

***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.

- 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

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# THE CORPORATION OF THE TOWN OF NEWMARKET

## **DRAFT** Consolidated Statement of Financial Position

December 31, 2024, with comparative information for 2023

	2024	2023
<b>Financial Assets</b>		
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
	<b>307,803,707</b>	<b>295,637,367</b>

## 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
	<b>132,369,233</b>	<b>146,854,361</b>

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
	<b>627,714,757</b>	<b>594,251,237</b>

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

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

### **1. Significant accounting policies:**

The consolidated financial statements 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

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### **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

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### 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:

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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

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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

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### **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

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### 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

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### 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

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### **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

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### **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

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### 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
	<b>\$ 103,330,230</b>	<b>\$ 98,315,708</b>

### 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
	<b>\$ 14,704,822</b>	<b>\$ 12,674,845</b>

# 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
	<u>\$ 1,939,180</u>	<u>\$ 2,480,344</u>

### **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
<b>Total investment</b>	<b>\$ 59,363,902</b>	<b>\$ 57,948,486</b>

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

	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
<b>Financial position</b>		
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
<b>Total assets</b>	<b>\$ 236,411,181</b>	<b>\$ 207,276,085</b>
Current liabilities	\$ 36,731,424	\$ 31,374,697
Long-term liabilities	131,256,033	111,625,737
<b>Total liabilities</b>	<b>167,987,457</b>	<b>143,000,434</b>
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
<b>Total liabilities and equity</b>	<b>\$ 236,411,181</b>	<b>\$ 207,276,085</b>
<b>Results of operations</b>		
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
<b>Net income</b>	<b>2,799,827</b>	<b>2,469,603</b>
Other comprehensive loss	(52,312)	(87,334)
<b>Net income and comprehensive income</b>	<b>\$ 2,747,515</b>	<b>\$ 2,382,269</b>
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)
<b>Retained earnings, end of year</b>	<b>\$ 29,754,560</b>	<b>\$ 28,339,144</b>

# 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
<b>Employee future benefits liability</b>	<b>\$ 8,686,500</b>	<b>\$ 8,394,500</b>
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)
<b>Employee future benefits liability, end of year</b>	<b>\$ 8,686,500</b>	<b>\$ 8,394,500</b>

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)
<b>Long-term disability benefits payable</b>	<b>\$ 6,118,401</b>	<b>\$ 5,284,101</b>
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)
<b>Long-term disability benefits payable, end of year</b>	<b>\$ 6,118,401</b>	<b>\$ 5,284,101</b>

# THE CORPORATION OF THE TOWN OF NEWMARKET

## **DRAFT** Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

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### **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

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### **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

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### **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

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### **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

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### **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

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### **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

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### **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

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### **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
<b>Total tangible capital assets</b>	<b>\$ 974,989,234</b>	<b>\$ 62,485,832</b>	<b>\$ (10,036,004)</b>	<b>\$ -</b>	<b>\$ 1,027,439,062</b>	<b>\$ 384,460,064</b>	<b>\$ 20,233,222</b>	<b>\$ (1,874,195)</b>	<b>\$ 402,819,091</b>	<b>\$ 624,619,971</b>

# 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	22,806,903	15,600,278	(12,481,050)	—	25,926,131	—	—	—	—	25,926,131
<b>Total tangible capital assets</b>	<b>\$ 938,011,975</b>	<b>\$ 51,557,272</b>	<b>\$ (14,580,013)</b>	<b>\$ —</b>	<b>\$ 974,989,234</b>	<b>\$ 366,602,880</b>	<b>\$ 19,867,723</b>	<b>\$ (2,010,539)</b>	<b>\$ 384,460,064</b>	<b>\$ 590,529,170</b>

# 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