

Consolidated Financial Statements of

**THE CORPORATION OF
THE TOWN OF NEWMARKET**

And Independent Auditor's Report thereon

Year ended December 31, 2025



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, 2025
- the consolidated statement of operations for the year then ended
- the consolidated statement of remeasurement gains and losses for the year then ended
- 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, 2025, 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.



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- 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

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

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

June 22, 2026

THE CORPORATION OF THE TOWN OF NEWMARKET

Consolidated Statement of Financial Position

December 31, 2025, with comparative information for 2024

	2025	2024
Financial Assets		
Cash and cash equivalents (note 4)	\$ 69,708,838	\$ 98,363,548
Investments (note 5)	111,783,787	103,330,230
Tax receivable (note 6(a))	18,506,800	14,704,822
User charges receivable	12,849,735	13,551,232
Accounts receivable (note 6(b))	11,120,783	8,474,659
Inventory for resale (note 8)	52,759	100,197
Surplus land (note 9)	155,285	155,285
Loans receivable (note 6(c))	12,873,009	9,759,832
Investment in Newmarket Hydro Holdings Inc. (note 10)	59,340,267	59,363,902
	<u>296,391,263</u>	<u>307,803,707</u>

Liabilities

Accounts payable and accrued liabilities (note 11)	55,612,354	48,019,473
Interest payable on long-term debt	370,711	392,076
Employee future benefits liability (note 12)	9,769,782	9,439,649
Long-term disability benefits payable (note 13)	6,215,053	6,118,401
Deferred revenue (note 14)	27,759,131	37,302,049
Long-term debt (note 15)	23,866,925	25,629,979
Asset retirement obligation (note 16)	5,098,484	5,467,606
	<u>128,692,440</u>	<u>132,369,233</u>
Net financial assets	167,698,823	175,434,474

Non-Financial Assets

Inventory (note 8)	897,631	1,155,606
Prepaid expenses and other (note 7)	2,153,367	1,939,180
Tangible capital assets (note 25)	686,930,066	624,619,971
	<u>689,981,064</u>	<u>627,714,757</u>
Accumulated surplus (note 22)	<u>\$ 857,679,887</u>	<u>\$ 803,149,231</u>
Accumulated surplus comprises:		
Accumulated operating surplus	\$ 849,366,869	\$ 799,848,877
Accumulated remeasurement gains	8,313,018	3,300,354
Accumulated surplus (note 22)	<u>\$ 857,679,887</u>	<u>\$ 803,149,231</u>

Contingencies and lease agreements (notes 18 and 19)
Subsequent event (note 27)

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE TOWN OF NEWMARKET

Consolidated Statement of Operations

Year ended December 31, 2025, with comparative information for 2024

	Budget 2025 (note 2)	Actual 2025	Actual 2024
Revenue:			
Taxation and user charges:			
Property taxation	\$ 79,246,292	\$ 79,861,304	\$ 76,953,431
Taxation under other governments	823,185	999,806	980,500
User charges	81,747,014	83,574,531	70,884,441
	161,816,491	164,435,641	148,818,372
Government transfers (note 23):			
Government of Canada	100,000	341,350	66,389
Canada Community Building Fund (note 14)	4,668,200	5,036,076	4,312,058
Province of Ontario	5,683,830	5,421,614	4,484,233
	10,452,030	10,799,040	8,862,680
Other:			
Contributions from developers	26,740,097	22,556,819	37,052,106
Investment	2,578,076	11,053,925	12,245,534
Fine, penalties and interest	2,104,697	3,274,211	3,091,707
Rent and other	3,175,059	5,989,404	2,581,560
	34,597,929	42,874,359	54,970,907
	206,866,450	218,109,040	212,651,959
Expenses (note 26):			
General government	20,880,948	23,001,118	23,579,420
Protection to persons and property	30,876,126	27,812,005	24,897,481
Transportation services	16,633,509	27,956,805	19,565,616
Environmental services	47,539,270	44,973,796	44,720,098
Recreation and cultural services	40,257,660	40,310,532	40,708,831
Planning and development	4,490,515	4,191,765	4,640,010
	160,678,028	168,246,021	158,111,456
	46,188,422	49,863,019	54,540,503
Income from Newmarket Hydro Holdings Inc. (note 10)	2,000,000	1,308,422	2,799,827
Gain (loss) on disposal of tangible capital assets	–	(1,286,316)	12,969
Gain (loss) on foreign exchange	–	(367,133)	376,001
Annual surplus	48,188,422	49,517,992	57,729,300
Accumulated operating surplus, beginning of year	799,848,877	799,848,877	742,119,577
Accumulated operating surplus, end of year	\$ 848,037,299	\$ 849,366,869	\$ 799,848,877

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, 2025, with comparative information for 2024

	2025	2024
Accumulated remeasurement gains, beginning of year	\$ 3,300,354	\$ 914,666
Unrealized gains attributable to fair value adjustment (note 5)	5,004,000	2,438,000
Other comprehensive gain (loss) from Newmarket Hydro Holdings Inc. (note 10)	8,664	(52,312)
Accumulated remeasurement gains, end of year	\$ 8,313,018	\$ 3,300,354

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, 2025, with comparative information for 2024

	Budget 2025 (note 2)	Actual 2025	Actual 2024
Annual surplus	\$ 48,188,422	\$ 49,517,992	\$ 57,729,300
Acquisition of tangible capital assets	(50,793,426)	(77,038,794)	(51,110,656)
Contributed tangible capital assets	–	(7,730,099)	(2,985,348)
Amortization of tangible capital assets	21,928,094	20,712,755	20,233,222
Proceeds on disposal of tangible capital assets	–	90,606	79,851
Gain (loss) on disposal of tangible capital assets	–	1,286,316	(12,969)
Adjustment of the asset retirement obligation	–	369,122	(294,901)
	(28,865,332)	(62,310,094)	(34,090,801)
Changes in inventory balance	250,000	257,975	86,117
Changes in prepaid expenses and other	140,000	(214,188)	541,164
	390,000	43,787	627,281
Increase in remeasurement gains	1,000,000	5,012,664	2,385,688
Change in net financial assets	20,713,090	(7,735,651)	26,651,468
Net financial assets, beginning of year	175,434,474	175,434,474	148,783,006
Net financial assets, end of year	\$ 196,147,564	\$ 167,698,823	\$ 175,434,474

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE TOWN OF NEWMARKET

Consolidated Statement of Cash Flows

Year ended December 31, 2025, with comparative information for 2024

	Budget 2025	Actual 2025	Actual 2024
	(note 2)		
Cash provided by (used in):			
Operating activities:			
Cash received from:			
Taxation	\$ 82,763,877	\$ 77,177,102	\$ 75,648,597
User charges	79,766,313	82,340,398	70,225,532
Government transfers	10,462,030	11,798,515	6,801,700
Contributions from developers	4,246,767	6,131,051	11,028,492
Investment income	5,578,076	9,511,516	10,467,810
Fine, penalties and interest	2,104,697	2,708,114	3,014,203
Rent and other	3,175,059	6,008,696	2,882,046
Aurora's share of Central York Fire Services	13,384,466	13,109,130	13,054,068
	201,481,285	208,784,522	193,122,448
Cash paid for:			
Salaries, wages, and employee benefits	83,251,594	86,224,906	77,923,796
Materials, goods and supplies	7,142,997	8,429,539	6,170,048
Utilities	1,004,047	4,370,711	788,281
Contracted and general services	52,880,945	48,273,681	49,693,783
Capital repairs and maintenance	5,663,096	4,620,903	561,373
Interest on long-term debt	891,523	891,523	1,069,281
Rents and financial	292,703	693,370	278,765
	151,126,905	153,504,633	136,485,327
	50,354,380	55,279,889	56,637,121
Capital activities:			
Proceeds on disposal of tangible capital assets	–	90,606	79,851
Acquisition of tangible capital assets	(50,793,426)	(77,038,794)	(51,110,656)
Net change in asset retirement obligation	–	369,122	(294,901)
	(50,793,426)	(76,579,066)	(51,325,706)
Financing activities:			
Loans receivable settled (issued)	2,400,000	(3,116,510)	2,398,353
Principal repayment on long-term debt	(1,763,054)	(1,763,054)	(4,279,095)
	636,946	(4,879,564)	(1,880,742)
Investing activities:			
Gain (loss) on foreign exchange	–	(367,133)	376,001
Investments	3,177,613	(3,449,557)	(2,576,522)
Dividend received	–	1,340,721	1,332,099
	3,177,613	(2,475,969)	(868,422)
Increase (decrease) in cash and cash equivalents	3,375,513	(28,654,710)	2,562,251
Cash and cash equivalents, beginning of year	98,363,548	98,363,548	95,801,297
Cash and cash equivalents, end of year	\$ 101,739,061	\$ 69,708,838	\$ 98,363,548
Supplemental information:			
Interest paid		\$ 1,072,560	\$ 1,263,944
Interest received		3,626,235	6,424,944

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE TOWN OF NEWMARKET

Notes to Consolidated Financial Statements

Year ended December 31, 2025

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, 2001, Municipal Affairs & Housing 1990, 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

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

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, 2025

1. Significant accounting policies (continued):

(f) Tangible capital assets:

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

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

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

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

THE CORPORATION OF THE TOWN OF NEWMARKET

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

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, 2025

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, are recorded as deferred revenue until applied to specific capital works 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

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

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

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

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 revenue is recorded at estimated amounts when it meets the definition of an asset, has been authorized, and the taxable event has occurred. For property taxation revenue, 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

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

1. Significant accounting policies (continued):

(r) 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.

(s) 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. 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).

(t) 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 CORPORATION OF THE TOWN OF NEWMARKET

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

1. Significant accounting policies (continued):

The following is a list of the Town's financial instruments and their related measurement basis as at December 31, 2025:

Financial instruments	Measurement
Cash and cash equivalents	Fair value
Accounts receivable	Fair value
Loans receivable	Cost
Accounts payable and accrued liabilities	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.

(u) 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.

THE CORPORATION OF THE TOWN OF NEWMARKET

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

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 2025:		
Operating fund - December 9, 2024	\$ 172,112,117	\$ 172,112,117
Principal payments to long-term debt	–	(1,693,645)
Capital budget - December 9, 2024	74,640,606	74,640,606
Reserves and reserve funds - September 15, 2025	33,241,280	41,157,305
Transfers to / from other funds	(73,127,553)	(73,127,553)
Total council approved budget	206,866,450	213,088,830
Less capitalized tangible capital assets	–	(73,550,606)
Plus:		
Budgeted amortization expense	–	21,928,094
Post-employment benefit expenses	–	(788,290)
Investment income from Newmarket Hydro Holdings Inc.	2,000,000	–
Budget as presented on the consolidated statement of operations and accumulated surplus	\$ 208,866,450	\$ 160,678,028

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	\$ 51,967,014	\$ 83,583,316

THE CORPORATION OF THE TOWN OF NEWMARKET

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

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:

	2025	2024
Restricted - obligatory reserve funds (note 14)	\$ 23,657,803	\$ 31,817,758
Designated - reserve funds (note 22)	121,054,785	113,439,990
	<u>144,712,588</u>	<u>145,257,748</u>
Less:		
Book value of investments (note 5)	103,339,787	99,890,230
	<u>41,372,801</u>	<u>45,367,518</u>
Unrestricted and undesignated	28,336,037	52,996,030
	<u>\$ 69,708,838</u>	<u>\$ 98,363,548</u>

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 2026 to 2033 (2024 - 2025 to 2033), earning interest at annual rates ranging from 1.10% to 5.90% (2024 - 0.60% to 6.00%) 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 \$3,987,032 (2024 - \$4,094,954) was recorded.

THE CORPORATION OF THE TOWN OF NEWMARKET

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

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 2032 (2024 - 2030 to 2033), earning interest at annual rates ranging from 4.95% to 5.80% (2024 - 4.95% to 5.80%) per annum.

During the year, there was unrealized gains attributable to fair value adjustment of \$5,004,000 (2024 - \$2,438,000) on PPNs recognized in the consolidated statement of remeasurement gains and losses.

Investments are comprised of:

	2025	2024
GICs	\$ 28,778,253	\$ 31,415,431
Bonds	20,000,000	20,000,000
Portfolio investments	31,992,206	28,005,173
PPNs	20,000,000	20,000,000
Cash held in investment accounts	2,569,328	469,626
Book value of investments	103,339,787	99,890,230
Accumulated remeasurement gains on PPNs	8,444,000	3,440,000
	<u>\$ 111,783,787</u>	<u>\$ 103,330,230</u>

6. Receivables:

(a) Tax receivable:

	2025	2024
Total receivable	\$ 20,093,855	\$ 15,920,564
Less valuation allowance	1,587,055	1,215,742
	<u>\$ 18,506,800</u>	<u>\$ 14,704,822</u>

THE CORPORATION OF THE TOWN OF NEWMARKET

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

6. Receivables (continued):

(b) Accounts receivable:

	2025	2024
Government entities	\$ 3,512,177	\$ 3,569,735
Trade receivables, user fees and other receivables	8,032,724	5,375,647
	11,544,901	8,945,382
Less valuation allowance	424,118	470,723
	\$ 11,120,783	\$ 8,474,659

(c) Loans receivable:

Interest free loans are provided 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.

Deferred fees included in 2025 relate to developments qualifying as non-profit or charitable organizations and are deferred over 10 years. The deferred fees include development charges, engineering, finance, planning and building fees.

	2025	2024
Due from developers	\$ 12,873,009	\$ 9,756,544
Other community loans	–	3,288
	\$ 12,873,009	\$ 9,759,832

THE CORPORATION OF THE TOWN OF NEWMARKET

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

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 (2024 - \$140,556).

	2025	2024
Prepaid insurance premiums and software licenses	\$ 1,179,734	\$ 746,225
Other prepaid artificial turf field shared use agreement	327,885	468,441
Miscellaneous prepaids	645,748	724,514
	<u>\$ 2,153,367</u>	<u>\$ 1,939,180</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

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

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:

	2025	2024
Share capital:		
Newmarket Hydro Holdings Inc. - 201 common shares	\$ 29,609,342	\$ 29,609,342
Retained earnings, end of year:		
Newmarket Hydro Holdings Inc.	29,730,925	29,754,560
Total investment	\$ 59,340,267	\$ 59,363,902

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.

	2025	2024
Revenue:		
Investment income	\$ 95,507	\$ 95,507
Rent, property tax and other	973,054	1,016,041
Other services	44,746	35,342
Expenses:		
Energy purchases	3,593,450	2,990,758
Services	10,381	38,689
Water and sewer	883,182	879,122
Dividends received during the year	1,340,721	1,332,099
Accounts payable	297,458	256,879

THE CORPORATION OF THE TOWN OF NEWMARKET

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

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

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

	2025	2024
Financial position		
Current assets	\$ 40,950,590	\$ 42,965,913
Capital assets, future income taxes and other	188,878,712	181,741,325
Regulatory deferral account debit balances	9,933,303	11,703,943
Total assets	\$ 239,762,605	\$ 236,411,181
Current liabilities	\$ 49,299,132	\$ 36,731,424
Long-term liabilities	122,535,195	131,256,033
Total liabilities	171,834,327	167,987,457
Non-controlling interest	4,112,839	4,121,110
Shareholder equity:		
Share capital	29,609,342	29,609,342
Retained earnings	29,544,870	29,577,169
Accumulated other comprehensive gain	186,055	177,391
	59,340,267	59,363,902
Regulatory deferral account credit balances	4,475,172	4,938,712
Total liabilities and equity	\$ 239,762,605	\$ 236,411,181
Results of operations		
Revenue	\$ 151,630,811	\$ 139,946,763
Operating expenses	(144,341,388)	(131,780,886)
Financing expenses	(2,039,085)	(3,544,882)
Other income	1,887,395	1,687,396
Non-controlling interest	(87,173)	(210,147)
Income taxes	(4,432,517)	(708,885)
Net movement on regulatory accounts	(1,309,621)	(2,589,532)
Net income	1,308,422	2,799,827
Other comprehensive gain (loss)	8,664	(52,312)
Net income and comprehensive income	\$ 1,317,086	\$ 2,747,515
Retained earnings, beginning of year	\$ 29,754,560	\$ 28,339,144
Net income and comprehensive income	1,317,086	2,747,515
Dividends paid	(1,340,721)	(1,332,099)
Retained earnings, end of year	\$ 29,730,925	\$ 29,754,560

THE CORPORATION OF THE TOWN OF NEWMARKET

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

11. Accounts payable and accrued liabilities:

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

	2025	2024
Government entities	\$ 10,841,863	\$ 10,599,444
Payroll liabilities	6,902,514	5,844,760
Trade payables and other accrued liabilities	37,867,977	31,575,269
	<u>\$ 55,612,354</u>	<u>\$ 48,019,473</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.

	2025	2024
Employee future benefits liability	\$ 8,924,300	\$ 8,686,500
Vacation pay	845,482	753,149
	<u>\$ 9,769,782</u>	<u>\$ 9,439,649</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 \$8,924,300 (2024 - \$8,686,500) was determined by the actuarial valuation carried out as at December 31, 2025, using a discount rate of 4.50% (2024 - 4.60%).

THE CORPORATION OF THE TOWN OF NEWMARKET

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

12. Employee future benefits liability (continued):

Total benefit payments to retirees during the year were \$ 291,300 (2024 - \$305,100). The plan is substantially unfunded and requires no contributions from employees. The employee future benefits liability as at December 31 includes the following components:

	2025	2024
Accrued benefits obligation	\$ 7,181,900	\$ 7,146,100
Unamortized actuarial gains	1,742,400	1,540,400
Employee future benefits liability	\$ 8,924,300	\$ 8,686,500
Employee future benefits liability, beginning of year	\$ 8,686,500	\$ 8,394,500
Annual amortization of actuarial gains	(158,700)	(114,500)
Current period service cost	369,200	390,700
Interest cost	318,600	320,900
Benefits paid	(291,300)	(305,100)
Employee future benefits liability, end of year	\$ 8,924,300	\$ 8,686,500

Actuarial valuations for accounting purposes are normally performed every three years using the projected benefit method prorated on services. The most recent actuarial report was prepared at December 31, 2025.

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 health care spending account 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, 2025

12. Employee future benefits liability (continued):

The assumptions used in the December 31, 2025 actuarial valuation were:

(a) Interest (discount) rate:

The present value as at December 31, 2025 of the future benefits was determined using a discount rate of 4.50% (2024 - 4.60%).

(b) Health costs:

Health cost premiums were assumed to increase at a 3.58% rate (2024 - 3.58%).

(c) Dental costs:

Dental cost premiums were assumed to increase at a 4.00% rate (2024 - 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, 2025.

	2025	2024
Accrued benefits obligation	\$ 6,236,741	\$ 6,310,162
Unamortized actuarial gains	(21,688)	(191,761)
Long-term disability benefits payable	\$ 6,215,053	\$ 6,118,401
Long-term disability benefits payable, beginning of year	\$ 6,118,401	\$ 5,284,101
Annual amortization of actuarial gain (losses)	170,073	488,968
Current period service cost	726,498	960,671
Interest cost	270,090	408,281
Benefits paid	(1,070,009)	(1,023,620)
Long-term disability benefits payable, end of year	\$ 6,215,053	\$ 6,118,401

THE CORPORATION OF THE TOWN OF NEWMARKET

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

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

Actuarial valuations for accounting purposes are normally performed every three years using the projected benefit method prorated on services. The most recent actuarial report was prepared at December 31, 2025. 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, 2025 actuarial valuation were:

(a) Interest (discount) rate:

The present value of the future benefits as at December 31, 2025 was determined using a discount rate of 4.4% (2024 - 4.4%).

(b) Health and dental costs:

Health trend rates are assumed to increase by 6.0% starting in 2026 and decrease by 0.10% per year to an ultimate rate of 4.5% per year. Dental cost premiums are assumed to increase by 4.0% per year starting in 2026.

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. Residential charges are payable on occupancy and non-residential 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, 2025

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, 2024	Inflows	Outflows	Balance, December 31, 2025
Parkland	\$ 8,333,086	\$ 2,989,790	\$ –	\$ 11,322,876
Development charges	10,024,112	5,022,938	15,047,050	–
Building permit fees	53,710	–	53,710	–
Engineering administration	1,748,211	402,960	–	2,151,171
Canada Community Building Fund	11,658,639	3,561,193	5,036,076	10,183,756
Total obligatory reserve funds	31,817,758	11,976,881	20,136,836	23,657,803
Other	5,484,291	6,567,508	7,950,471	4,101,328
Total deferred revenue	\$ 37,302,049	\$ 18,544,389	\$ 28,087,307	\$ 27,759,131

THE CORPORATION OF THE TOWN OF NEWMARKET

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

15. Long-term debt:

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

	2025	2024
Long-term debt incurred by the Town	\$ 23,866,925	\$ 25,629,979

Purpose	Rates	Maturity date	2025	2024
Mulock Farm	3.490%	2048	\$ 22,092,612	\$ 22,710,383
Recreation facility	4.756%	2026	1,088,751	2,127,512
Federation of Canadian Municipalities loan for Operations Centre	2.000%	2031	685,562	792,084
			\$ 23,866,925	\$ 25,629,979

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

2026	\$ 1,836,923
2027	772,870
2028	798,396
2029	824,809
2030	852,099
2031 and thereafter	18,781,828
	\$ 23,866,925

- (c) Interest expense on long-term debt amounted to \$870,159 (2024 - \$998,882). Interest expense includes the net decrease in accrual amount of \$23,200 (2024 - \$70,399).

THE CORPORATION OF THE TOWN OF NEWMARKET

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

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, 2025. An asset retirement obligation of \$5,098,484 (2024 - \$5,467,606) was recognized in the consolidated 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	\$ 5,425,908	\$ 41,698	\$ 5,467,606
Change in estimate	(352,987)	(16,135)	(369,122)
Balance, end of year	\$ 5,072,921	\$ 25,563	\$ 5,098,484

17. Insurance coverage:

Claim costs incurred during the year amounted to \$90,078 (2024 - \$138,827). Insurance premiums of \$2,238,774 (2024 - \$2,241,795) 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, 2025

19. Lease agreements:

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

2026	\$ 147,415
2027	34,072
2028	34,071
	<hr/>
	\$ 215,558

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 \$185,200,000 (2024 - \$117,100,000), of which expenses of approximately \$54,800,000 (2024 - \$65,300,000) were outstanding as at December 31, 2025.

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 \$69,500,000 (2024 - \$62,600,000), of which expenses of approximately \$40,200,000 (2024 - \$41,900,000) were outstanding as at December 31, 2025.

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, 2025. The results of this valuation disclosed total actuarial liabilities of \$151.3 billion in respect of benefits accrued for service with actuarial assets at that date of \$150.0 billion indicating an actuarial deficit of \$1.3 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, 2025

21. Pension agreements (continued):

Contributions in 2025 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 \$6,329,652 (2024 - \$5,914,831).

22. Accumulated surplus:

Accumulated surplus comprises the following:

	2025	2024
Reserves set aside for specific purposes by Council:		
Reserves for operating purposes	\$ 19,972,203	\$ 23,103,907
Reserves for capital purposes	1,330,315	1,325,459
Newmarket Public Library	768,527	680,962
Water and wastewater rate stabilization	11,575,646	11,352,010
<u>Total reserves</u>	<u>33,646,691</u>	<u>36,462,338</u>
Reserve funds set aside for specific purposes by Council:		
Asset management funds	114,776,582	103,663,834
Reserve funds for operating purposes	7,682,199	6,222,048
Reserve funds for capital purposes	(2,187,509)	2,208,447
Self-insured long-term disability	783,513	1,345,661
<u>Total reserve funds</u>	<u>121,054,785</u>	<u>113,439,990</u>
Total reserves and reserve funds	154,701,476	149,902,328
Invested in tangible capital assets	686,930,066	624,619,971
Financed by long-term debt	(23,966,925)	(25,629,979)
Equity in Newmarket Hydro Holdings Inc. (note 10)	59,340,267	59,363,902
Employee future benefits to be recovered	(7,382,754)	(5,430,698)
Land surplus	-	(110,000)
Prior year unrealized gain on PPNs	3,440,000	1,002,000
Operating surplus	6,016,914	3,736,043
Capital fund balance	(21,399,157)	(4,304,336)
<u>Accumulated surplus</u>	<u>\$ 857,679,887</u>	<u>\$ 803,149,231</u>

THE CORPORATION OF THE TOWN OF NEWMARKET

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

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:

	2025	2024
Grants with stipulations	\$ 5,036,076	\$ 4,312,058
Other grants	5,762,964	4,550,622
	<u>\$ 10,799,040</u>	<u>\$ 8,862,680</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.

	2025	2024
Net expenses before allocation	\$ 31,444,302	\$ 31,312,869
Less Aurora's allocation (2025 - 41.69%; 2024 - 41.69%)	13,109,130	13,054,335
<u>Newmarket's net allocation</u>	<u>\$ 18,335,172</u>	<u>\$ 18,258,534</u>

THE CORPORATION OF THE TOWN OF NEWMARKET

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

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 258 kilometers (2024 - 256 kilometers).

(b) Capitalization of interest:

In 2025, nil interest was capitalized (2024 - nil).

(c) Construction in progress:

The consolidated financial statements and accompanying Schedule 1 include \$93,687,555 (2024 - \$58,742,527) 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.

	2025	2024
Linear assets	\$ 7,730,099	\$ 2,985,348

THE CORPORATION OF THE TOWN OF NEWMARKET

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

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, 2025

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, 2025

26. Segmented information (continued):

(h) Corporate support and governance:

The Town Council, the Office of the Chief Administrative Officer, 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. Subsequent event:

On January 10, 2026, the Councils of the Town and the Township of Tay ("Tay") approved and executed a securities purchase agreement with Alectra Inc. for the sale of their electricity distribution interests. On January 12, 2026, Newmarket and Tay commenced a 45 day "go shop" period during which the terms of the proposed transaction were market tested. The results of the go shop process were reviewed by both Councils prior to the expiry of the go shop period on February 26, 2026, and Council approved proceeding with the transaction with Alectra.

The transaction provides for the sale of 100% of Newmarket's and Tay's equity interests in Newmarket Hydro Holdings Inc. and Tay Hydro Inc., respectively, which together own 100% of NT Power. Completion of the transaction is subject to approval by the Ontario Energy Board ("OEB"). An application under the OEB's Mergers, Amalgamations, Acquisitions, and Divestitures (MAADs) process is expected to be filed in 2026. Subject to regulatory approval and the satisfaction of closing conditions, the transaction is anticipated to close in a subsequent fiscal year.

THE CORPORATION OF THE TOWN OF NEWMARKET

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

28. Future accounting pronouncements:

These standards and amendments were not yet effective for the year ended December 31, 2025, and have therefore not been applied in preparing these consolidated financial statements. Management is currently assessing the impact of these standards on the future consolidated financial statements.

- (a) PS 1202, Financial Statement Presentation, will replace the current section PS 1201. This guideline is effective for fiscal years beginning on or after April 1, 2026 (the Town's December 31, 2027 year end).
- (b) PS 3251, Employee Benefits, will replace the current sections PS 3250 and PS 3255. This new standard is effective for fiscal years beginning or after April 1, 2029 (the Town's December 31, 2030 year end).
- (c) PS 3155, Intangible Assets, will replace the current section PSG 8, Purchased Intangibles. The proposed section is currently pending final approval and an effective date for the proposed standard is currently not known.

29. Comparative figures:

Certain 2024 comparative amounts have been regrouped from the financial statements previously presented, to conform with the presentation adopted in 2025.

THE CORPORATION OF THE TOWN OF NEWMARKET

Schedule 1 - Tangible Capital Assets - Summary by Asset Category

December 31, 2025, with comparative information for 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
2025										
General capital assets:										
Land	\$ 113,845,701	\$ 1,184,912	\$ -	\$ -	\$ 115,030,613	\$ -	\$ -	\$ -	\$ -	\$ 115,030,613
Land improvements	25,157,951	6,620,599	-	-	31,778,550	6,884,316	1,063,176	-	7,947,492	23,831,058
Buildings and building components	117,266,655	3,967,279	-	-	121,233,934	59,445,112	3,863,787	-	63,308,899	57,925,035
Machinery and equipment	25,249,116	2,352,968	(279,683)	-	27,322,401	17,917,322	1,659,208	(219,130)	19,357,400	7,965,001
Vehicles	10,524,711	570,853	(322,274)	-	10,773,290	5,634,376	818,245	(262,891)	6,189,730	4,583,560
Library collection	1,340,765	171,680	(193,809)	-	1,318,636	784,715	162,792	(193,809)	753,698	564,938
	293,384,899	14,868,291	(795,766)	-	307,457,424	90,665,841	7,567,208	(675,830)	97,557,219	209,900,205
Infrastructure assets:										
Land	18,492,537	-	-	-	18,492,537	-	-	-	-	18,492,537
Land improvements	28,100,107	5,063,744	-	-	33,163,851	22,194,275	614,763	-	22,809,038	10,354,813
Buildings and building components	27,121,122	(29,936)	-	-	27,091,186	10,258,112	953,321	-	11,211,433	15,879,753
Machinery and equipment	3,125,340	861,176	-	-	3,986,516	2,108,543	234,397	-	2,342,940	1,643,576
Vehicles	3,694,478	170,597	(37,244)	-	3,827,831	2,830,945	295,333	(37,244)	3,089,034	738,797
Linear assets	594,778,052	28,520,872	(6,198,608)	-	617,100,316	274,761,375	11,047,733	(4,941,622)	280,867,486	336,232,830
	675,311,636	34,586,453	(6,235,852)	-	703,662,237	312,153,250	13,145,547	(4,978,866)	320,319,931	383,342,306
Construction in progress	58,742,527	49,526,383	(14,581,355)	-	93,687,555	-	-	-	-	93,687,555
Total tangible capital assets	\$ 1,027,439,062	\$ 98,981,127	\$ (21,612,973)	\$ -	\$ 1,104,807,216	\$ 402,819,091	\$ 20,712,755	\$ (5,654,696)	\$ 417,877,150	\$ 686,930,066

THE CORPORATION OF THE TOWN OF NEWMARKET

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

December 31, 2025, with comparative information for 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
2024										
General capital assets:										
Land	\$ 113,845,693	\$ 8	\$ -	\$ -	\$ 113,845,701	\$ -	\$ -	\$ -	\$ -	\$ 113,845,701
Land improvements	23,248,453	1,909,498	-	-	25,157,951	6,019,613	864,703	-	6,884,316	18,273,635
Buildings and building components	114,266,736	2,999,919	-	-	117,266,655	55,518,228	3,926,884	-	59,445,112	57,821,543
Machinery and equipment	22,869,172	2,492,528	(112,584)	-	25,249,116	16,345,019	1,663,589	(91,286)	17,917,322	7,331,794
Vehicles	9,698,284	948,769	(122,342)	-	10,524,711	4,974,997	781,721	(122,342)	5,634,376	4,890,335
Library collection	1,376,879	165,057	(201,171)	-	1,340,765	819,980	165,906	(201,171)	784,715	556,050
	285,305,217	8,515,779	(436,097)	-	293,384,899	83,677,837	7,402,803	(414,799)	90,665,841	202,719,058
Infrastructure assets:										
Land	18,492,537	-	-	-	18,492,537	-	-	-	-	18,492,537
Land improvements	26,645,574	1,454,533	-	-	28,100,107	21,675,819	518,456	-	22,194,275	5,905,832
Buildings and building components	27,121,122	-	-	-	27,121,122	9,304,808	953,304	-	10,258,112	16,863,010
Machinery and equipment	3,151,576	-	(26,236)	-	3,125,340	1,914,201	214,019	(19,677)	2,108,543	1,016,797
Vehicles	3,474,277	220,201	-	-	3,694,478	2,484,021	346,924	-	2,830,945	863,533
Linear assets	584,872,800	11,383,996	(1,478,744)	-	594,778,052	265,403,378	10,797,716	(1,439,719)	274,761,375	320,016,677
	663,757,886	13,058,730	(1,504,980)	-	675,311,636	300,782,227	12,830,419	(1,459,396)	312,153,250	363,158,386
Construction in progress	25,926,131	40,911,323	(8,094,927)	-	58,742,527	-	-	-	-	58,742,527
Total tangible capital assets	\$ 974,989,234	\$ 62,485,832	\$ (10,036,004)	\$ -	\$ 1,027,439,062	\$ 384,460,064	\$ 20,233,222	\$ (1,874,195)	\$ 402,819,091	\$ 624,619,971

THE CORPORATION OF THE TOWN OF NEWMARKET

Schedule 2 - Segment Disclosures - Service Bundles

Year ended December 31, 2025, with comparative information for 2024

	Fire and emergency services		Water, wastewater and solid waste		By-law and licensing services		Roads, bridges and sidewalks		Planning and development services		Community programs and events	
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
Revenue:												
Taxation	\$ 19,689,600	\$ 19,946,958	\$ 3,855,548	\$ 4,610,166	\$ 2,662,476	\$ 2,888,190	\$ 13,682,590	\$ 11,833,005	\$ 4,748,090	\$ 4,638,479	\$ 5,886,614	\$ 6,269,101
User charges	437,500	337,980	58,732,506	56,467,527	1,187,802	904,205	517,112	729,573	4,520,660	2,860,149	8,021,868	6,262,176
External non-tax revenue	(156,810)	33,752	17,919,739	10,488,261	561,822	783,139	5,302,347	6,340,500	1,156,322	2,309,825	1,365,667	957,670
	19,970,290	20,318,690	80,507,793	71,565,954	4,412,100	4,575,534	19,502,049	18,903,078	10,425,072	9,808,453	15,274,149	13,488,947
Expenses:												
Salaries and wages	25,921,038	25,724,621	3,649,237	3,306,397	2,406,858	2,279,062	4,075,039	3,094,157	6,133,444	6,064,257	8,857,557	7,651,165
Materials, goods and supplies	1,458,942	1,323,972	2,650,628	1,365,826	12,455	179,411	2,043,300	1,642,176	132,055	177,955	248,456	262,756
Utilities	271,808	265,703	63,899	43,790	17,943	1,520	1,031,546	1,018,590	7,984	-	23,078	3,463
Contracted and general services	980,039	1,027,025	32,919,617	33,443,689	371,303	392,200	1,205,868	1,133,508	672,045	461,213	3,026,039	2,492,447
Rents and financial	24,000	111,238	57,224	108,804	8,035	11,241	515	15,617	3,508	1,309	140,654	56,037
Interest on long-term debt	-	-	9,857	12,077	-	-	-	-	-	-	-	-
Capital repairs and maintenance	635,940	840,258	1,098,564	1,181,024	-	-	1,654,577	992,567	321,938	287,236	-	-
Amortization	1,007,457	969,127	3,727,269	3,616,183	49,420	46,565	8,322,302	8,199,414	-	-	91,637	88,536
Allocations	(10,908,335)	(10,878,447)	3,716,909	3,661,820	1,397,048	1,397,048	2,124,567	2,124,567	3,112,734	3,099,329	2,158,049	2,158,055
	19,390,889	19,383,497	47,893,204	46,739,610	4,263,062	4,307,047	20,457,714	18,220,596	10,383,708	10,091,299	14,545,470	12,712,459
	579,401	935,193	32,614,589	24,826,344	149,038	268,487	(955,665)	682,482	41,364	(282,846)	728,679	776,488
Income from Newmarket Hydro Holdings Inc.	-	-	-	-	-	-	-	-	-	-	-	-
Gain (loss) on disposal of tangible capital assets	22,532	13,250	(16,965)	-	9,386	-	(1,209,807)	(48,770)	-	-	-	-
Gain (loss) on foreign exchange	-	-	-	-	-	-	-	-	-	-	-	-
Annual surplus (deficit)	\$ 601,933	\$ 948,443	\$ 32,597,624	\$ 24,826,344	\$ 158,424	\$ 268,487	\$ (2,165,472)	\$ 633,712	\$ 41,364	\$ (282,846)	\$ 728,679	\$ 776,488

THE CORPORATION OF THE TOWN OF NEWMARKET

Schedule 2 - Segment Disclosures - Service Bundles (continued)

Year ended December 31, 2025, with comparative information for 2024

	Facilities, parks and trails		Corporate support and governance		Public library services		Main Street District BIA		Consolidated	
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
Revenue:										
Taxation	\$ 25,623,546	\$ 23,039,993	\$ –	\$ –	\$ 4,682,646	\$ 4,678,039	\$ 30,000	\$ 30,000	\$ 80,861,110	\$ 77,933,931
User charges	2,725,337	2,468,071	7,389,292	826,036	42,454	28,724	–	–	83,574,531	70,884,441
External non-tax revenue	17,108,220	31,581,530	10,102,794	11,022,841	311,398	291,686	1,900	24,383	53,673,399	63,833,587
	45,457,103	57,089,594	17,492,086	11,848,877	5,036,498	4,998,449	31,900	54,383	218,109,040	212,651,959
Expenses:										
Salaries and wages	11,178,037	10,700,876	20,362,425	18,860,446	2,639,030	2,601,184	–	–	85,222,665	80,282,165
Materials, goods and supplies	3,484,831	4,186,598	498,996	722,007	544,090	526,010	16,080	14,229	11,089,833	10,400,940
Utilities	3,116,091	2,575,867	644,481	874,915	61,896	61,321	–	–	5,238,726	4,845,169
Contracted and general services	1,509,452	212,030	9,153,642	6,927,206	138,943	158,783	10,646	4,225	49,987,594	46,252,326
Rents and financial	240,043	204,529	215,830	50,530	3,561	2,068	–	–	693,370	561,373
Interest on long-term debt	–	–	860,302	986,805	–	–	–	–	870,159	998,882
Capital repairs and maintenance	2,192,036	3,345,088	1,636,994	882,913	–	62,361	–	–	7,540,049	7,591,447
Amortization	6,308,601	6,121,542	983,628	958,978	222,441	232,877	–	–	20,712,755	20,233,222
Allocations	3,021,313	3,021,590	(18,539,518)	(18,271,924)	808,103	633,894	–	–	(13,109,130)	(13,054,068)
	31,050,404	30,368,120	15,816,780	11,991,876	4,418,064	4,278,498	26,726	18,454	168,246,021	158,111,456
	14,406,699	26,721,474	1,675,306	(142,999)	618,434	719,951	5,174	35,929	49,863,019	54,540,503
Income from Newmarket Hydro Holdings Inc.	–	–	1,308,422	2,799,827	–	–	–	–	1,308,422	2,799,827
Gain (loss) on disposal of tangible capital assets	(91,462)	48,489	–	–	–	–	–	–	(1,286,316)	12,969
Gain (loss) on foreign exchange	–	–	(367,133)	376,001	–	–	–	–	(367,133)	376,001
Annual surplus	\$ 14,315,237	\$ 26,769,963	\$ 2,616,595	\$ 3,032,829	\$ 618,434	\$ 719,951	\$ 5,174	\$ 35,929	\$ 49,517,992	\$ 57,729,300