,830,945	863,533
Linear assets	584,872,800	11,383,996	(1,478,744)	—	594,778,052	265,403,378	10,797,716	(1,439,719)	274,761,375	320,016,677
	663,757,886	13,058,730	(1,504,980)	—	675,311,636	300,782,227	12,830,419	(1,459,396)	312,153,250	363,158,386
Construction in progress	25,926,131	40,911,323	(8,094,927)	—	58,742,527	—	—	—	—	58,742,527
Total tangible capital assets	\$ 974,989,234	\$ 62,485,832	\$ (10,036,004)	\$ —	\$ 1,027,439,062	\$ 384,460,064	\$ 20,233,222	\$ (1,874,195)	\$ 402,819,091	\$ 624,619,971

THE CORPORATION OF THE TOWN OF NEWMARKET

DRAFT Schedule 1 - Tangible Capital Assets - Summary by Asset Category (continued)

December 31, 2024, with comparative information for 2023

2023	Cost					Accumulated amortization				Net book value
	Balance, beginning of year	Additions and betterments	Disposals/ transfers	Write downs	Balance, end of year	Balance, beginning of year	Amortization expense	Accumulated amortization on disposal	Balance, end of year	Total
General capital assets:										
Land	\$ 113,845,687	\$ 6	\$ —	\$ —	\$ 113,845,693	\$ —	\$ —	\$ —	\$ —	\$ 113,845,693
Land improvements	22,409,399	839,054	—	—	23,248,453	5,226,933	792,680	—	6,019,613	17,228,840
Buildings and building components	108,678,944	5,587,792	—	—	114,266,736	51,810,879	3,707,349	—	55,518,228	58,748,508
Machinery and equipment	21,946,465	1,365,410	(442,703)	—	22,869,172	15,001,762	1,702,694	(359,437)	16,345,019	6,524,153
Vehicles	8,403,541	1,998,128	(703,385)	—	9,698,284	5,058,899	619,478	(703,380)	4,974,997	4,723,287
Library collection	1,445,150	139,236	(207,507)	—	1,376,879	855,106	172,381	(207,507)	819,980	556,899
	276,729,186	9,929,626	(1,353,595)	—	285,305,217	77,953,579	6,994,582	(1,270,324)	83,677,837	201,627,380
Infrastructure assets:										
Land	18,492,537	—	—	—	18,492,537	—	—	—	—	18,492,537
Land improvements	26,487,671	157,903	—	—	26,645,574	21,181,535	494,284	—	21,675,819	4,969,755
Buildings and building components	24,147,389	2,973,733	—	—	27,121,122	8,123,098	1,181,710	—	9,304,808	17,816,314
Machinery and equipment	3,151,576	—	—	—	3,151,576	1,700,183	214,018	—	1,914,201	1,237,375
Vehicles	3,592,471	56,385	(174,579)	—	3,474,277	2,280,694	377,906	(174,579)	2,484,021	990,256
Linear assets	562,604,242	22,839,347	(570,789)	—	584,872,800	255,363,791	10,605,223	(565,636)	265,403,378	319,469,422
	638,475,886	26,027,368	(745,368)	—	663,757,886	288,649,301	12,873,141	(740,215)	300,782,227	362,975,659
Construction in progress										
Construction in progress	22,806,903	15,600,278	(12,481,050)	—	25,926,131	—	—	—	—	25,926,131
Total tangible capital assets	\$ 938,011,975	\$ 51,557,272	\$ (14,580,013)	\$ —	\$ 974,989,234	\$ 366,602,880	\$ 19,867,723	\$ (2,010,539)	\$ 384,460,064	\$ 590,529,170

THE CORPORATION OF THE TOWN OF NEWMARKET

DRAFT Schedule 2 - Segment Disclosures - Service Bundle

Year ended December 31, 2024, with comparative information for 2023

	Fire and emergency services		Water, wastewater and solid waste		Bylaw and licensing services		Roads, bridges and sidewalks		Planning and development services		Community programs and events	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Revenue:												
Taxation	\$ 19,946,958	\$ 19,182,687	\$ 4,610,166	\$ 4,262,010	\$ 2,888,190	\$ 2,457,655	\$ 11,833,005	\$ 11,172,639	\$ 4,638,479	\$ 5,535,044	\$ 6,269,101	\$ 5,738,469
User charges	337,980	439,127	56,467,527	48,469,125	904,205	869,171	729,573	511,253	2,860,149	2,708,695	6,262,176	4,981,379
External non-tax revenue	33,752	154,023	10,488,261	10,852,441	783,139	847,131	6,340,500	6,835,081	2,309,825	1,952,762	957,670	910,646
Gain (loss) on sale of tangible capital assets	13,250	16,455	—	(5,153)	—	12,836	(48,770)	60,535	—	—	—	—
	20,331,940	19,792,292	71,565,954	63,578,423	4,575,534	4,186,793	18,854,308	18,579,508	9,808,453	10,196,501	13,488,947	11,630,494
Expenses:												
Salaries and wages	25,724,621	24,794,581	3,306,397	3,496,675	2,279,062	2,153,319	3,094,157	2,984,689	6,064,257	4,649,070	7,651,165	6,826,151
Materials, goods and supplies	1,323,972	1,304,016	1,365,826	749,606	179,411	197,459	1,642,176	1,448,733	177,955	211,129	262,756	143,352
Utilities	265,703	225,230	43,790	44,405	1,520	—	1,018,590	675,491	—	—	3,463	3,844
Contracted and general services	1,027,025	961,504	33,443,689	33,754,172	392,200	303,255	1,133,508	1,202,752	461,213	582,174	2,492,447	1,739,277
Rents and financial	111,238	115,539	108,804	164,093	11,241	9,474	15,617	1,471	1,309	—	56,037	73,853
Interest on long-term debt	—	—	12,077	14,872	—	—	—	—	—	—	—	—
Capital repairs and maintenance	840,258	944,901	1,181,024	1,494,635	—	—	992,567	1,516,422	287,236	389,705	—	—
Amortization	969,127	965,447	3,616,183	3,753,579	46,565	10,796	8,199,414	8,217,738	—	—	88,536	86,518
Allocations	(10,878,447)	(10,291,417)	3,661,820	3,607,340	1,397,048	1,397,048	2,124,567	2,124,567	3,099,329	3,086,834	2,158,055	2,292,083
	19,383,497	19,019,801	46,739,610	47,079,377	4,307,047	4,071,351	18,220,596	18,171,863	10,091,299	8,918,912	12,712,459	11,165,078
	948,443	772,491	24,826,344	16,499,046	268,487	115,442	633,712	407,645	(282,846)	1,277,589	776,488	465,416
Income from Newmarket Hydro Holdings Inc.	—	—	—	—	—	—	—	—	—	—	—	—
Gain (loss) on foreign exchange	—	—	—	—	—	—	—	—	—	—	—	—
Annual surplus (deficit)	\$ 948,443	\$ 772,491	\$ 24,826,344	\$ 16,499,046	\$ 268,487	\$ 115,442	\$ 633,712	\$ 407,645	\$ (282,846)	\$ 1,277,589	\$ 776,488	\$ 465,416

THE CORPORATION OF THE TOWN OF NEWMARKET

DRAFT Schedule 2 - Segment Disclosures - Service Bundle (continued)

Year ended December 31, 2024, with comparative information for 2023

	Facilities, parks and trails		Corporate support and governance		Public library services		Main Street District BIA		Consolidated	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Revenue:										
Taxation	\$ 23,039,993	\$ 21,528,897	\$ –	\$ –	\$ 4,678,039	\$ 4,470,421	\$ 30,000	\$ 30,000	\$ 77,933,931	\$ 74,377,822
User charges	2,468,071	2,234,196	826,036	691,551	28,724	38,170	–	–	70,884,441	60,942,667
External non-tax revenue	31,581,530	5,965,191	11,022,841	9,009,366	291,686	254,537	24,383	2,000	63,833,587	36,783,178
Gain (loss) on sale of tangible capital assets	48,489	78,021	–	–	–	(11,473)	–	–	12,969	151,221
	57,138,083	29,806,305	11,848,877	9,700,917	4,998,449	4,751,655	54,383	32,000	212,664,928	172,254,888
Expenses:										
Salaries and wages	10,700,876	10,108,164	18,860,446	15,736,406	2,601,184	2,591,273	–	–	80,282,165	73,340,328
Materials, goods and supplies	4,186,598	3,447,207	722,007	195,066	526,010	417,886	14,229	18,503	10,400,940	8,132,957
Utilities	2,575,867	2,372,810	874,915	383,622	61,321	70,231	–	–	4,845,169	3,775,633
Contracted and general services	212,030	1,210,470	6,927,206	5,834,305	158,783	138,313	4,225	11,340	46,252,326	45,737,562
Rents and financial	204,529	143,494	50,530	426,391	2,068	1,620	–	–	561,373	935,935
Interest on long-term debt	–	–	986,805	1,192,068	–	–	–	–	998,882	1,206,940
Capital repairs and maintenance	3,345,088	2,677,827	882,913	562,380	62,361	51,914	–	–	7,591,447	7,637,784
Amortization	6,121,542	5,613,334	958,978	970,169	232,877	250,142	–	–	20,233,222	19,867,723
Allocations	3,021,590	2,888,265	(18,271,924)	(18,189,802)	633,894	633,894	–	–	(13,054,068)	(12,451,188)
	30,368,120	28,461,571	11,991,876	7,110,605	4,278,498	4,155,273	18,454	29,843	158,111,456	148,183,674
	26,769,963	1,344,734	(142,999)	2,590,312	719,951	596,382	35,929	2,157	54,553,472	24,071,214
Income from Newmarket Hydro Holdings Inc.	–	–	2,799,827	2,469,603	–	–	–	–	2,799,827	2,469,603
Gain (loss) on foreign exchange	–	–	376,001	(250,848)	–	–	–	–	376,001	(250,848)
Annual surplus (deficit)	\$ 26,769,963	\$ 1,344,734	\$ 3,032,829	\$ 4,809,067	\$ 719,951	\$ 596,382	\$ 35,929	\$ 2,157	\$ 57,729,300	\$ 26,289,969

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Financial Statements of

**THE CORPORATION OF
THE TOWN OF NEWMARKET
MAIN STREET DISTRICT
BUSINESS IMPROVEMENT AREA**

And Independent Auditor's Report thereon

Year ended December 31, 2024

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 Business Improvement Area (the Entity), which comprise:

- the statement of financial position as at December 31, 2024
- the statement of operations and accumulated surplus for the year then ended
- the statement of change in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2024, and its results of operations, its 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. Our responsibilities under those standards are further described in the **"Auditor's Responsibilities for the Audit of the Financial Statements"** section of our auditor's report.

We are independent of the Entity 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 generally accepted auditing standards 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 the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, 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 Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Page 3

- 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 Entity'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 Entity 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.
- 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.

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Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

THE CORPORATION OF THE TOWN OF NEWMARKET MAIN STREET DISTRICT BUSINESS IMPROVEMENT AREA

DRAFT Statement of Financial Position

December 31, 2024, with comparative information for 2023

	2024	2023
Financial Assets		
Due from Town of Newmarket	\$ 119,616	\$ 86,036
Net financial assets	119,616	86,036
Non-Financial Assets		
Prepaid expenses	3,023	297
Accumulated surplus	\$ 122,639	\$ 86,333

See accompanying notes to financial statements.

THE CORPORATION OF THE TOWN OF NEWMARKET MAIN STREET DISTRICT BUSINESS IMPROVEMENT AREA

DRAFT Statement of Operations and Accumulated Surplus

Year ended December 31, 2024, with comparative information for 2023

	2024 Budget	2024 Actual	2023 Actual
Revenue:			
Taxation	\$ 30,000	\$ 30,378	\$ 30,000
Events	—	4,383	2,000
Other	—	20,000	—
	30,000	54,761	32,000
Expenses:			
Promotion and events	9,000	14,230	18,503
Advertising	21,000	4,225	11,340
	30,000	18,455	29,843
Annual surplus	—	36,306	2,157
Accumulated surplus, beginning of year	—	86,333	84,176
Accumulated surplus, end of year	\$ —	\$ 122,639	\$ 86,333

See accompanying notes to financial statements.

THE CORPORATION OF THE TOWN OF NEWMARKET MAIN STREET DISTRICT BUSINESS IMPROVEMENT AREA

DRAFT Statement of Change in Net Financial Assets

Year ended December 31, 2024, with comparative information for 2023

	2024 Budget	2024 Actual	2023 Actual
Annual surplus	\$ —	\$ 36,306	\$ 2,157
Change in prepaid expenses	—	(2,726)	3,269
Change in net financial assets	—	33,580	5,426
Net financial assets, beginning of year	—	86,036	80,610
Net financial assets, end of year	\$ —	\$ 119,616	\$ 86,036

See accompanying notes to financial statements.

THE CORPORATION OF THE TOWN OF NEWMARKET MAIN STREET DISTRICT BUSINESS IMPROVEMENT AREA

DRAFT Statement of Cash Flows

Year ended December 31, 2024, with comparative information for 2023

	2024	2023
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 36,306	\$ 2,157
Change in non-cash operating item:		
Prepaid expenses	(2,726)	3,269
	33,580	5,426
Financing activity:		
Due from Town of Newmarket	(33,580)	(5,426)
Net change in cash	\$ —	\$ —

See accompanying notes to financial statements.

THE CORPORATION OF THE TOWN OF NEWMARKET MAIN STREET DISTRICT BUSINESS IMPROVEMENT AREA

DRAFT Notes to Financial Statements

Year ended December 31, 2024

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 District Business Improvement Area ("BIA"). The primary objective of the BIA is to promote the area as a business, shopping and entertainment area.

1. Significant accounting policies:

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

Revenue and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenue 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 reported on the accrual basis of accounting, and is raised from ratepayers of the Town of Newmarket.

2. Use of estimates:

The preparation of financial statements in conforming with the 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.

THE CORPORATION OF THE TOWN OF NEWMARKET MAIN STREET DISTRICT BUSINESS IMPROVEMENT AREA

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2024

3. Change in accounting policies:

(a) PS 3160, Public Private Partnerships:

On January 1, 2024, the BIA adopted Public Accounting Standards PS 3160, Public Private Partnerships "PS 3160" on a prospective basis. The new standard establishes specific recognition, measurement, and disclosure requirements for public-private partnership arrangements "P3". This policy addresses how public sector entities should account for infrastructure assets and liabilities arising from P3 arrangements.

As a result of this adoption, the entity has revised its accounting policy for P3. Under the new policy:

- Infrastructure assets acquired through P3 arrangements are recognized when the entity controls the infrastructure and derives substantial benefits from its service capacity.
- Liabilities related to the payment obligations to private sector partners are recognized as the infrastructure is constructed or becomes available for use.

As at December 31, 2024 the BIA determined that the implementation of this new standard did not result in the identification of transactions that would meet the definition of P3. The adoption of PS 3160 aligns with public sector accounting standards, although there is no impact on the amounts presented in the financial statements.

(b) PS 3400, Revenue:

On January 1, 2024, the BIA adopted Public Accounting Standard PS 3400, Revenue "PS 3400" on a prospective basis. The new standard establishes specific recognition, measurement, and disclosure requirements for revenue transactions, including those with and without performance obligations. The BIA has adopted PS 3400 to ensure consistent recognition and presentation of revenue transactions in its financial statements. Revenue is recognized based on the presence or absence of performance obligations, following the guidance provided in the standard. This change was made to comply with PS 3400 and to enhance the relevance and reliability of financial information related to revenue transactions.

THE CORPORATION OF THE TOWN OF NEWMARKET MAIN STREET DISTRICT BUSINESS IMPROVEMENT AREA

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2024

3. Change in accounting policies (continued):

Under the new policy:

- Revenue from exchange transactions is recognized as performance obligations are fulfilled.
- Revenue from non-exchange transactions is recognized when conditions are satisfied.

As at December 31, 2024, the BIA determined that the adoption of this new standard did not have an impact on the amounts presented in the financial statements.

(c) PSG 8, Purchased Intangibles:

On January 1, 2024, the BIA adopted Public Accounting Standards PSG 8, Purchased Intangibles "PSG 8" on a prospective basis. The BIA has assessed the applicability of PSG 8, which requires the recognition of purchased intangible assets meeting specific criteria. Purchased intangibles are identifiable non-monetary economic resources without physical substance acquired through an arm's length exchange transaction between knowledgeable, willing parties who are under no compulsion to act. Under this standard, purchased intangible assets are recognized as assets when acquired. The new standards provide comprehensive requirements for the recognition, measurement, presentation and disclosure requirements for purchased intangible assets.

As at December 31, 2024, the BIA determined that the implementation of this new standard did not result in identification of assets that would meet the definition of purchased intangibles. The adoption of PSG 8 aligns with public sector accounting standards, although there is no impact on the amounts presented in the financial statements.

2024 Financial Statement Discussion and Analysis (FSDA)

The Town of Newmarket's consolidated financial statements have been prepared in accordance with the 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 NT Holdings Inc. (formerly Envi Networks Ltd.). Newmarket Hydro Holdings Inc. also has an Investment in Ecobility Inc.

For 2024, the Town adopted the following accounting standards applicable for fiscal year beginning January 1, 2024:

- Public Private Partnerships PS 3160 – the standards on accounting for public private partnerships is the relationship between public and private sector entities where the public sector entity procures infrastructure using a private sector partner. After reviewing contracts and discussing with internal department representatives, it was determined that none of its present asset infrastructure arrangements require recognition within its financial statements; consequently, no significant measurement assumptions were necessary.
- Revenue PS 3400 - The standard notes that in the case of revenue arising from an exchange transaction, a public sector entity must ensure the recognition of revenue aligns with the satisfaction of related performance obligations. The Town reviewed and determined that no significant changes were required to meet this criteria. As a result, there is no impact to the financial statements for 2024.
- Purchased Intangibles PSG – 8 - The new guideline provides guidance on recognizing and accounting for purchased intangible assets. These are identifiable non-monetary economic resources without physical substance, acquired through an arm's length exchange transaction between knowledgeable, willing parties. The Town reviewed and determined that there are no assets that meet this criteria. As a result, there is no impact to the financial statements for 2024.

A selection of financial indicators are explained below:

2024 Financial Highlights	2024	2023
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Financial position	\$803,149,231	\$743,034,243
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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.

Capital reserves as % of accumulated amortization	26.6%	23.4%
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The ratio shows the level of reserve funding for future capital purposes compared to the total depreciation to date.

The Town remains committed to fiscal stewardship by increasing contributions to the Asset Management Funds to provide funds for asset replacements to maintain the Town's assets in a state of good repair.

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

Tax-supported	3.2%
Rate-supported	73.2%

2024 Financial Highlights	2024	2023	BMA Study 2024 Results*
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Receivables as % of total taxes levied (includes Region and School Board)	7.0%	6.3%	7.6%
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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 its annual taxes.

The Town has a low ratio, showing good economic health, increased liquidity, and strong controls over tax collection. The BMA Study identified in the Greater Toronto Hamilton Area (GTHA) that the average rate is 7.6%. Additionally, they noted that credit rating agencies consider 8% or above to be a negative factor.

**BMA Management Consulting Inc. (BMA) annually completes a municipal comparative study on behalf of participating Ontario municipalities*

2024 Financial Highlights	2024	2023	BMA Study 2024 Results
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Asset consumption ratio	39.2%	39.4%	43.7%
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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 101 municipalities in the BMA study, the average was 43.7% in 2024.

The Ministry of Municipal Affairs and Housing considers a ratio of 25% or under to be relatively new; 26%-50% to be moderately new; 51%-75% to be moderately old and over 75% to be old.

2024 Financial Highlights	2024	2023	BMA Study 2024 Results
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Debt service costs as a % of own source revenues	3.2%	3.5%	4.4%
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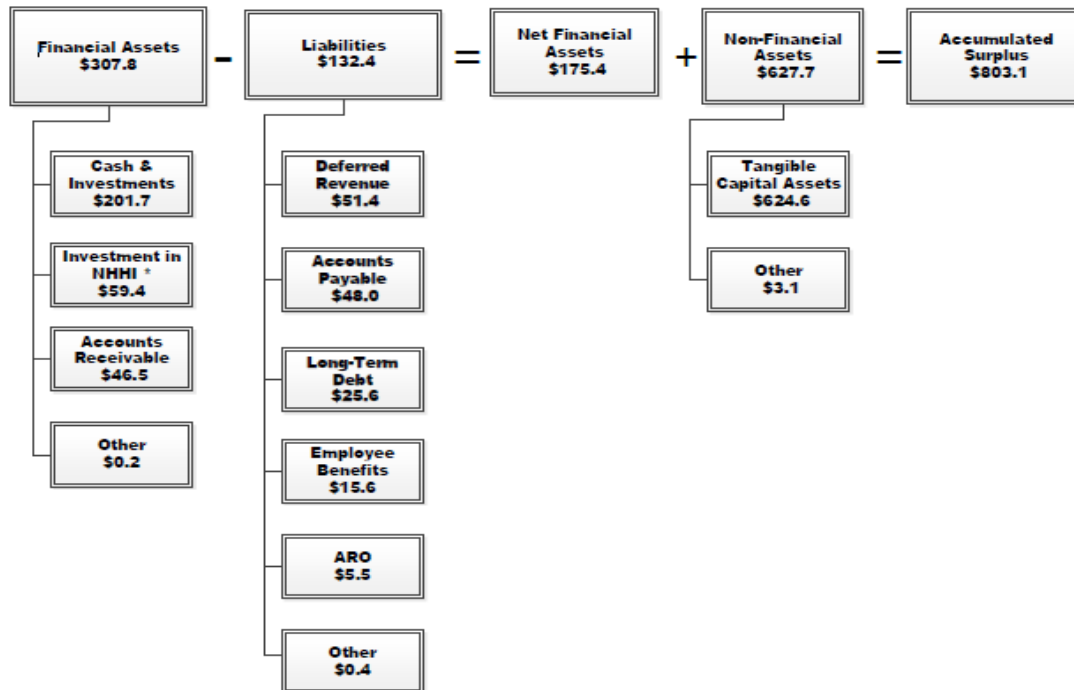
This ratio indicates the extent to which the Town's own source revenues are committed to debt charges.

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.

Consolidated statement of financial position

Overview

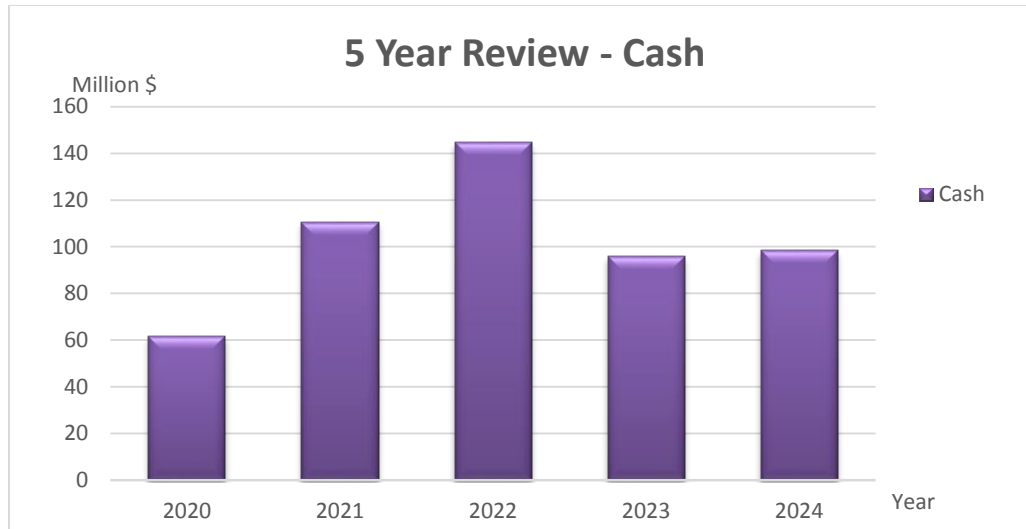
The Consolidated Statement of Financial Position highlights key financial figures. The chart below presents the information reported in the Consolidated Statement of Financial Position (in millions).



*Newmarket Hydro Holdings Inc.

Cash Resources

The Town's cash position is closely managed and remains adequate, combined with short-term and long-term investments to meet ongoing cash requirements. Management considers all highly liquid investments with a maturity of three months or less to be cash equivalents. The year-end cash position increased by \$2.6 million from \$95.8 million (2023) to \$98.4 million (2024), while investments increased by \$5.0 million from \$98.3 million (2023) to \$103.3 million (2024).



The cash position increased by \$2.6 million, mainly from repayment of \$2.4 million from a loan receivable.

Investments increased by \$5.0 million, mainly due to unrealized capital gains on One Investment.

**ONE Investment's Mission is to empower Ontario municipalities to harness the power of investments as a financial planning tool.*

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 \$175.4 million (2023 - \$148.8 million), an increase of \$26.6 million. This balance is calculated as total financial assets less liabilities and 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:

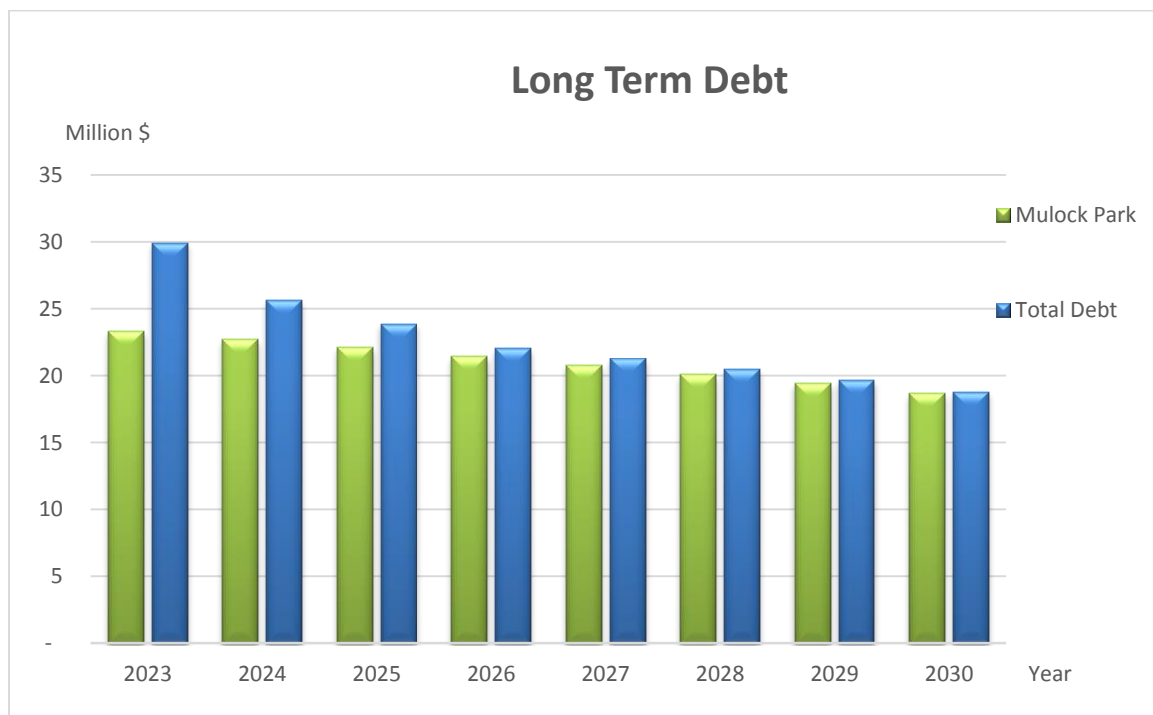
- Development charges;
- Building permit revenue;
- Canada Community Building Fund and other grants;
- Parkland cash-in-lieu;
- Engineering administration revenues.

In 2024, the Town collected \$5.7 million for development charges, parkland contributions, and engineering administration fees, and allocated \$33.6 million to capital projects, which was mainly related to the Mulock Park project.

Long-term debt

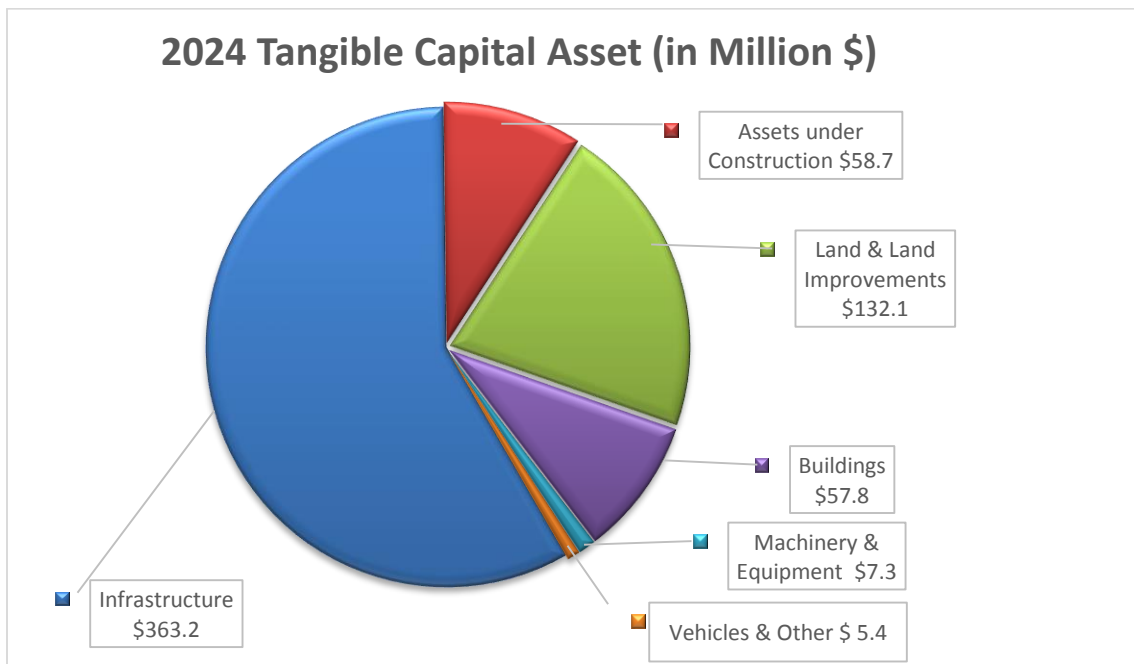
A significant component of the financial liabilities is the Town's long-term debt. The town's debt policy establishes the criteria for loans. Generally, debt financing is only available for capital expenditures when other sources of financing are not available. The policy outlines a servicing limit (principal 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 2024, the Town's actual debt servicing was 3.2% (2023 – 3.6%). At an annual interest rate of 3% with a term of 20 years, the Town could borrow another \$218.9 million and remain within its 10% debt servicing (borrowing) limit. Debt represents 4.5% of the net book value of the Town's tangible capital assets (2023 – 5.3%).



The Town's long-term debt position reflects the pattern of investment in major infrastructure projects. As per the chart above, Mulock Park represents 88.6% of the Town's long-term debt in 2024.

Non-financial assets



The 2024 approved capital budget totaled \$70.6 million. \$68.0 million was budgeted for tangible capital assets (TCA), \$2.6 million for major repairs and maintenance expenses, and other items below the threshold for TCA. The 2024 capital program and spending authority were revised to \$57.7 million during the year, and \$50.4 million (87%) of TCA was added. In 2024, the total capital spending was \$54.2 million, an increase of 70% compared to 2023 (\$31.9 million).

One of the Town's goals has been to develop a sustainable capital financing strategy. A review of the Town's asset management 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. A capital levy of 1.5% was included in 2024.

The higher contribution to reserves aligns with the Asset Management Plan (AMP) and recommendations from the Fiscal Strategy. Staff continues to refine and update the plan.

The Town is on track to meet provincial regulations *Ontario Regulation 588/17 – Asset Management Planning for Municipal Infrastructure*. A report on 2025 Asset Management Plans will be tabled at the June 16, 2025 Committee of the Whole for Council endorsement in order to meet the July 1, 2025 provincial timeline.

The Town's tangible capital assets (net of amortization expense) increased by \$34.1 million in 2024 compared to an increase of \$19.3 million in 2023.

The asset additions included work-in-progress costs for the Mulock Park, and roads/underground replacements, trail lighting, and facility replacements.

Accumulated surplus (deficit)

The Town's accumulated surplus for the 2024 fiscal year was \$ 803.1 million (2023 - \$743.0 million). The accumulated surplus reflects the resources that have been built up over time at the Town of Newmarket. The balance includes items such as tangible capital assets, equity in Newmarket Hydro Holdings Inc., and various reserves and reserve funds.

Accumulated surplus:

Accumulated surplus comprises the following:

	2024	2023
Reserves set aside for specific purposes by Council:		
Reserves for operating purposes	\$ 23,103,907	\$ 19,549,696
Reserves for capital purposes	1,325,459	4,108,925
Newmarket Public Library	680,962	1,271,395
Water and wastewater rate stabilization	11,352,010	9,860,153
Total reserves	36,462,338	34,790,169
Reserve funds set aside for specific purposes by Council:		
Asset replacement funds	103,663,834	72,148,842
Reserve funds for operating purposes	6,222,048	6,360,935
Reserve funds for capital purposes	2,208,447	13,644,191
Self-insured long-term disability	1,345,661	2,526,574
Total reserve funds	113,439,990	94,680,542
Total reserves and reserve funds	149,902,328	129,470,711
Invested in tangible capital assets	624,619,971	590,529,170
Financed by long-term debt	(25,629,979)	(29,909,074)
Equity in Newmarket Hydro Holdings Inc. (note 10)	59,363,902	57,948,486
Employee future benefits to be recovered	(5,430,698)	(4,290,807)
Land surplus	(110,000)	—
Prior year unrealized gain on PPNs	1,002,000	—
Operating surplus	3,736,043	3,188,982
Capital fund balance	(4,304,336)	(3,903,225)
Accumulated surplus	\$ 803,149,231	\$ 743,034,243

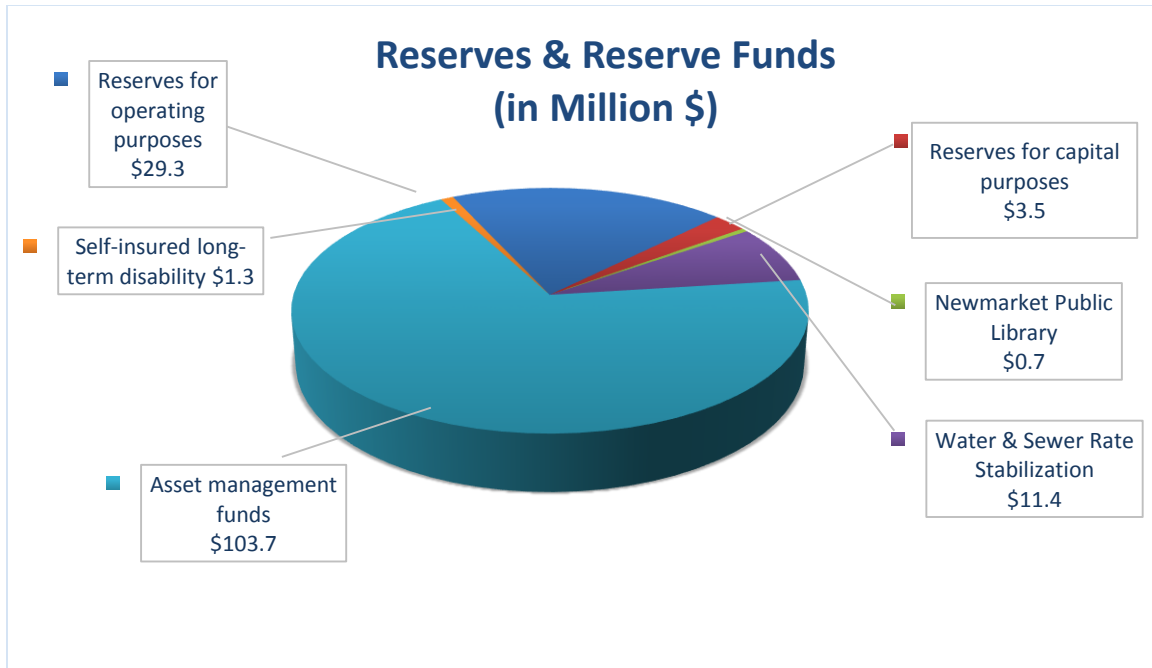
It is the Town's practice to record year-end transfers in the current year to balance the rate-supported operating budgets, such as water, wastewater, stormwater, and the building services department.

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, commonly referred to as Rate Stabilization.



The total of the Town's reserves and reserve funds at the end of 2024 was \$149.9 million, an increase of \$20.4 million from the beginning of the year. The major factors for the increase were increased contributions to the asset management funds by \$31.5 million, and a decrease in capital and operating reserves of \$10.8 million for the water meter replacement program, and other general capital replacements.

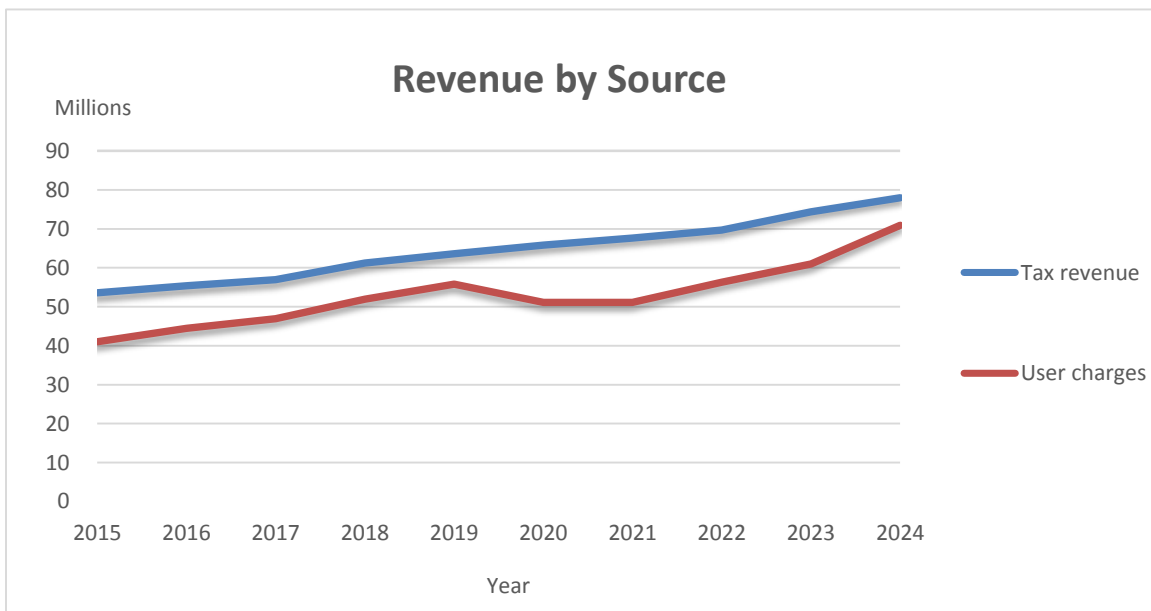
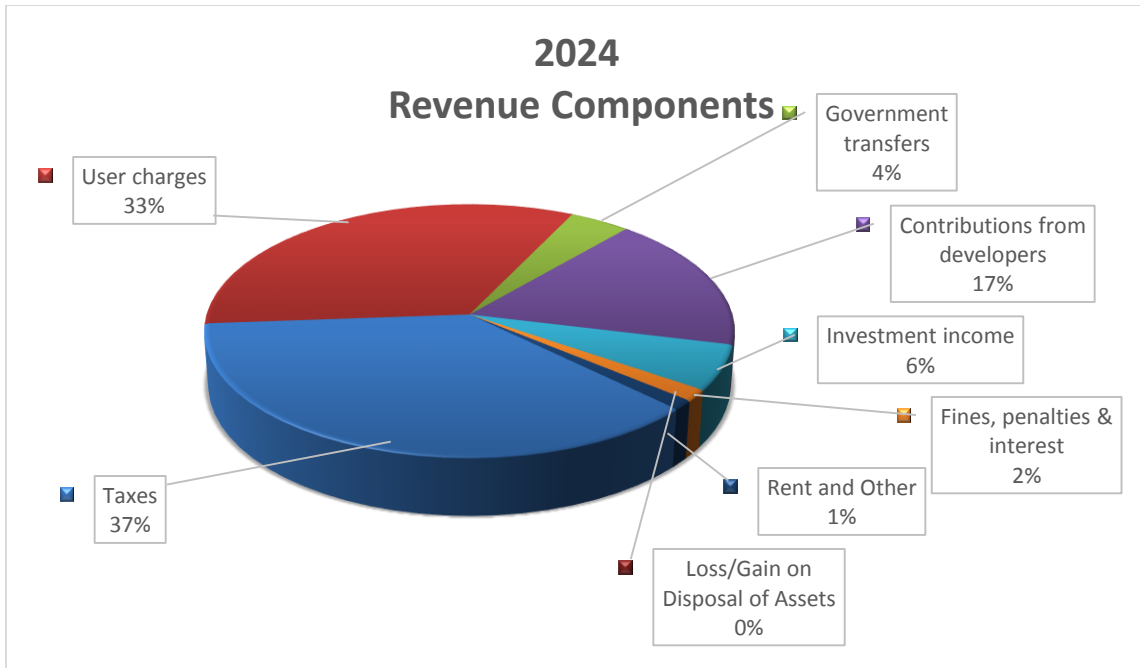


Consolidated statement of operations and surplus

The consolidated statement of operations reports the revenues 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, penalty and interest, rent, land sales, and sale of goods.



Revenue highlights for 2024 included:

- Property taxes increased by \$3.6 million. The percentage of revenue from property taxes was 36.7% of total revenues (consistent with prior years). Property taxes are the most stable and reliable source of revenue for a municipality.

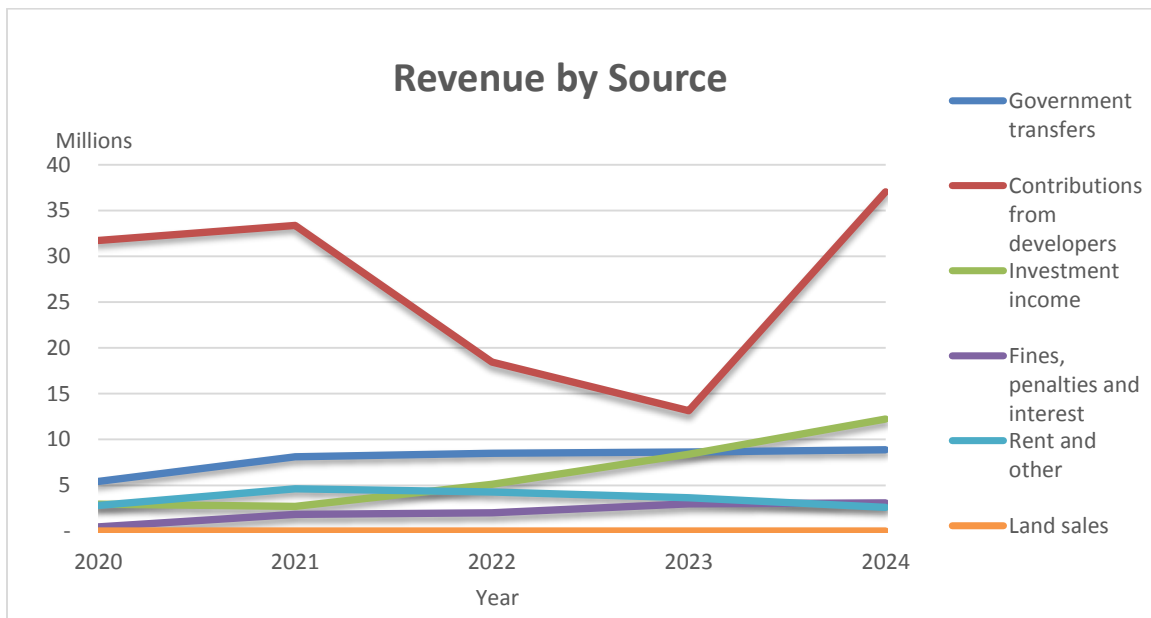
Write-offs, which reduce tax revenues, were lower compared to 2023 by \$0.2 million.

The Town approved a total of \$0.7 million in charity rebates in 2024 based on 34 applicants, which was slightly higher than 2023.

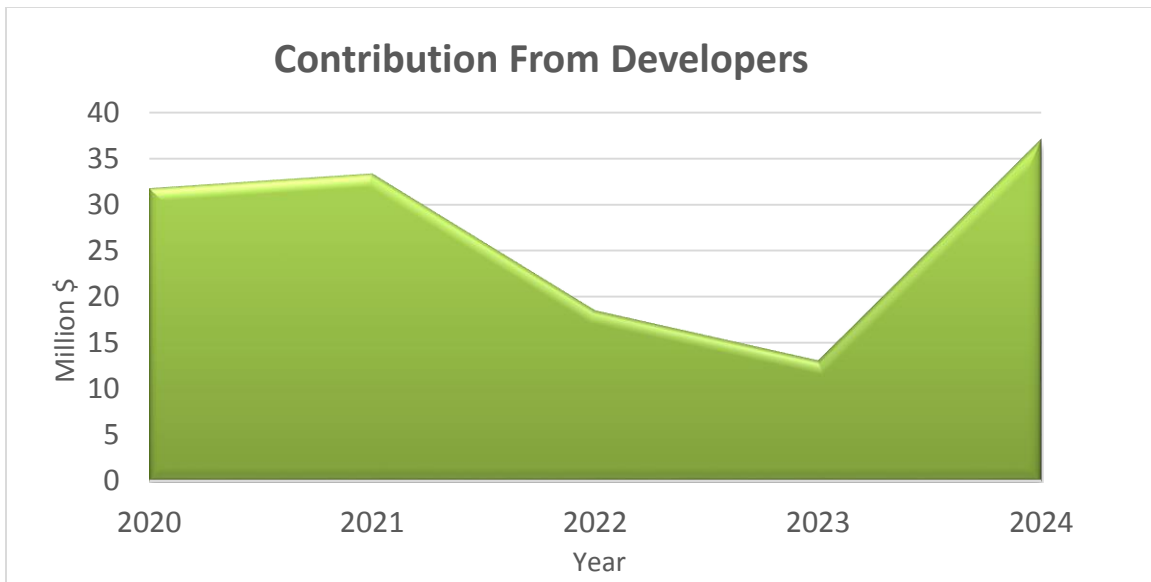
- User charges were \$10.0 million higher than in 2023. The charges include water, wastewater, and stormwater revenues, recreation program revenues, license fees, and building permit fees. Fees and charges increased on average by 3.4% in 2024.

In 2024, Water and Wastewater rates were increased on average by 3.5% for residential customers in accordance with the 10-Year Financial Plans. Water & Wastewater increase was \$49 based on annual water consumption of 200 cubic meters.

Stormwater rates were also increased in accordance with the 10-Year Financial Plans, the increase was \$125 based on a 465 square metre lot.



- Government transfers were higher than in 2023 by \$0.2 million.
- Contributions from developers were \$24.0 million higher than in 2023, due to an increase in development charge funding for capital projects, mainly the Mulock Park Construction.



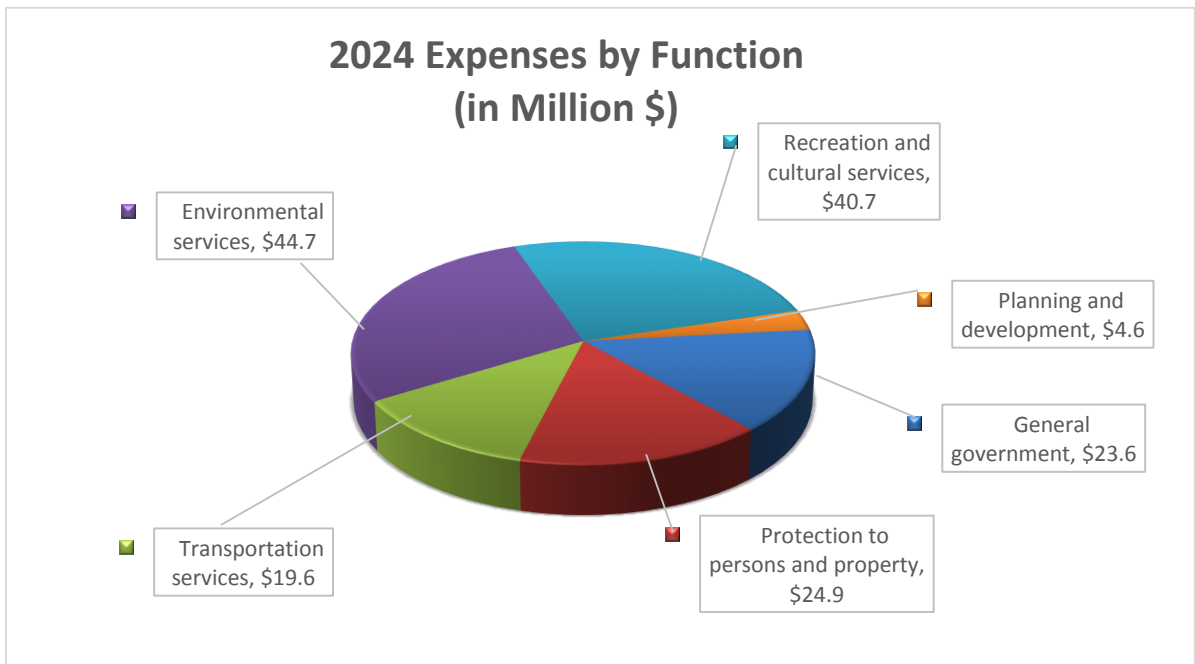
- Investment Income was \$3.9 million higher than in 2023. This was mainly due to unrealized capital gains from One Investment in 2024 of \$3.0 million.

The Town's investments included several non-traditional investments (loan to a user group, installation of solar panels, and an energy retrofit project).

The Town recorded the dividend from Newmarket-Tay Power as a transfer to the Asset Management Funds. Dividends of \$1.3 million were received and recognized in 2024.

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

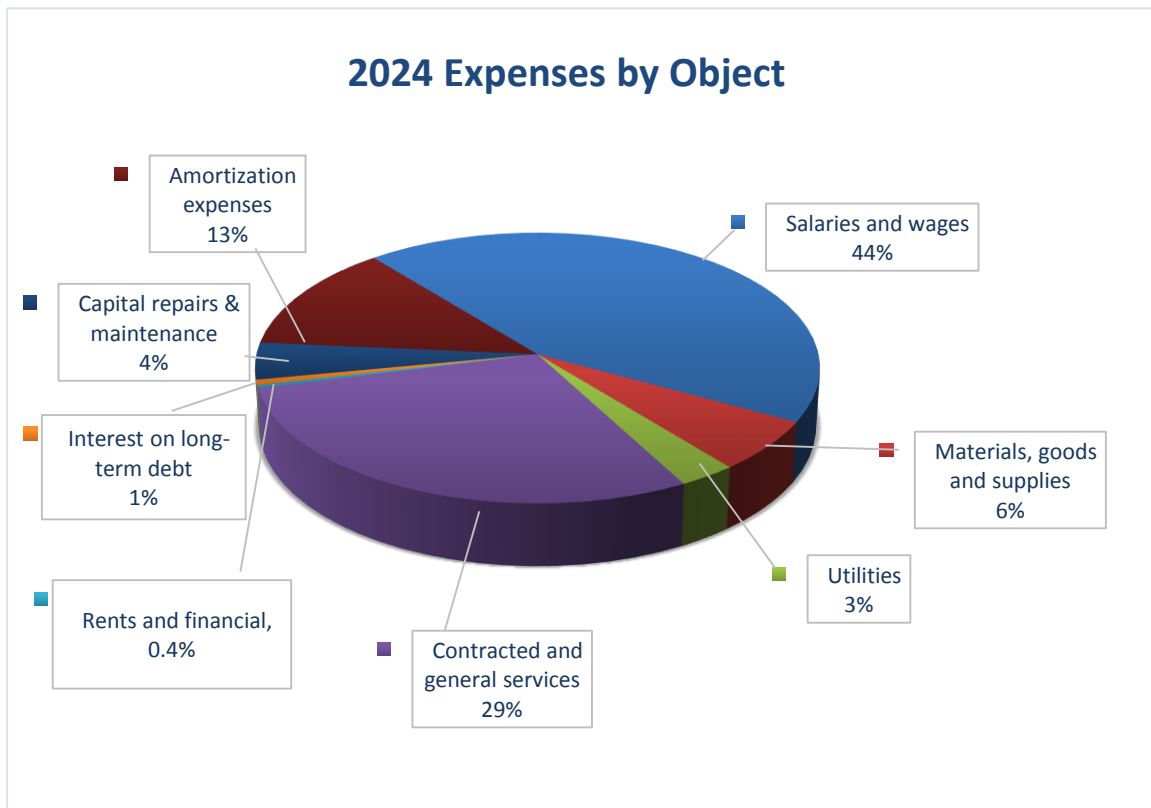
Recreational and cultural services:

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 40-41) shows a breakdown of these costs by service bundle.



- Total expenses in 2024 were \$158.1 million, an increase of \$9.9 million over 2023.
- Salaries, wages, and benefits represent 44% of total expenses. The economic increase in 2024 was 2.4%. Additionally, a provision for the potential costs for the renewal of the CYFS collective agreement, which ended December 31, 2023, was accrued in 2024.
- Materials, goods, and supplies (including minor capital, water meters, and materials for main replacement, equipment rental, and repairs and maintenance) increased by \$2.3 million over 2023, mainly due to playground equipment replacement, park spot improvements, HVAC facility repairs and maintenance, and various equipment repairs.
- Utilities increased by \$1.1 million compared to 2023, mainly due to increased costs for streetlighting maintenance.
- Contracted and general services were \$0.5 million higher compared to 2023. The areas with the highest year-over-year change were due to increased costs

for computer software, consulting costs for legal and asset management, and an increase in insurance costs.

- Rent and Financial was lower by \$0.4 million compared to 2023. Due to a higher bad debt provision recorded in 2023.
- Amortization (or depreciation) increased by 1.8% over 2023.

Annual (current year) surplus

The annual (current year) surplus for the year was \$57.7 million (Accumulated Operating Surplus year-over-year change). Accumulated operating surplus \$799.8 million (2023 - \$742.1 million).

Conclusion

The Town's Fiscal Strategy has been endorsed by Council since 2020 to ensure the Town's future sustainability as a community. As recommended by the Fiscal Strategy, the Town continues to make contributions to reserves and pay down debt. These remain the primary objectives, as well as keeping municipal taxes low while maintaining the high level of services, investing in assets, and preparing for the future. To support a growing population, the Town is committed to using assessment growth revenues to fund growth-related expenditures. The Town has a strong financial foundation to navigate through economic uncertainty.