

Consolidated Financial Statements of

**THE CORPORATION OF  
THE TOWN OF NEWMARKET**

And Independent Auditor's Report thereon

Year ended December 31, 2023



## **KPMG LLP**

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## **INDEPENDENT AUDITOR'S REPORT**

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

### ***Opinion***

We have audited the 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, 2023
- 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, 2023, 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.



***Emphasis of Matter - Prospective Change in Accounting Policy***

We draw attention to Note 27 to the financial statements which indicates that the City has adopted certain public sector accounting standards on a prospective basis. Our opinion is not modified in respect of this matter.

***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.



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- 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.

A handwritten signature in black ink that reads 'KPMG LLP' in a cursive, slanted font. A horizontal line is drawn underneath the signature.

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

June 24, 2024

# THE CORPORATION OF THE TOWN OF NEWMARKET

## Consolidated Statement of Financial Position

December 31, 2023, with comparative information for 2022

	2023	2022
<b>Financial Assets</b>		
Cash and cash equivalents (note 4)	\$ 95,801,297	\$ 144,550,381
Investments (note 5(a), (b), (c) and (d))	98,315,708	61,207,652
Tax receivable (note 6(a))	12,674,845	9,318,160
User charges receivable	11,375,099	9,963,871
Accounts receivable (note 6(b))	7,140,331	4,826,132
Inventory for resale (note 8)	58,131	81,260
Surplus land (note 9)	155,285	155,285
Loans receivable (note 6(c))	12,168,185	11,718,339
Investment in Newmarket Hydro Holdings Inc. (note 10)	57,948,486	56,902,217
	<u>295,637,367</u>	<u>298,723,297</u>

## Liabilities

Accounts payable and accrued liabilities (note 11)	37,444,173	51,396,335
Interest payable on long-term debt	462,474	528,945
Employee future benefits liability (note 12)	9,044,891	8,790,679
Long-term disability benefits liability (note 13)	5,284,101	4,784,927
Deferred revenue (note 14)	59,536,943	58,182,754
Long-term debt (note 15)	29,909,074	33,984,039
Asset retirement obligation (note 16)	5,172,705	—
	<u>146,854,361</u>	<u>157,667,679</u>
Net financial assets	148,783,006	141,055,618

## Non-Financial Assets

Inventory (note 8)	1,241,723	1,279,996
Prepaid expenses and other (note 7)	2,480,344	2,084,899
Tangible capital assets (note 25)	590,529,170	571,409,095
	<u>594,251,237</u>	<u>574,773,990</u>

Accumulated surplus (note 22)	\$ 743,034,243	\$ 715,829,608
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### Accumulated surplus comprises:

Accumulated operating surplus	\$ 742,119,577	\$ 715,829,608
Accumulated remeasurement gains	914,666	—

Accumulated surplus (note 22)	\$ 743,034,243	\$ 715,829,608
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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

## Consolidated Statement of Operations

Year ended December 31, 2023, with comparative information for 2022

	Budget 2023 (note 2)	Actual 2023	Actual 2022
<b>Revenue:</b>			
Taxation and user charges:			
Residential and farm taxation	\$ 61,716,031	\$ 61,436,915	\$ 57,438,549
Commercial, industrial and business taxation	11,250,209	11,980,103	11,289,719
Taxation under other governments	743,725	960,804	933,419
User charges	62,090,119	60,942,667	56,249,713
	<u>135,800,084</u>	<u>135,320,489</u>	<u>125,911,400</u>
Government transfers (note 23):			
Government of Canada	100,000	235,640	590,364
Federal Building Canada Fund (note 14)	3,944,000	2,908,072	2,653,877
Province of Ontario	2,995,891	5,503,686	5,234,357
	<u>7,039,891</u>	<u>8,647,398</u>	<u>8,478,598</u>
Other:			
Contributions from developers	31,980,830	13,147,192	18,446,726
Investment	2,779,083	8,376,333	5,110,724
Fine, penalties and interest	1,745,993	2,975,833	1,990,122
Rent and other	3,593,723	3,636,422	4,249,530
Gain on disposal of tangible capital assets	—	151,221	1,940,435
	<u>40,099,629</u>	<u>28,287,001</u>	<u>31,737,537</u>
	<u>182,939,604</u>	<u>172,254,888</u>	<u>166,127,535</u>
<b>Expenses (note 26):</b>			
General government	21,479,917	23,014,069	21,100,426
Protection to persons and property	21,669,295	21,937,136	21,561,104
Transportation services	16,786,680	17,603,431	14,995,754
Environmental services	46,470,133	45,371,169	42,830,458
Recreation and cultural services	37,863,666	36,960,228	34,969,226
Planning and development	3,761,180	3,297,641	3,150,806
	<u>148,030,871</u>	<u>148,183,674</u>	<u>138,607,774</u>
	<u>34,908,733</u>	<u>24,071,214</u>	<u>27,519,761</u>
Income from Newmarket Hydro Holdings Inc. (note 10)	2,000,000	2,469,603	10,251,402
Gain (loss) on foreign exchange	—	(250,848)	554,173
Annual surplus	36,908,733	26,289,969	38,325,336
Accumulated operating surplus, beginning of year	715,829,608	715,829,608	677,504,272
Accumulated operating surplus, end of year	<u>\$ 752,738,341</u>	<u>\$ 742,119,577</u>	<u>\$ 715,829,608</u>

See accompanying notes to consolidated financial statements.

# THE CORPORATION OF THE TOWN OF NEWMARKET

## Consolidated Statement of Remeasurement Gains and Losses

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Accumulated remeasurement gains, beginning of year	\$ —	\$ —
Unrealized gains attributable to fair value adjustment (note 5(d))	1,002,000	—
Other comprehensive loss from Newmarket Hydro Holdings Inc. (note 10)	(87,334)	—
Accumulated remeasurement gains, end of year	\$ 914,666	\$ —

See accompanying notes to consolidated financial statements.

# THE CORPORATION OF THE TOWN OF NEWMARKET

## Consolidated Statement of Change in Net Financial Assets

Year ended December 31, 2023, with comparative information for 2022

	Budget 2023 (note 2)	Actual 2023	Actual 2022
Annual surplus	\$ 36,908,733	\$ 26,289,969	\$ 38,325,336
Acquisition of tangible capital assets	(40,747,490)	(28,453,973)	(24,623,692)
Contributed tangible capital assets	–	(5,638,022)	(8,594,938)
Amortization of tangible capital assets	19,662,190	19,867,723	18,408,705
Proceeds on disposal of tangible capital assets	–	239,645	2,063,933
Gain on disposal of tangible capital assets	–	(151,221)	(1,940,435)
Adjustment on the adoption of the asset retirement obligation	–	(4,984,227)	–
	(21,085,300)	(19,120,075)	(14,686,427)
Changes in inventory balance	(25,600)	38,273	(180,994)
Changes in prepaid expenses and other	140,000	(395,445)	(33,653)
	114,400	(357,172)	(214,647)
Increase in remeasurement gains	–	914,666	–
Change in net financial assets	15,937,833	7,727,388	23,424,262
Net financial assets, beginning of year	141,055,618	141,055,618	117,631,356
Net financial assets, end of year	\$ 156,993,451	\$ 148,783,006	\$ 141,055,618

See accompanying notes to consolidated financial statements.



# THE CORPORATION OF THE TOWN OF NEWMARKET

## Consolidated Statement of Cash Flows

Year ended December 31, 2023, with comparative information for 2022

	Budget 2023	Actual 2023	Actual 2022
	(note 2)		
Cash provided by (used in):			
Operating activities:			
Cash received from:			
Taxation	\$ 74,182,929	\$ 70,286,330	\$ 68,980,749
User charges	62,119,571	60,043,876	56,657,868
Government transfers	7,039,891	9,744,039	5,398,268
Contributions from developers	16,796,196	3,121,560	21,465,042
Investment income	2,779,083	8,204,512	3,797,125
Fine, penalties and interest	1,745,993	2,737,206	2,090,548
Rent and other	3,593,723	3,438,394	4,226,030
Aurora's share of Central York Fire Services	12,722,927	12,451,188	12,279,515
	180,980,313	170,027,105	174,895,145
Cash paid for:			
Salaries, wages, and employee benefits	68,802,970	70,319,987	66,961,883
Materials, goods and supplies	6,546,853	6,646,966	5,867,894
Utilities	3,851,744	3,978,288	3,776,220
Contracted and general services	34,928,588	58,680,780	28,875,180
Capital repairs and maintenance	6,857,129	4,187,252	12,616,394
Interest on long-term debt	1,273,411	1,273,411	1,467,543
Rents and financial	1,505,244	935,935	481,185
	123,765,939	146,022,619	120,046,299
	57,214,374	24,004,486	54,848,846
Capital activities:			
Proceeds on disposal of tangible capital asset	–	239,645	2,063,933
Acquisition of tangible capital assets	(40,747,490)	(28,453,973)	(24,623,692)
Asset retirement obligations	–	(4,984,227)	–
	(40,747,490)	(33,198,555)	(22,559,759)
Financing activities:			
Loans receivable issued during the year	(4,000,000)	(459,146)	(2,533,904)
Principal repayment on long-term debt	(4,074,965)	(4,074,965)	(3,880,833)
	(8,074,965)	(4,534,111)	(6,414,737)
Investing activities:			
Gain (loss) on foreign exchange	–	(250,848)	554,173
Repayment of Hydro promissory note	–	–	22,000,000
Temporary investments	(3,792,348)	(36,106,056)	(16,000,000)
Dividend received	–	1,336,000	1,486,000
	(3,792,348)	(35,020,904)	8,040,173
Increase (decrease) in cash and cash equivalents	4,599,571	(48,749,084)	33,914,523
Cash and cash equivalents, beginning of year	144,550,381	144,550,381	110,635,858
Cash and cash equivalents, end of year	\$ 149,149,952	\$ 95,801,297	\$ 144,550,381
Supplemental information:			
Interest paid		\$ 1,481,758	\$ 1,690,133
Interest received		8,356,127	3,611,217

See accompanying notes to consolidated financial statements.

# THE CORPORATION OF THE TOWN OF NEWMARKET

## Notes to Consolidated Financial Statements

Year ended December 31, 2023

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

### 1. Significant accounting policies:

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

Significant accounting policies adopted by the Town are as follows:

#### (a) 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 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

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

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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

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

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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

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

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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

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

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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 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

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

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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:

#### (i) 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 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.

# THE CORPORATION OF THE TOWN OF NEWMARKET

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

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## 1. Significant accounting policies (continued):

### (ii) 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.

### (iii) 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.

### (r) Use of estimates:

The preparation of financial statements in conformity with 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 and long-term disability benefits liability. Actual results could differ from these estimates.

In addition, the Town implementation of PS3280 Asset Retirement Obligations has resulted in the requirement for management to make estimates regarding the useful lives of affected tangible capital assets and the expected retirement costs, as well as the timing and duration of these retirement costs.



# THE CORPORATION OF THE TOWN OF NEWMARKET

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

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## 1. Significant accounting policies (continued):

### (s) 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.

### (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.

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. Under the prospective method, the assumptions used on initial recognition are those as of the date of adoption of the standard. Any adjustments resulting from the prospective application are recorded in the statement of operations in the year of adoption. The recognition of a 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(b)(ii)(a).

# THE CORPORATION OF THE TOWN OF NEWMARKET

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

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## 1. Significant accounting policies (continued):

### (u) Financial instruments:

The Town financial instruments include cash, accounts receivable, accounts payable, accrued liabilities, accrued payroll and benefits, and long-term debt. The carrying value of cash, 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, 2023:

Financial instruments	Measurement
Cash	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
Principle protected note embedded derivatives	Fair value
Investment with ONE Investment	Amortized cost

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Unrealized changes in fair value on principle protected note embedded derivatives are recognized in the consolidated statement of re-measurement gains and losses until they are realized, when they are transferred to the consolidated statement of operations.

Investment with ONE Investment is recorded at amortized cost.

# THE CORPORATION OF THE TOWN OF NEWMARKET

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

## 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 2023:		
Operating fund - April 3, 2023	\$ 147,074,793	\$ 147,074,793
Less:		
Principal payment on long-term debt	–	(4,074,965)
Transfers to/from other funds	(2,118,622)	(19,182,748)
Capital budget - April 3, 2023	63,078,700	63,078,700
Less transfers to/from other funds	(27,281,350)	–
Reserves and reserve funds - June 19, 2023	21,368,831	29,399,972
Less transfers to/from other funds	(19,182,748)	(29,399,972)
Total council approved budget	182,939,604	186,895,780
Less capitalized tangible capital assets	–	(58,210,700)
Plus:		
Budgeted amortization expense	–	19,662,190
Post-employment benefit expenses	–	(316,399)
Investment income from Newmarket Hydro Holdings Inc.	2,000,000	–
Budget as presented on the consolidated statement of operations and accumulated surplus	\$ 184,939,604	\$ 148,030,871

# THE CORPORATION OF THE TOWN OF NEWMARKET

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

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

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

	School boards	Region of York
Property taxes and taxation from other governments	\$ 50,550,849	\$ 75,761,480

### 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:

	2023	2022
Restricted - Obligatory Reserve Funds (note 14)	\$ 55,768,994	\$ 54,683,349
Designated - reserve funds (note 22)	94,680,542	91,595,733
	150,449,536	146,279,082
Less:		
Temporary investments (note 5(a) and (c))	73,403,488	38,383,448
Long-term investments (note 5(b))	23,910,220	22,824,204
	97,313,708	61,207,652
	53,135,828	85,071,430
Unrestricted and undesignated	42,665,469	59,478,951
	\$ 95,801,297	\$ 144,550,381

# THE CORPORATION OF THE TOWN OF NEWMARKET

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

## 5. Investments:

- (a) Temporary investments are recorded at the lower of cost and market value which are comprised of cash held in investment accounts and guaranteed investment certificates with maturities up to December 7, 2033, earning interest at annual rates ranging from 0.60% to 6.10% per annum.

	2023	2022
Cash held in investment accounts	\$ 198,459	\$ 297,247
Maturity within 1 - 2 years	18,539,544	26,402,111
Maturity within 2 - 3 years	2,371,797	7,353,899
Maturity within 3 - 4 years	2,293,688	283,323
Maturity within 4 - 5 years	8,000,000	46,868
Maturity within 5 - 6 years	-	-
Maturity within 6 - 7 years	10,000,000	-
Maturity within 7 - 8 years	-	-
Maturity within 8 - 9 years	10,000,000	-
Maturity within 9 - 10 years	-	-
	<b>\$ 51,403,488</b>	<b>\$ 34,383,448</b>

- (b) Long-term investments are held with ONE Investment, a professionally managed group of investment funds composed of pooled investments that meet the eligibility criteria defined by O. Reg 435/97. The book value of ONE Investment at the end of 2023 was \$23,910,220 (2022 - \$22,824,204). During the year, a realized gain and investment income of \$1,086,000 was recorded.

- (c) Principal protected participation notes 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.

	2023	2022
Maturity within 1 year	\$ 2,000,000	\$ -
Maturity within 1 - 2 years	-	4,000,000
Maturity within 7 - 8 years	10,000,000	-
Maturity within 9 - 10 years	10,000,000	-
	<b>\$ 22,000,000</b>	<b>\$ 4,000,000</b>

- (d) During the year, there was an accumulated remeasurement gain of \$1,002,000 as a result of the prospective recording of unrealized gains.

# THE CORPORATION OF THE TOWN OF NEWMARKET

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

## 6. Receivables:

### (a) Tax receivable:

	2023	2022
Current year	\$ 13,808,901	\$ 7,705,796
Arrears previous years	81,686	2,828,107
	13,890,587	10,533,903
Less valuation allowance	1,215,742	1,215,743
	\$ 12,674,845	\$ 9,318,160

### (b) Accounts receivable:

	2023	2022
Government entities	\$ 2,600,404	\$ 2,292,213
Trade receivables, user fees and other receivables	5,026,500	2,569,400
	7,626,904	4,861,613
Less valuation allowance	486,573	35,481
	\$ 7,140,331	\$ 4,826,132

### (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.

# THE CORPORATION OF THE TOWN OF NEWMARKET

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

## 6. Receivables (continued):

	2023	2022
Due from developers	\$ 12,154,897	\$ 11,695,751
Other community loans	13,288	22,588
	<u>\$ 12,168,185</u>	<u>\$ 11,718,339</u>

## 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 (2022 - \$140,556).

	2023	2022
Prepaid insurance premiums and software licenses	\$ 1,197,371	\$ 700,154
Other prepaid artificial turf field shared use agreement	608,997	749,552
Miscellaneous prepaids	673,976	635,193
	<u>\$ 2,480,344</u>	<u>\$ 2,084,899</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.

# THE CORPORATION OF THE TOWN OF NEWMARKET

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

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## 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 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:

	2023	2022
Share capital:		
Newmarket Hydro Holdings Inc. - 201 common shares	\$ 29,609,342	\$ 29,609,342
Retained earnings, end of year:		
Newmarket Hydro Holdings Inc.	28,339,144	27,292,875
<b>Total investment</b>	<b>\$ 57,948,486</b>	<b>\$ 56,902,217</b>



# THE CORPORATION OF THE TOWN OF NEWMARKET

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

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

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.

	2023	2022
Revenue:		
Investment income	\$ 95,507	\$ 204,506
Rent, property tax and other	523,976	531,772
Other services	33,060	439,320
Expenses:		
Energy purchases	2,832,029	2,548,938
Services	4,561	–
Water and sewer	742,800	508,200
Dividends received during the year	1,336,000	1,486,000
Accounts payable	293,976	748,199

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# THE CORPORATION OF THE TOWN OF NEWMARKET

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

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

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

	2023	2022
<b>Financial position</b>		
Current assets	\$ 31,808,431	\$ 29,046,549
Capital assets, future income taxes and other	163,790,757	153,812,075
Regulatory deferral account debit balances	11,676,897	9,101,996
<b>Total assets</b>	<b>\$ 207,276,085</b>	<b>\$ 191,960,620</b>
Current liabilities	\$ 31,374,697	\$ 26,412,836
Long-term liabilities	111,625,737	104,655,233
<b>Total liabilities</b>	<b>143,000,434</b>	<b>131,068,069</b>
Non-controlling interest	4,019,984	3,990,334
Shareholder equity:		
Share capital	29,609,342	29,609,342
Retained earnings	28,109,441	26,975,838
Accumulated other comprehensive gain	229,703	317,037
	57,948,486	56,902,217
Regulatory deferral account credit balances	2,307,181	–
<b>Total liabilities and equity</b>	<b>\$ 207,276,085</b>	<b>\$ 191,960,620</b>
<b>Results of operations</b>		
Revenue	\$ 124,799,571	\$ 126,754,001
Operating expenses	(122,254,931)	(118,430,989)
Financing expenses	(3,022,735)	(1,587,562)
Other income	1,779,512	1,600,153
Non-controlling interest	(137,223)	(743,381)
Income taxes	(743,685)	(2,545,931)
Net movement on regulatory accounts	2,049,094	4,824,555
<b>Net income</b>	<b>2,469,603</b>	<b>9,870,846</b>
Other comprehensive income (loss)	(87,334)	380,556
<b>Net income and comprehensive income</b>	<b>\$ 2,382,269</b>	<b>\$ 10,251,402</b>
Retained earnings, beginning of year	\$ 27,292,875	\$ 18,527,473
Net income	2,382,269	10,251,402
Dividends paid	(1,336,000)	(1,486,000)
<b>Retained earnings, end of year</b>	<b>\$ 28,339,144</b>	<b>\$ 27,292,875</b>

# THE CORPORATION OF THE TOWN OF NEWMARKET

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

## 11. Accounts payable and accrued liabilities:

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

	2023	2022
Government entities	\$ 12,011,682	\$ 20,624,346
Payroll liabilities	4,552,649	4,446,615
Trade payables and other accrued liabilities	20,879,842	26,325,374
	<u>\$ 37,444,173</u>	<u>\$ 51,396,335</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.

	2023	2022
Employee future benefits liability	\$ 8,394,500	\$ 8,131,101
Vacation pay	650,391	659,578
	<u>\$ 9,044,891</u>	<u>\$ 8,790,679</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 \$8,394,500 was determined by the actuarial valuation carried out as at December 31, 2023, using a discount rate of 4.60%.

# THE CORPORATION OF THE TOWN OF NEWMARKET

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

## 12. Employee future benefits liability (continued):

Total benefit payments to retirees during the year were \$298,500 (2022 - \$284,244). The plan is substantially unfunded and requires no contributions from employees. The benefit liability as at December 31 includes the following components:

	2023	2022
Accrued benefits obligation	\$ 6,739,600	\$ 6,361,701
Unamortized actuarial losses	1,654,900	1,769,400
<b>Employee future benefits liability</b>	<b>\$ 8,394,500</b>	<b>\$ 8,131,101</b>
Employee future benefits liability, beginning of year	\$ 8,131,100	\$ 7,669,845
Annual amortization of actuarial losses	(114,500)	17,300
Current period service cost	373,500	508,000
Interest cost	302,900	220,200
Benefits paid	(298,500)	(284,244)
<b>Employee future benefits liability, end of year</b>	<b>\$ 8,394,500</b>	<b>\$ 8,131,101</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

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

## 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, 2023 of the future benefits was determined using a discount rate of 4.60% (2022 - 4.60%).

### (b) Health costs:

Health cost premiums were assumed to increase at a 4.00% rate (2022 - 4.00%).

### (c) Dental costs:

Dental cost premiums were assumed to increase at a 4.00% rate (2022 - 4.00%).

## 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, 2022.

	2023	2022
Accrued benefits obligation	\$ 8,197,097	\$ 8,038,356
Unamortized actuarial gains	(2,912,996)	(3,253,429)
<b>Long-term disability benefits payable</b>	<b>\$ 5,284,101</b>	<b>\$ 4,784,927</b>
Long-term disability benefits payable, beginning of year	\$ 4,784,927	\$ 4,637,489
Annual amortization of actuarial gain (losses)	340,433	(216,722)
Current period service cost	914,925	1,076,416
Interest cost	395,987	153,878
Benefits paid	(1,152,171)	(866,134)
<b>Long-term disability benefits payable, end of year</b>	<b>\$ 5,284,101</b>	<b>\$ 4,784,927</b>

# THE CORPORATION OF THE TOWN OF NEWMARKET

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

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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, 2022. 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, 2022 actuarial valuation were:

### (a) Interest (discount) rate:

The present value of the future benefits as at December 31, 2023 was determined using a discount rate of 5.0% (2022 - 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

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

## 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 Building Canada 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, 2022	Inflows	Outflows	Balance, December 31, 2023
Parkland	\$ 6,794,435	\$ 1,636,367	\$ 250,000	\$ 8,180,802
Development charges	33,666,071	6,833,920	6,231,486	34,268,505
Building permit fees	1,880,144	44,114	1,593,413	330,845
Engineering administration	625,164	698,806	621,848	702,122
Building Canada Fund	11,717,535	3,477,257	2,908,072	12,286,720
Total obligatory reserve funds	54,683,349	12,690,464	11,604,819	55,768,994
Other	3,499,405	5,982,271	5,713,727	3,767,949
Total deferred revenue	\$ 58,182,754	\$ 18,672,735	\$ 17,318,546	\$ 59,536,943

# THE CORPORATION OF THE TOWN OF NEWMARKET

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

## 15. Long-term debt:

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

	2023	2022
Long-term debt incurred by the Town	\$ 29,909,074	\$ 33,984,039

Purpose	Rates	Maturity date	2023	2022
Mulock Farm	3.490%	2048	\$ 23,307,145	\$ 23,883,614
Land for recreation facilities	5.724%	2024	997,615	1,940,487
Youth Centre	5.724%	2024	231,155	449,625
Downtown renewal	5.724%	2024	73,321	142,618
Recreation facility	5.246%	2024	938,880	1,830,378
Parklands	5.246%	2024	199,590	389,108
Traffic flow improvements	5.246%	2024	115,013	224,221
Downtown revitalization	5.246%	2024	31,296	61,013
Recreation facility	4.756%	2026	3,118,576	4,064,136
Federation of Canadian Municipalities loan for Operations Centre	2.000%	2031	896,483	998,839
			\$ 29,909,074	\$ 33,984,039

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

2024	\$ 4,279,095
2025	1,763,054
2026	1,836,923
2027	772,870
2028	798,396
2029 and thereafter	20,458,736
	\$ 29,909,074

- (c) Interest expense on long-term debt amounted to \$1,206,940 (2022 - \$1,403,556). Interest expense includes the net decrease in accrual amount of \$66,471 (2022 - \$63,987).



# THE CORPORATION OF THE TOWN OF NEWMARKET

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

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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. Following the adoption of PS 3280, Asset Retirement Obligations, the Town recognized an obligation relating to the removal and post-removal care of the asbestos in these buildings as estimated at December 31, 2023. An asset retirement obligation of \$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:

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	Buildings	Land improvement	Total
Balance, beginning of year	\$ –	\$ –	\$ –
Estimated liability	5,137,398	35,307	5,172,705
Balance, end of year	\$ 5,137,398	\$ 35,307	\$ 5,172,705

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## 17. Insurance coverage:

Claim costs incurred during the year amounted to \$285,890 (2022 - \$50,572). Insurance premiums of \$1,934,715 (2022 - \$1,782,134) 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

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

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## 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:

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2024	\$	12,822
2025		8,548
	\$	21,370

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## 20. Contractual obligations:

During the year, the Town performed work on several major projects relating to the construction, repair and replacement of certain facilities and infrastructure. The total purchase commitment from such contracts amounted to approximately \$61,600,000 (2022 - \$46,790,000), of which expenses of approximately \$26,470,000 (2022 - \$25,468,000) were outstanding as at December 31, 2023.

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 \$48,564,000 (2022 - \$44,192,000), of which expenses of approximately \$19,960,000 (2022 - \$21,967,000) were outstanding as at December 31, 2023.

## 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, 2023. The results of this valuation disclosed total actuarial liabilities of \$136.2 billion in respect of benefits accrued for service with actuarial assets at that date of \$132.0 billion indicating an actuarial deficit of \$4.2 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

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

## 21. Pension agreements (continued):

Contributions in 2023 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 \$5,527,618 (2022 - \$4,927,168).

## 22. Accumulated surplus:

Accumulated surplus comprises the following:

	2023	2022
Reserves set aside for specific purposes by Council:		
Reserves for operating purposes	\$ 19,549,696	\$ 19,078,323
Reserves for capital purposes	4,108,925	4,256,853
Newmarket Public Library	1,271,395	1,089,025
Water and wastewater rate stabilization	9,860,153	7,359,941
<u>Total reserves</u>	<u>34,790,169</u>	<u>31,784,142</u>
Reserve funds set aside for specific purposes by Council:		
Asset replacement funds	72,148,842	69,025,408
Reserve funds for operating purposes	6,360,935	5,995,138
Reserve funds for capital purposes	13,644,191	12,973,993
Self-insured long-term disability	2,526,574	3,601,194
<u>Total reserve funds</u>	<u>94,680,542</u>	<u>91,595,733</u>
Total reserves and reserve funds	129,470,711	123,379,875
Invested in tangible capital assets	590,529,170	571,409,095
Less amount financed by long-term debt	(29,909,074)	(33,984,039)
Equity in Newmarket Hydro Holdings Inc. (note 10)	57,948,486	56,902,217
Employee future benefits to be recovered	(4,290,807)	(4,104,385)
Operating surplus	3,188,982	829,647
Capital fund balance	(3,903,225)	1,397,198
<u>Accumulated surplus</u>	<u>\$ 743,034,243</u>	<u>\$ 715,829,608</u>

# THE CORPORATION OF THE TOWN OF NEWMARKET

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

## 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:

	2023	2022
Grants with stipulations	\$ 2,908,072	\$ 2,653,877
Other grants	5,739,326	5,824,721
	<u>\$ 8,647,398</u>	<u>\$ 8,478,598</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.

	2023	2022
Net expenses before allocation	\$ 29,873,292	\$ 29,573,743
Less Aurora's allocation (2023 - 41.68%; 2022 - 41.62%)	12,451,188	12,279,515
<u>Newmarket's net allocation</u>	<u>\$ 17,422,104</u>	<u>\$ 17,294,228</u>

# THE CORPORATION OF THE TOWN OF NEWMARKET

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

## 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 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 road network has 254 kilometers (2022 - 254 kilometers).

### (b) Capitalization of interest:

No interest was capitalized in 2023 (2022 - nil).

### (c) Construction in progress:

The financial statements and accompanying Schedule 1 include \$25,926,131 (2022 - \$22,806,903) 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.

	2023	2022
Linear assets	\$ 5,638,022	\$ 7,171,623
Storm Water Management Pond	–	985,515
Buildings	–	437,800
	<u>\$ 5,638,022</u>	<u>\$ 8,594,938</u>

# THE CORPORATION OF THE TOWN OF NEWMARKET

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

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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

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

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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

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

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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. Change in accounting policies:

### (a) PS 3280, Asset Retirement Obligations:

On January 1, 2023, the Town adopted public accounting standard PS 3280, Asset Retirement Obligations. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets, such as asbestos removal in retired buildings by public sector entities. The new accounting standard has resulted in a withdrawal of the existing accounting standard PS 3270, Solid Waste Landfill Closure and Post-Closure Liability. The standard was adopted on a prospective basis at the date of adoption. Under the prospective method, the assumptions used on initial recognition are those as of the date of adoption of the standard and therefore the comparative financial information was not restated.



# THE CORPORATION OF THE TOWN OF NEWMARKET

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

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## 27. Change in accounting policies (continued):

The Town has recognized an asset retirement obligation relating to several buildings owned by the Town that contain asbestos, disposal of fuel storage tanks, and decommissioning of R22 refrigerant. The Town's implementation of PS 3280, Asset Retirement Obligations, has resulted in the requirement for management to make estimates regarding the useful lives of affected tangible capital assets and the expected retirement costs, as well as the timing and duration of these retirement costs. For assets that are still in productive use, there is a corresponding increase in the carrying value of the related capital asset. For assets that are not recorded or are no longer in productive use, the Asset Retirement obligation is expensed in the period.

For assets that have an existing carrying value the amortization calculation on the obligation has been calculated based on the largest existing building component, and where the largest component is fully amortized, we have used another component related to the asset with a carrying value. The amortization method used is straight-line which is consistent with the existing TCA Policy.

### (b) PS 3450, Financial Instruments, and PS 2601, Foreign Currency Translation:

On January 1, 2023, the Town adopted public accounting standards PS 3450, Financial Instruments, and PS 2601, Foreign Currency Translation. The standards were adopted prospectively from the date of adoption. The new standards provide comprehensive requirements for the recognition, measurement, presentation and disclosure of financial instruments and foreign currency transactions.

Under PS 3450, Financial Instruments, all financial instruments, including derivatives, are included on the consolidated statement of financial position and are measured either at fair value or amortized cost based on the characteristics of the instrument and the Town's accounting policy choice (note 1(b)(xiii)).

# THE CORPORATION OF THE TOWN OF NEWMARKET

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

December 31, 2023, with comparative information for 2022

	Cost				Balance, end of year	Accumulated amortization			Balance, end of year	Net book value Total
	Balance, beginning of year	Additions and betterments	Disposals/ transfers	Write downs		Balance, beginning of year	Amortization expense	Accumulated amortization on disposal		
2023										
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

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

December 31, 2023, with comparative information for 2022

	Cost				Balance, end of year	Accumulated amortization			Balance, end of year	Net book value  Total
	Balance, beginning of year	Additions and betterments	Disposals/ transfers	Write downs		Balance, beginning of year	Amortization expense	Accumulated amortization on disposal		
2022										
General capital assets:										
Land	\$ 113,888,902	\$ -	\$ (43,215)	\$ -	\$ 113,845,687	\$ -	\$ -	\$ -	\$ -	\$ 113,845,687
Land improvements	19,370,859	3,038,540	-	-	22,409,399	4,511,804	715,129	-	5,226,933	17,182,466
Buildings and building components	100,387,384	8,291,560	-	-	108,678,944	48,932,101	2,878,778	-	51,810,879	56,868,065
Machinery and equipment	20,721,030	1,667,421	(441,986)	-	21,946,465	13,810,481	1,633,266	(441,985)	15,001,762	6,944,703
Vehicles	8,388,179	52,755	(37,393)	-	8,403,541	4,515,418	580,873	(37,392)	5,058,899	3,344,642
Library collection	1,475,552	177,626	(208,028)	-	1,445,150	884,193	178,941	(208,028)	855,106	590,044
	264,231,906	13,227,902	(730,622)	-	276,729,186	72,653,997	5,986,987	(687,405)	77,953,579	198,775,607
Infrastructure assets:										
Land	18,492,537	-	-	-	18,492,537	-	-	-	-	18,492,537
Land improvements	25,502,156	985,515	-	-	26,487,671	20,663,166	518,369	-	21,181,535	5,306,136
Buildings and building components	23,709,589	437,800	-	-	24,147,389	7,109,440	1,013,658	-	8,123,098	16,024,291
Machinery and equipment	3,017,205	134,371	-	-	3,151,576	1,477,823	222,360	-	1,700,183	1,451,393
Vehicles	3,130,917	510,662	(49,108)	-	3,592,471	1,984,699	343,466	(47,471)	2,280,694	1,311,777
Linear assets	549,024,996	14,880,754	(1,301,508)	-	562,604,242	246,262,789	10,323,865	(1,222,863)	255,363,791	307,240,451
	622,877,400	16,949,102	(1,350,616)	-	638,475,886	277,497,917	12,421,718	(1,270,334)	288,649,301	349,826,585
Construction in progress	19,765,276	12,468,225	(9,426,598)	-	22,806,903	-	-	-	-	22,806,903
<b>Total tangible capital assets</b>	<b>\$ 906,874,582</b>	<b>\$ 42,645,229</b>	<b>\$ (11,507,836)</b>	<b>\$ -</b>	<b>\$ 938,011,975</b>	<b>\$ 350,151,914</b>	<b>\$ 18,408,705</b>	<b>\$ (1,957,739)</b>	<b>\$ 366,602,880</b>	<b>\$ 571,409,095</b>

# THE CORPORATION OF THE TOWN OF NEWMARKET

## Schedule 2 - Segment Disclosures - Service Bundle

Year ended December 31, 2023, with comparative information for 2022

	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	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
<b>Revenue :</b>												
Taxation	\$ 19,182,687	\$ 19,219,354	\$ 4,262,010	\$ 3,713,626	\$ 2,457,655	\$ 2,426,979	\$ 11,172,639	\$ 11,296,441	\$ 5,535,044	\$ 4,734,078	\$ 5,738,469	\$ 3,730,267
User charges	439,127	340,375	48,469,125	46,177,717	869,171	682,512	511,253	208,982	2,708,695	3,017,198	4,981,379	3,119,257
External non-tax revenue	154,023	2,437,684	10,852,441	9,520,635	847,131	327,357	6,835,081	11,049,163	1,952,762	548,192	910,646	1,505,276
Gain (loss) on sale of tangible capital assets	16,455	4,438	(5,153)	(4,666)	12,836	–	60,535	(52,201)	–	–	–	–
	19,792,292	22,001,851	63,578,423	59,407,312	4,186,793	3,436,848	18,579,508	22,502,385	10,196,501	8,299,468	11,630,494	8,354,800
<b>Expenses:</b>												
Salaries and wages	24,794,581	24,162,757	3,496,675	3,207,014	2,153,319	1,487,133	2,984,689	2,800,567	4,649,070	4,705,955	6,826,151	5,858,007
Materials, goods and supplies	1,304,016	1,375,215	749,606	977,061	197,459	185,975	1,448,733	1,264,404	211,129	294,078	143,352	110,453
Utilities	225,230	192,612	44,405	40,367	–	–	675,491	620,657	–	–	3,844	3,653
Contracted and general services	961,504	971,542	33,754,172	30,746,324	303,255	386,978	1,202,752	1,041,206	582,174	433,535	1,739,277	1,299,627
Rents and financial	115,539	25,398	164,093	265,778	9,474	6,289	1,471	822	–	–	73,853	38,802
Interest on long-term debt	–	–	14,872	17,530	–	–	–	–	–	–	–	–
Capital repairs and maintenance	944,901	1,771,279	1,494,635	2,517,143	–	–	1,516,422	1,550,675	389,705	191,540	–	–
Amortization	965,447	648,952	3,753,579	3,568,557	10,796	22,459	8,217,738	7,987,529	–	–	86,518	65,280
Allocations	(10,291,417)	(10,025,925)	3,607,340	3,387,342	1,397,048	1,227,270	2,124,567	1,924,044	3,086,834	3,186,311	2,292,083	2,230,569
	19,019,801	19,121,830	47,079,377	44,727,116	4,071,351	3,316,104	18,171,863	17,189,904	8,918,912	8,811,419	11,165,078	9,606,391
	772,491	2,880,021	16,499,046	14,680,196	115,442	120,744	407,645	5,312,481	1,277,589	(511,951)	465,416	(1,251,591)
Income from Newmarket Hydro Holdings Inc.	–	–	–	–	–	–	–	–	–	–	–	–
Gain (loss) on foreign exchange	–	–	–	–	–	–	–	–	–	–	–	–
<b>Annual surplus (deficit)</b>	<b>\$ 772,491</b>	<b>\$ 2,880,021</b>	<b>\$ 16,499,046</b>	<b>\$ 14,680,196</b>	<b>\$ 115,442</b>	<b>\$ 120,744</b>	<b>\$ 407,645</b>	<b>\$ 5,312,481</b>	<b>\$ 1,277,589</b>	<b>\$ (511,951)</b>	<b>\$ 465,416</b>	<b>\$ (1,251,591)</b>

# THE CORPORATION OF THE TOWN OF NEWMARKET

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

Year ended December 31, 2023, with comparative information for 2022

	Facilities, parks and trails		Corporate support and governance		Public library services		Main Street District BIA		Consolidated	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
<b>Revenue:</b>										
Taxation	\$ 21,528,897	\$ 20,115,448	\$ -	\$ -	\$ 4,470,421	\$ 4,395,494	\$ 30,000	\$ 30,000	\$ 74,377,822	\$ 69,661,687
User charges	2,234,196	1,991,964	691,551	684,053	38,170	27,655	-	-	60,942,667	56,249,713
External non-tax revenue	5,965,191	5,251,118	9,009,366	7,421,324	254,537	202,480	2,000	12,471	36,783,178	38,275,700
Gain (loss) on sale of tangible capital assets	78,021	1,992,864	-	-	(11,473)	-	-	-	151,221	1,940,435
	29,806,305	29,351,394	9,700,917	8,105,377	4,751,655	4,625,629	32,000	42,471	172,254,888	166,127,535
<b>Expenses:</b>										
Salaries and wages	10,108,164	9,032,531	15,736,406	13,869,809	2,591,273	2,546,165	-	-	73,340,328	67,669,938
Materials, goods and supplies	3,447,207	2,867,523	195,066	441,342	417,886	360,189	18,503	16,075	8,132,957	7,892,315
Utilities	2,372,810	2,127,041	383,622	598,101	70,231	79,749	-	-	3,775,633	3,662,180
Contracted and general services	1,210,470	1,522,755	5,834,305	5,364,628	138,313	157,255	11,340	3,029	45,737,562	41,926,879
Rents and financial	143,494	56,159	426,391	63,185	1,620	2,068	-	-	935,935	458,501
Interest on long-term debt	-	-	1,192,068	1,386,026	-	-	-	-	1,206,940	1,403,556
Capital repairs and maintenance	2,677,827	2,799,795	562,380	544,729	51,914	90,054	-	-	7,637,784	9,465,215
Amortization	5,613,334	4,899,988	970,169	933,478	250,142	282,462	-	-	19,867,723	18,408,705
Allocations	2,888,265	2,715,275	(18,189,802)	(17,553,676)	633,894	629,275	-	-	(12,451,188)	(12,279,515)
	28,461,571	26,021,067	7,110,605	5,647,622	4,155,273	4,147,217	29,843	19,104	148,183,674	138,607,774
	1,344,734	3,330,327	2,590,312	2,457,755	596,382	478,412	2,157	23,367	24,071,214	27,519,761
Income from Newmarket Hydro Holdings Inc.	-	-	2,469,603	10,251,402	-	-	-	-	2,469,603	10,251,402
Gain (loss) on foreign exchange	-	-	(250,848)	554,173	-	-	-	-	(250,848)	554,173
<b>Annual surplus (deficit)</b>	<b>\$ 1,344,734</b>	<b>\$ 3,330,327</b>	<b>\$ 4,809,067</b>	<b>\$ 13,263,330</b>	<b>\$ 596,382</b>	<b>\$ 478,412</b>	<b>\$ 2,157</b>	<b>\$ 23,367</b>	<b>\$ 26,289,969</b>	<b>\$ 38,325,336</b>