

Consolidated financial statements of

**The Corporation of the
Town of Newmarket**

December 31, 2020

Draft

The Corporation of the Town of Newmarket

December 31, 2020

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Draft

Independent Auditor's Report

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

Opinion

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

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

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

December 31, 2020

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

Contingencies and lease agreements (Notes 17 and 18)

THE CORPORATION OF THE TOWN OF NEWMARKET
Consolidated Statement of Operations and Accumulated Surplus
Year ended December 31, 2020

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

THE CORPORATION OF THE TOWN OF NEWMARKET
Consolidated Statement of Operations and Accumulated Surplus
Year ended December 31, 2020

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

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

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

THE CORPORATION OF THE TOWN OF NEWMARKET

Consolidated Statement of Cash Flows

Year ended December 31, 2020

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

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

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES

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

Significant accounting policies adopted by the Town are as follows:

(a) (i) Reporting entity

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

(ii) Investment in Newmarket Hydro Holdings Inc.

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

(iii) Accounting for Region of York and School Board transactions

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

(b) Basis of accounting

(i) Accrual basis of accounting

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of accounting (continued)

(ii) Non-financial assets

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

(a) Tangible Capital Assets

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

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

Tangible capital assets are amortized in the month following the purchase or in-service date. One half of the annual amortization is charged in the year of acquisition for pooled assets. Assets under construction are not amortized until the tangible capital asset is available for productive use, at which time they are capitalized.

The Town has a capitalization threshold of \$40,000 for all categories except vehicles, machinery and equipment and computer hardware and software in which case the threshold is \$20,000. Individual assets of lesser value are expensed, unless they are pooled because, collectively, they have significant value. Examples of pools are computer systems, library collection, and streetlights. The Town's threshold for pooled assets is \$40,000. The Library pools all of their tangible capital assets and their capitalization threshold is \$10,000.

(b) Contribution of tangible capital assets

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

(c) Interest capitalization

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

(d) Leases

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

(e) Inventories

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of accounting (continued)

(iii) Surplus Land

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

(iv) Liability for contaminated sites

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

(v) Deferred revenue

Deferred revenues includes user charges, government transfers, development charges and other fees which have been collected but for which the related services have yet to be performed. These amounts will be recognized as revenues in the fiscal year the services are performed. The Town receives development charges under the authority of provincial legislation and Town by-laws. These funds, by their nature, are restricted in their use and, until applied to specific capital works, are recorded as deferred revenue. Amounts applied to qualifying capital projects are recorded as revenue in the fiscal period they are expended. See Note 14 for more details.

(vi) Employee future benefits

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

(vii) Long-Term Disability Benefits

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

(viii) Pension Plan

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(ix) Revenue Recognition

(a) Taxes and user charges

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

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

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

(b) Investment income

Investment income earned is reported as revenue in the period earned. Investment income earned on unspent development charges and other obligatory reserve funds is added to the fund balance and forms part of the deferred revenue balance.

(c) Government transfers

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

(x) Use of estimates

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

(xi) Budget figures

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

2. BUDGET RECONCILIATION

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

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

3. OPERATIONS OF SCHOOL BOARDS AND THE REGION OF YORK

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

| | <u>School Boards</u> | <u>Region</u> |
|--|----------------------|---------------|
| Property taxes and taxation from other governments | \$ 50,982,041 | \$ 68,386,196 |

4. CASH AND CASH EQUIVALENTS

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

Cash is segregated as follows:

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

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

5. TEMPORARY INVESTMENTS

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

| | 2020 | 2019 |
|----------------------------------|----------------------|----------------------|
| Cash held in investment accounts | \$ 130,960 | 216,343 |
| Maturity within 1-2 years | 49,459,809 | 40,024,592 |
| Maturity within 2-3 years | 12,745,521 | 7,139,102 |
| Maturity within 3-4 years | 2,498,015 | 9,466,981 |
| Maturity within 4-5 years | - | 6,121,242 |
| | \$ 64,834,304 | \$ 62,968,260 |

6. RECEIVABLES

(a) Taxes receivable

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

(b) Accounts receivable

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

(c) Loans receivable

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

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

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

7. PREPAID EXPENSES AND OTHER

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

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

8. INVENTORY FOR RESALE

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

9. SURPLUS LAND

The Town owns three parcels of land that are declared surplus. One is for access to a storm water management pond with a carrying value of \$121,687, the other two small parcels of land is road allowance, with a cumulative carrying value of \$33,598.

10. INVESTMENT IN NEWMARKET HYDRO HOLDINGS INC.

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

Effective May 1, 2007 Newmarket Hydro Ltd. merged with Tay Hydro Electric Distribution Company Inc. to form Newmarket-Tay Power Distribution Ltd. Newmarket Hydro Holdings Inc. owns 93% of the outstanding common shares of Newmarket-Tay Power Distribution Ltd.

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

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

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

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

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

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

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

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

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

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

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

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

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

12. EMPLOYEE FUTURE BENEFITS LIABILITY

The Town provides certain employee benefits that will require funding in future periods. Under the post-retirement benefit plan, employees may be entitled to a cash payment after they leave the Town's employment. An actuarial estimate of liabilities for employee future benefits was completed in 2019 which forms the basis for the estimated liability reported in these consolidated financial statements.

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

Employee Future Benefits are comprised of health and dental benefits that are provided to retirees and employees currently on a long-term disability. The Town recognizes these post-retirement costs as they are earned during the employee's tenure of service. The projected benefit liability of \$7,323,665 was determined by the last actuarial valuation carried out as at December 31, 2019 using a discount rate of 2.8%.

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

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

12. EMPLOYEE FUTURE BENEFITS LIABILITY (continued)

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

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

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

(a) Interest (discount) rate

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

(b) Health costs

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

(c) Dental costs

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

13. LONG-TERM DISABILITY BENEFITS PAYABLE

The Town provides disabled employees who meet the requirements for Long Term Disability (LTD) monthly disability income, life insurance, health, and dental benefits. An actuarial valuation for currently disabled employees was completed as at December 31, 2020.

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

Actuarial valuations for accounting purposes are normally performed every two years using the projected benefit method. The most recent actuarial report was prepared at December 31, 2020. The unamortized actuarial gain will be amortized into future years' expenses over 5 years, the average expected period during which benefits will be paid.

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

(a) Interest (discount) rate

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

(b) Health and dental costs

Health trend rates are assumed to increase by 6.5% starting in 2022 and decrease linearly to 4.5% per year in 2030. Dental cost premiums are assumed to increase by 4.0% per year starting in 2022.

14. DEFERRED REVENUE

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

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

| | Beginning Balance 2020 | Inflows | Outflows | Ending Balance 2020 |
|------------------------------------|---------------------------|---------------|---------------|------------------------|
| Parkland | \$ 1,834,160 | \$ 3,606,012 | \$ 250,000 | \$ 5,190,172 |
| Development Charges | 28,094,696 | 10,641,198 | 5,733,223 | 33,002,671 |
| Building Permit Fees | 4,158,885 | 61,491 | 1,505,800 | 2,714,576 |
| Engineering Administration | 505,399 | 582,690 | 944,572 | 143,517 |
| Gas Tax | 6,608,854 | 2,726,579 | 1,314,489 | 8,020,944 |
| Sub-total Obligatory Reserve Funds | 41,201,994 | 17,617,970 | 9,748,084 | 49,071,880 |
| Other | 1,806,300 | 3,727,608 | 4,018,984 | 1,514,924 |
| Total | \$ 43,008,294 | \$ 21,345,578 | \$ 13,767,068 | \$ 50,586,804 |

15. LONG-TERM DEBT

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

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

15. LONG-TERM DEBT (Continued)

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

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

(c) Interest expense on long-term debt amounted to \$1,770,263 (2019 - \$2,094,086). Interest expense includes the net decrease in accrual amount of \$57,500 (2019 - \$210,653).

16. INSURANCE COVERAGE

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

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

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

17. CONTINGENCIES

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

18. LEASE AGREEMENTS

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

| | |
|------|-------------------|
| 2021 | \$ 148,818 |
| 2022 | 148,086 |
| 2023 | 108,410 |
| | \$ 405,314 |

19. CONTRACTUAL OBLIGATIONS

During the year the Town performed work on several major projects relating to the construction, repair and replacement of certain facilities and infrastructure. The total purchase commitment from such contracts amounted to approximately \$66,100,000 (2019 - \$53,560,000) of which expenses of approximately \$21,500,000 (2019 - \$16,900,000) were outstanding as at December 31, 2020.

The Town also entered into various multiple-year contracts for the delivery of services with respect to waste collection, snow plowing, infrastructure and facility maintenance. The total purchase commitment from such contracts amounted to approximately \$81,200,000 (2019 - \$64,100,000), of which expenses of approximately \$29,900,000 (2019 - \$19,500,000) were outstanding as at December 31, 2020.

20. PENSION AGREEMENTS

OMERS provides pension services to over 500,000 active and retired members from approximately 1,000 participating employers. Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the "Plan") by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted as at December 31, 2020. The results of this valuation disclosed total actuarial liabilities of \$113.1 million in respect of benefits accrued for service with actuarial assets at that date of \$109.8 million indicating an actuarial deficit of \$3.2 million. Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Town does not recognize any share of the OMERS pension surplus or deficit.

Contributions in 2020 ranged from 9% to 15.8% depending on the proposed retirement age and level of earnings. Contributions made by the Town to OMERS on account of current service for the year were \$4,932,027 (2019 - \$4,813,590).

21. ACCUMULATED SURPLUS

The Accumulated Surplus is comprised of the following:

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

22. GOVERNMENT TRANSFERS

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

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

23. CENTRAL YORK FIRE SERVICES

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

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

24. TANGIBLE CAPITAL ASSETS

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

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

a) Tangible capital assets recognized at nominal value.

Certain assets have been assigned a nominal value because of the difficulty of determining a valuation. The most significant such asset is the land under the Town's roads which has been assigned a nominal value of one dollar per kilometer of road length. The 2020 road network had 251 kilometers (2019 - 243 kilometers).

b) Capitalization of interest

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

c) Construction in Progress

The financial statements and accompanying schedules include \$10,084,262 (2019 - \$15,420,528) of tangible assets that have not been amortized.

d) Contributed Tangible Capital Assets

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

| | <u>2020</u> | <u>2019</u> |
|-----------------------------|----------------------|-------------------|
| Linear Assets | \$ 22,241,000 | \$ - |
| Storm Water Management Pond | - | 155,733 |
| Streetlights | 437,699 | 522,701 |
| | \$ 22,678,699 | \$ 678,434 |

25. SEGMENTED INFORMATION

Certain allocation methodologies are employed by the Town in the preparation of segmented financial information. Government grants, user charges, transfers from other funds, and other revenues are allocated to the specific program or service they relate to. Expense allocations are both internal and external. There is an external allocation to the Town of Aurora for its share of the costs of running Central York Fire Services (see Note 23). Activity based costing is used to allocate internal support costs to departments. These costs include the net expenses for departments, such as human resources, information systems, finance and others, commonly referred to as overhead. Measures of activity, or drivers, are used to apportion the support costs.

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

Schedule 2 Service Bundles

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

Fire & Emergency Services

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

Water, Wastewater & Solid Waste

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

By-law & Licensing Services

The Town issues a variety of licenses including marriage, taxicab and animal licenses. It ensures an acceptable quality of building construction and maintenance of properties through enforcement of construction codes, building standards and by-law for the protection of occupants. It facilitates economic development by providing services for the approval of all land development plans, the application and enforcement of zoning by-laws and the processing of building permit applications.

Roads, Bridges & Sidewalks

The Public Works and Environmental Services department is responsible for the cleanliness, safety and maintenance of the Town's paved roads, bridges and sidewalks.

Planning & Development Services

The Town creates plans for Newmarket's future. It manages urban development for business interests, environmental concerns, heritage matters, local neighbourhoods and the downtown through Town planning, community development, parks and riverbank planning.

Community Programs & Events

The Town provides public services that contribute to neighbourhood development and sustainability through the provision of recreation and leisure services such as fitness and aquatic programs. It also hosts community special events throughout the year.

Facilities, Parks & Trails

The Town maintains numerous recreation facilities, as well as indoor community space for booking and community use. It also maintains parks and playgrounds, open spaces, and a vast trail system.

25. SEGMENTED INFORMATION (Continued)

Corporate Support & Governance

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

Public Library Services

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

Main Street District BIA

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

26. PANDEMIC RESPONSE

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

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

27. RELATED PARTIES

A consulting company has provided services to the Town of Newmarket during 2020 in the amount of \$605,170 (\$1,532,306 in 2019). A member of the company's management was the spouse of a Director for the Town at the time the services were contracted.

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

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

Schedule 1

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

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

Schedule 1

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

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

Schedule 2

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

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

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

Schedule 2

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

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

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

Schedule 2

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

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