



Additions and Corrections to the Agenda

Declarations of Pecuniary Interest

Approval of Minutes

- 1. Audit Committee Meeting Minutes of October 19, 2016** **Page 1**

Items

Note: Representatives from BDO Canada LLP and the Director, Financial Services/Treasurer and Manager, Accounting and Finance to review items 2 to 6.

- 2. Review of 2016 Financial Statements**
- 3. Town of Newmarket Consolidated Financial Statements** **Page 5**
- Town of Newmarket Consolidated Financial Statements Report **Page 36**
 - Final Report to the Audit Committee, dated June 21, 2017 **Page 51**
 - Representation letter regarding the Audit of Financial Statements dated June 26, 2017
- 4. Town of Newmarket Main Street District Business Improvement Area Financial Statements and representation letter dated June 26, 2017 from BDO Canada LLP** **Page 55**
- 5. Town of Newmarket Trust Fund Financial Statements and representation letter dated June 26, 2017 from BDO Canada LLP** **Page 64**
- 6. Financial Statement Discussion and Analysis (FSD&A)** **Page 73**
- 7. Review of Committee Terms of Reference** **Page 91**
- 8. Internal Audit - Update**

9. Audit Request for Proposal

Closed Session (if required)

New Business

Adjournment

The meeting of the Audit Committee was held on Wednesday, October 19, 2016 in the Mulock Room, 395 Mulock Drive, Newmarket.

Members Present: Mayor Van Bynen (8:30 to 9:21 a.m.)
Councillor Bisanz
Councillor Hempen
Cristine Prattas, Chair
Terrance Alderson
Michael Tambosso

Staff Present: R.N. Shelton, Chief Administrative Officer
E. Armchuk, Commissioner of Corporate Services
T. Kyle, CEO, Newmarket Public Library
M. Mayes, Director, Financial Services/Treasurer
D. Schellenberg, Manager of Finance & Accounting
C. Finnerty, Council/Committee Coordinator

Guests: Mr. Michael Jones, BDO Canada LLP (8:30 to 9:33 a.m.)
Ms. Trudy White, BDO Canada LLP (8:30 to 9:33 a.m.)

The meeting was called to order at 8:30 a.m.

C. Prattas in the Chair.

Additions and Corrections to the Agenda

None.

Declarations of Pecuniary Interest

None.

Approval of Minutes

1. Audit Committee Minutes and (Closed Session) Minutes of June 15, 2016.

Moved by: Michael Tambosso

Seconded by: Mayor Van Bynen

THAT the Audit Committee Minutes of June 15, 2016 be approved.

Carried

Moved by: Michael Tambosso
Seconded by: Terrance Alderson

THAT the Audit Committee (Closed Session) Minutes of June 15, 2016 be approved.

Carried**Items**

2. Term Appointment.

The Director of Financial Services provided background information.

Moved by: Mayor Van Bynen
Seconded by: Terrance Alderson

THAT BDO Canada LLP be appointed as the Town of Newmarket Auditors for a one year term.

Carried

3. Update on Newmarket Risk Assessment Audit.

The Commissioner of Corporate Services provided an overview of the risk assessment activities that have been conducted, including scope of the review, recommendations and impacts associated to risk and vulnerabilities, and to update the risk assessment conducted in 2011. A preliminary summary has been drafted. Departments are currently reviewing the results to ensure consistency in the reporting, though overall, with few departmental exceptions, areas have been identified as low risk. The Chief Administrative Officer advised of further opportunities to use the auditor, in addition to shared resourcing with the N6. It is anticipated that the auditor will attend to provide an overall review of the results, typically at the June meeting. Discussion ensued regarding identification and removal of any identified risks and associated responsibilities and cyber risk.

Moved by: Councillor Bisanz
Seconded by: Terrance Alderson

THAT the verbal update by the Commissioner of Corporate Services be received.

Carried

4. Mr. Michael Jones and Ms. Trudy White, BDO Canada LLP addressed those present with a review of the 2016 Audit Plan and summarized the areas related to Newmarket-Tay Hydro, including communication with their auditor, materiality thresholds and associated components, including the BIA, Library Board, Town and Newmarket-Tay Hydro, areas of interest, planned audit approach, fraud,

Discussion ensued regarding the audit approach, procedures, areas of risk, including management override, fraud and post-employment benefits. With an understanding of the risks, it is possible to place controls on the risk areas. The audit plan doesn't typically change on an annual basis, if no substantive changes occur to municipal procedures or if there are no incidents. Discussion regarding safe boxes at kiosk locations, e-deposit for cheques, transition to the new bank, gas tax payments, compliance with respect to the gas tax payments, life expectancy of roads infrastructure, life of service for roads and maintenance periods and dollar value of assumed roads, using fair market value, with separate values on the underground and surface, accounting changes for the downtown BIA, using accrued accounting, amendments to the useful life of watermain and sewers in order to coincide the life span used for asset management, any fraud issues reported to the CAO, of which none have been reported, accountability officers, audit timing, which has yet to be finalized, fees, engagement letter, brochure and PSAB updates for 2017.

Discussion ensued regarding monitoring and implementation of PSAB standards, hours on the file by the Manager and Partner, list of audit committee responsibilities, audit Committee not seeing the annual report, to be removed from document, asset replacement fund updates to guidelines, including consolidation and whether that will impact the audit or financial statements, most significant fraud risk – not many, but management override is the most significant risk, though controls are in place, whether the Town's insurance policy is sufficient to handle any theft, management override and whether it's a standard whistleblower.

A review of the engagement letter was conducted.

Discussion ensued regarding materiality, litigation against the Town, service and whether it's exceptional or just checking the box, staff preparation for the audit, discussions regarding RFP preparation for the audit services, need for an RFP, partner rotation policy, have a meeting before June to discuss RFP, joint with N6 or not, feedback on internal auditor, liability of the management selecting the auditor.

Moved by: Michael Tambosso

Seconded by: Terrance Alderson

THAT the presentation by Mr. Michael Jones and Ms. Trudy White, BDO Canada LLP regarding a review of the 2016 Audit Plan be received.

Carried

Closed Session

C. Prattas advised that there was no requirement for a Closed Session.

New Business

None.

Adjournment

Moved by: Terry Alderson
Seconded by: Councillor Bisanz

THAT the meeting adjourn.

Carried

There being no further business, the meeting adjourned at 10:07 a.m.

Date

Cristine Prattas, Chair

**The Corporation of the
Town of Newmarket
Consolidated Financial Statements
Year ended December 31, 2016**

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Independent Auditor's Report

To the Mayor and Councilors of The Corporation of the Town of Newmarket

We have audited the accompanying consolidated financial statements of The Corporation of the Town of Newmarket which comprise the statement of financial position as at December 31, 2016, and the statement of operations and accumulated surplus, statement of changes in net financial assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Corporation of the Town of Newmarket as at December 31, 2016 and the results of its operations, changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants, Licensed Public Accountants

June 26, 2017
Newmarket, Ontario

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

December 31, 2016

	2016	2015
FINANCIAL ASSETS		
Cash and cash equivalents (Note 6)	\$ 44,152,694	\$ 83,424,445
Temporary investments (Note 7)	45,000,000	5,000,000
Taxes receivable (Note 8)	4,310,635	4,846,050
Unbilled user charges	4,788,569	4,413,796
Accounts receivable (Note 8)	6,146,995	6,359,972
Inventory for resale (Note 9)	122,911	92,074
Surplus land (Note 10)	155,285	155,285
Loans receivable (Note 8)	6,693,849	6,640,294
Investment in Newmarket Hydro Holdings Inc. (Note 11)	68,130,795	66,317,053
	179,501,733	177,248,969
LIABILITIES		
Accounts payable and accrued liabilities (Note 12)	28,641,199	32,435,640
Interest payable on debt	743,206	862,092
Employee future benefits payable (Note 13)	5,281,999	4,958,165
Long-term disability benefits payable (Note 14)	4,606,605	4,719,337
Deferred revenue (Note 15)	29,259,764	33,078,366
Long-term debt (Note 16)	36,772,663	39,753,155
	105,305,436	115,806,755
NET FINANCIAL ASSETS	74,196,297	61,442,214
NON FINANCIAL ASSETS		
Inventory (Note 9)	396,384	400,124
Prepaid expenses	942,401	1,997,821
Tangible capital assets (Note 26)	475,725,170	465,439,466
	477,063,955	467,837,411
ACCUMULATED SURPLUS (Note 22)	\$ 551,260,252	\$ 529,279,625

Contingencies and lease agreements (Notes 18 and 19)

THE CORPORATION OF THE TOWN OF NEWMARKET
 Consolidated Statement of Operations and Accumulated Surplus
 Year ended December 31, 2016

	2016		2015
	Budget	Actual	Actual
REVENUES			
Taxation and user charges			
Residential and farm taxation	\$ 46,642,701	\$ 46,190,539	\$ 44,190,993
Commercial, industrial and business taxation	8,950,583	8,461,166	8,685,966
Taxation from other governments	713,939	711,244	668,984
User charges	40,443,022	44,435,767	40,968,437
	<u>96,750,245</u>	<u>99,798,716</u>	<u>94,514,380</u>
Government Transfers			
Government of Canada	-	381,194	622,215
Federal Gas Tax Allocation	4,493,872	2,001,349	2,102,286
Province of Ontario	1,166,791	1,384,566	1,862,089
	<u>5,660,663</u>	<u>3,767,109</u>	<u>4,586,590</u>
Other			
Contribution from developers	18,941,982	18,447,620	11,772,593
Investment income	3,731,570	3,891,205	4,087,687
Fine, penalties and interest	1,251,760	1,238,890	1,224,456
Rent and other	7,006,731	2,701,430	1,804,079
Land sales	-	33,700	12,720
Loss on disposal of tangible capital assets	-	(203,299)	(67,014)
	<u>30,932,043</u>	<u>26,109,546</u>	<u>18,834,521</u>
TOTAL REVENUES	\$ 133,342,951	\$ 129,675,371	\$ 117,935,491

THE CORPORATION OF THE TOWN OF NEWMARKET
 Consolidated Statement of Operations and Accumulated Surplus
 Year ended December 31, 2016

	2016		2015
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
EXPENSES			
General government	\$ 15,003,601	\$ 14,843,027	\$ 14,532,293
Protection to persons and property	16,981,645	16,917,776	15,988,842
Transportation services	13,212,009	14,481,982	12,699,761
Environmental services	33,138,509	31,059,934	32,554,496
Recreation and cultural services	31,658,607	29,421,878	28,797,876
Planning and development	3,523,474	2,783,889	2,626,902
	<u>113,517,845</u>	<u>109,508,486</u>	<u>107,200,170</u>
Net equity in earnings of Newmarket Hydro Holdings Inc.			
	<u>1,400,000</u>	<u>1,813,742</u>	<u>1,671,129</u>
ANNUAL SURPLUS	<u>21,225,106</u>	<u>21,980,627</u>	<u>12,406,450</u>
ACCUMULATED SURPLUS, BEGINNING OF YEAR, RESTATED	<u>529,279,625</u>	<u>529,279,625</u>	<u>516,873,175</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 550,504,731</u>	<u>\$ 551,260,252</u>	<u>\$ 529,279,625</u>

THE CORPORATION OF THE TOWN OF NEWMARKET
 Consolidated Statement of Changes in Net Financial Assets
 Year ended December 31, 2016

	2016		2015
	Budget	Actual	Actual
Annual surplus	\$ 21,225,106	\$ 21,980,627	\$ 12,406,450
Acquisition of tangible capital assets	(20,151,652)	(15,625,785)	(19,680,658)
Contributed tangible capital assets	-	(10,089,926)	(4,532,696)
Amortization of tangible capital assets	16,394,357	15,114,325	16,432,222
Proceeds from sale of tangible capital assets	-	112,383	514,755
Loss on sale of tangible capital assets	-	203,299	67,014
	(3,757,295)	(10,285,704)	(7,199,363)
Changes due to inventory	(8,002)	3,740	(98,232)
Changes due to prepaid expenses	(39,956)	1,055,420	(328,462)
	(47,958)	1,059,160	(426,694)
CHANGE IN NET FINANCIAL ASSETS	17,419,853	12,754,083	4,780,393
NET FINANCIAL ASSETS, BEGINNING OF YEAR	61,442,214	61,442,214	56,661,821
NET FINANCIAL ASSETS, END OF YEAR	\$ 78,862,067	\$ 74,196,297	\$ 61,442,214

THE CORPORATION OF THE TOWN OF NEWMARKET
Consolidated Statement of Cash Flows**Year ended December 31, 2016**

	2016		2015
	Budget	Actual	Actual
CASH PROVIDED BY (USED IN):			
OPERATING ACTIVITIES			
Cash received from			
Taxation	\$ 56,142,942	\$ 54,748,109	\$ 54,448,881
User charges	40,134,056	43,108,050	42,501,756
Government transfers	3,595,098	3,355,216	5,214,343
Contributions from developers	10,610,070	3,887,626	16,857,668
Investment income	3,731,570	5,011,865	5,001,709
Fine, penalties and interest	1,251,760	1,213,730	1,252,071
Rent and other	7,006,731	2,774,933	1,722,119
Aurora's share of Central York Fire Services	9,619,835	9,468,805	8,933,489
	132,092,062	123,568,334	135,932,036
Cash paid for			
Salaries, wages and employee benefits	53,848,046	53,918,055	52,792,202
Materials, goods, and supplies	5,804,385	3,986,584	5,690,574
Utilities	4,725,556	4,382,035	4,587,919
Contracted and general services	27,863,291	29,698,498	27,316,952
Capital repairs and maintenance	4,472,891	10,122,194	1,455,737
Interest on long-term debt	2,115,861	2,115,861	2,237,170
Rents and financial	841,749	288,053	1,200,945
	99,671,779	104,511,280	95,281,499
Net change in cash from operating activities	32,420,283	19,057,054	40,650,537
CAPITAL ACTIVITIES			
Land sales	-	33,700	12,720
Proceeds on disposal of tangible capital assets	-	112,383	514,755
Acquisition of tangible capital assets	(20,151,652)	(15,625,785)	(19,680,658)
Net change in cash from capital activities	(20,151,652)	(15,479,702)	(19,153,183)
INVESTMENT ACTIVITIES			
Temporary investment	(5,000,000)	-	-
Long-term investment	(40,000,000)	(40,000,000)	-
Net increase in investment	(45,000,000)	(40,000,000)	-

THE CORPORATION OF THE TOWN OF NEWMARKET
Consolidated Statement of Cash Flows
Year ended December 31, 2016

	2016		2015
	Budget	Actual	Actual
FINANCING ACTIVITIES			
Loans receivable	-	-	(6,491,307)
Principal repayment on long-term debt	(2,849,103)	(2,849,103)	(2,727,794)
Net change in cash from financing activities	(2,849,103)	(2,849,103)	(9,219,101)
NET CHANGE IN CASH	(35,580,472)	(39,271,751)	12,278,253
CASH, BEGINNING OF YEAR	83,424,445	83,424,445	71,146,192
CASH, END OF YEAR	\$ 47,843,973	\$ 44,152,694	\$ 83,424,445
Supplementary information:			
Interest paid		\$ 2,115,861	\$ 2,237,171
Interest received		\$ 619,341	\$ 887,685

THE CORPORATION OF THE TOWN OF NEWMARKET
Notes to the Consolidated Financial Statements
December 31, 2016

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

1. SIGNIFICANT ACCOUNTING POLICIES

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

Significant accounting policies adopted by the Town are as follows:

(a) (i) Reporting entity

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

(ii) Investment in Newmarket Hydro Holdings Inc.

The Town's investment in Newmarket Hydro Holdings Inc. is accounted for on a modified equity basis, consistent with generally accepted accounting principles as recommended by PSAB for 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 statement of financial operations with a corresponding increase or decrease in its investment asset account. Any dividends that the Town may receive from Newmarket Hydro Holdings Inc. will be reflected as reductions in the investment asset account.

(iii) Accounting for Region of York and school board transactions

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

(iv) Trust funds

Trust funds and their related operations administered by the municipality are not consolidated, but are reported separately in the "Trust Fund Statement of Continuity" and "The Trust Fund Statement of Financial Position".

(b) Basis of accounting

(i) Accrual accounting

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

THE CORPORATION OF THE TOWN OF NEWMARKET
Notes to the Consolidated Financial Statements
December 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Non-financial assets

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

(a) Tangible Capital Assets

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

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

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 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 assets and their capitalization threshold is \$10,000.

(b) Contribution of tangible capital assets

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

(c) Interest capitalization

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

(d) Leases

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

(e) Inventories

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

THE CORPORATION OF THE TOWN OF NEWMARKET
Notes to the Consolidated Financial Statements
December 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) **Surplus Land**

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

(iv) **Accounting for property capping provisions resulting from the Ontario Fair Assessment System**

The net decrease/increase in property taxes as a result of the application of capping provisions does not affect the Consolidated Statement of Operations as the full amount of the property taxes were levied. However, the capping adjustment is reported on the Consolidated Statement of Financial Position as an asset/liability to be received from/paid to the Region. More detailed information is disclosed in Note 4.

(v) **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 Municipality 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.

(vi) **Deferred revenue**

Deferred revenues represent user charges and 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 15 for more details.

(vii) **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.

(viii) **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.

THE CORPORATION OF THE TOWN OF NEWMARKET
Notes to the Consolidated Financial Statements
December 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(ix) Pension Plan

The Municipality 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 Municipality has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles. The Municipality records as pension expense the current service cost, amortization of past service costs and interest costs related to the future employer contributions to the Plan for past employee service.

(x) Revenue Recognition

(a) Taxes and user charges

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

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

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

(b) Investment income

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

(c) Government transfers

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

(xi) Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the year. The principal estimates used in the preparation of these financial statements include the useful life and valuation of tangible capital assets and significant accruals. Actual results could differ from these estimates.

(xii) 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. 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 expense amounts.

THE CORPORATION OF THE TOWN OF NEWMARKET
Notes to the Consolidated Financial Statements
December 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(xiii) Comparative figures

Certain comparative figures have been reclassified to conform with the current year financial statement presentation.

2. BUDGET RECONCILIATION

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

	<u>Revenue</u>	<u>Expenses</u>
Council approved budget:		
Operating fund - January 18, 2016	\$ 114,399,361	\$ 114,399,361
Less: Principal payment on long-term debt	-	(2,936,629)
Less: Transfers to / from other funds	(8,233,643)	(19,186,521)
Capital budget - New - January 18, 2016	26,737,774	26,737,774
Plus: Capital budget carried over from previous years	38,773,050	38,773,050
Less: Transfers to / from other funds	(39,724,437)	-
Reserves and reserve funds - June 16, 2016	20,127,370	47,461,243
Less: Transfers to / from other funds	<u>(18,736,524)</u>	<u>(47,461,243)</u>
TOTAL COUNCIL APPROVED BUDGET	<u>133,342,951</u>	<u>157,787,035</u>
Less: Tangible Capital Assets Capitalized	-	(61,065,612)
Plus: Budgeted amortization expense	-	16,394,357
Plus: Post-employment benefit expenses	-	<u>402,065</u>
Adjusted Budget per Consolidated Statement of Operations	<u>\$ 133,342,951</u>	<u>\$ 113,517,845</u>

3. OPERATIONS OF SCHOOL BOARDS AND THE REGION OF YORK

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

	<u>School Boards</u>	<u>Region</u>
Property taxes and taxation from other governments	\$ 44,531,963	\$ 57,740,830

4. THE CONTINUED PROTECTION FOR PROPERTY TAXPAYERS ACT

Effective 1998, the provincial government implemented the Ontario Fair Assessment System and redefined the services which are funded from the property tax base. As a result of this, certain taxpayers experienced significant changes in their property assessments. Provincial legislation empowered municipalities with tools to lessen the immediate impact of the related property tax changes. These programs are administered by the Region of York for all constituent area municipalities. For multi-residential, commercial and industrial property owners, the Province of Ontario instituted a mandatory capping program which continued in 2016.

THE CORPORATION OF THE TOWN OF NEWMARKET
Notes to the Consolidated Financial Statements
December 31, 2016

4. THE CONTINUED PROTECTION FOR PROPERTY TAXPAYERS ACT (continued)

Effective from the 2005 taxation year, municipalities can implement the greater of an increase to the annual capped taxes of up to 10%, or an annual increase for capped properties of up to 5% of CVA taxes. Multi-residential, commercial, and industrial property owners experiencing decreases are also capped at appropriate levels to fund the phasing-in of increases. The limit remains in place until capped and clawed-back properties are within \$250 of their current value assessment ("CVA"). Municipal levy increases are applied in addition to the limit.

5. PHASE-IN OF ELIGIBLE ASSESSMENT INCREASES

The Government of Ontario made a number of changes to the property assessment system, which took effect for the 2009 property tax year, including the phase-in of eligible assessment increases.

To provide an additional level of property tax stability and predictability, market increases in assessed value between the January 1, 2008 and January 1, 2012 valuation dates are phased in over four years (2013-2016). The phase-in program does not apply to decreases in assessed value. The full benefit of any decrease is applied immediately.

6. CASH AND CASH EQUIVALENTS

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

Cash is segregated as follows:

	2016	2015
Restricted - obligatory reserve funds (refer to Note 15)	\$ 28,115,033	\$ 30,867,671
Designated - reserve funds (refer to Note 22)	30,872,669	26,321,997
Less: temporary investments	<u>(45,000,000)</u>	<u>(5,000,000)</u>
	13,987,702	52,189,668
Unrestricted and undesignated	<u>30,164,992</u>	<u>31,234,777</u>
	<u>\$ 44,152,694</u>	<u>\$ 83,424,445</u>

7. TEMPORARY INVESTMENTS

Temporary investments are recorded at the lower of cost and market value. The \$5,000,000 non-redeemable guaranteed investment certificate, with an annual interest rate of 1.6%, matures November, 2017. The \$40,000,000 non-redeemable guaranteed investment certificate, with an annual interest rate of 1.45% matures September 2017.

	2016	2015
Non-redeemable guaranteed investment certificate	<u>\$ 45,000,000</u>	<u>\$ 5,000,000</u>

8. RECEIVABLES

(a) Taxes receivable	2016	2015
Current year	\$ 3,178,550	\$ 3,358,376
Arrears previous years	1,997,828	2,153,417
	<u>5,176,378</u>	<u>5,511,793</u>
Less allowance	<u>865,743</u>	<u>665,743</u>
	<u>\$ 4,310,635</u>	<u>\$ 4,846,050</u>

THE CORPORATION OF THE TOWN OF NEWMARKET
Notes to the Consolidated Financial Statements
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8. RECEIVABLES (continued)

(b) Accounts receivable	2016	2015
Government entities	\$ 3,524,276	\$ 2,628,454
Newmarket Hydro Holdings Inc.	1,336,000	2,672,000
Trade receivables, user fees and other receivables	1,382,434	1,082,233
	6,242,710	6,382,687
Less allowance	95,715	22,715
	\$ 6,146,995	\$ 6,359,972

(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.

The June 16, 2015 site plan agreement with a developer includes a deferral of the payment of development charges and other fees to three years from the issuance of the building permits, September 1, 2018. Of the \$6,693,849 receivable, \$4,557,753 is for Region development charges which will be payable to them.

9. INVENTORY

Inventory for resale includes water meters sold to developers and transit passes and tickets. Inventory included in non-financial assets includes salt and sand used in winter control of area roads.

10. 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 carrying value of \$33,598.

11. 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 electric utility services.

Effective May 1, 2007 Newmarket Hydro Ltd. merged with Tay Hydro Electric Distribution Company Inc. Newmarket Hydro Holdings Inc. owns 93% of the outstanding common shares of the combined entity and consequently its financial statements have been consolidated with those of its subsidiary.

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

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

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

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

	2016	2015
Share capital		
Newmarket Hydro Holdings Inc. - 201 Common Shares	\$ 29,609,342	\$ 29,609,342
Promissory note	22,000,000	22,000,000
Due from subsidiary	87,412	87,412
Retained earnings, end of the year		
Newmarket Hydro Holdings Inc.	16,434,041	14,620,299
Total investment	\$ 68,130,795	\$ 66,317,053

The following summarizes the Municipality'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.

	2016	2015
Revenues:		
Investment income	\$ 1,205,600	\$ 1,205,600
Rent, property tax and other	409,040	377,439
Expenses:		
Energy purchases	3,146,105	3,410,483
Services - street light capital & maintenance	77,943	342,318
Dividends received	1,336,000	-
Dividends accrued	1,336,000	2,672,000
Accounts payable	343,581	289,015

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

	2016	2015
Financial position		
Current assets	\$ 40,479,032	\$ 34,234,748
Capital assets, future income taxes and other	98,423,140	93,203,689
Regulatory deferral account debit balances	4,550,445	2,465,775
Total assets	143,452,617	129,904,212
Current liabilities	15,893,031	13,613,414
Long term liabilities	63,330,305	58,297,617
Total liabilities	79,223,336	71,911,031
Non-controlling interest	3,350,906	3,237,102
Shareholder equity		
Share capital	29,609,342	29,609,342
Retained earnings	17,639,031	15,993,683
Accumulated other comprehensive income	131,010	164,616
	47,379,383	45,767,641
Regulatory deferral account credit balances	13,498,992	8,988,438
Total liabilities and equity	\$ 143,452,617	\$ 129,904,212

THE CORPORATION OF THE TOWN OF NEWMARKET
Notes to the Consolidated Financial Statements
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11. INVESTMENT IN NEWMARKET HYDRO HOLDINGS INC. (continued)

Results of operations		
Revenues	\$ 101,125,411	\$ 88,814,249
Operating expenses	(94,708,132)	(83,435,558)
Financing expenses	(1,035,727)	(968,064)
Other income	1,446,388	1,416,091
Non-controlling interest	(214,804)	(228,126)
Income tax	(1,203,375)	(1,145,361)
Net movement on regulatory accounts	(2,425,884)	(1,367,423)
Net income	2,983,877	3,085,808
Comprehensive income	(36,135)	22,321
Net income and Comprehensive income	2,947,742	3,108,129
Retained earnings, beginning of year	15,956,299	14,285,170
Net income	2,947,742	3,108,129
Dividends paid	(1,134,000)	(1,437,000)
Retained earnings, end of the year	\$ 17,770,041	\$ 15,956,299
In Town's books		
Retained earnings, end of the year - per Hydro	\$ 17,770,041	\$ 15,956,299
Less: Dividends accrued	(1,336,000)	(1,336,000)
Adjusted retained earnings, end of year	16,434,041	14,620,299
Change in adjusted retained earnings	\$ 1,813,742	\$ 1,671,129

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities to government entities includes water and wastewater charges, development charges, capital expenditures, and \$4.5 million in deferred development charges to a developer.

	2016	2015
Government entities	\$ 15,545,396	\$ 17,174,638
Payroll liabilities	2,232,853	1,469,420
Trade payables and other accrued liabilities	10,862,950	13,791,582
	\$ 28,641,199	\$ 32,435,640

13. EMPLOYEE FUTURE BENEFITS PAYABLE

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 financial statements.

	2016	2015
Employee future benefits	\$ 4,995,555	\$ 4,745,729
Vacation pay	286,444	212,436
	\$ 5,281,999	\$ 4,958,165

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13. EMPLOYEE FUTURE BENEFITS PAYABLE (continued)

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 \$4,995,555 was determined by the last actuarial valuation carried out as at December 31, 2015, using a discount rate of 3.25%.

Total benefit payments to retirees during the year were \$242,239 (2015 - \$173,744). The plan is substantially unfunded and requires no contributions from employees. The retirement benefit liability at December 31 includes the following components:

	2016	2015
Accrued benefits obligation	\$ 5,672,989	\$ 5,453,445
Unamortized actuarial gain/(loss)	(677,434)	(707,716)
Employee future benefits payable	\$ 4,995,555	\$ 4,745,729
Employee future benefits, beginning of the year	\$ 4,745,729	\$ 4,474,440
Annual amortization of actuarial loss	30,282	9,697
Current period service cost	266,957	246,244
Interest cost	194,826	189,092
Benefits paid for the period	(242,239)	(173,744)
Employee future benefits, end of the year	\$ 4,995,555	\$ 4,745,729

Actuarial valuations for accounting purposes are performed every three years using the projected benefit method prorated on services. The most recent actuarial report was prepared at December 31, 2015. The unamortized actuarial loss relates to an actuarial loss of \$666,606 at January 1, 2012 (\$441,419 as at December 31, 2016), plus an actuarial loss of \$308,773 at December 31, 2015 (\$288,188 as at December 31, 2016) and an actuarial loss of \$115,451 at January 1, 2015 (\$100,057 as at December 31, 2016), all of which are being amortized over the estimated remaining service life of the active employees, less an unamortized actuarial gain of \$457,000 at January 1, 2009 (\$152,230 as at December 31, 2016) which is being amortized over twelve years. The average remaining service period of the active employees covered by the benefit plan is fifteen years.

The assumptions used in the December 31, 2015 actuarial valuation were:

- (a) Interest (discount) rate
- The present value of the future benefits as at December 31, 2016 was determined using a discount rate of 3.25% (2015 - 3.25%).
- (b) Health costs
- Health cost premiums are assumed to increase at a 6.25% (2015 - 6.25%) rate for 2016 and decrease by 0.25% per annum to an ultimate rate of 4.5% per annum.
- (c) Dental costs
- Dental cost premiums are assumed to increase at a 3.0% (2015 - 3.0%) rate.

14. LONG-TERM DISABILITY BENEFITS PAYABLE

The Town provides disabled employees who meet the requirements for Long Term Disability (LTD) a monthly disability income, life insurance, health, and dental benefits. An actuarial estimate of future liabilities for currently disabled employees was completed as at December 31, 2016 and forms the basis for the estimated liability reported in these financial statements.

THE CORPORATION OF THE TOWN OF NEWMARKET
Notes to the Consolidated Financial Statements
December 31, 2016

14. LONG-TERM DISABILITY BENEFITS PAYABLE (continued)

	2016	2015
Accrued benefits obligation	\$ 3,026,494	\$ 2,164,403
Unamortized actuarial gain/(loss)	1,580,111	2,554,934
Long-term disability benefits payable	\$ 4,606,605	\$ 4,719,337
Long-term disability benefits payable, beginning of year	\$ 4,719,337	\$ 4,573,222
Annual amortization of actuarial loss	(361,801)	14,886
Current period service cost	452,928	527,656
Interest cost	56,517	128,463
Benefits paid for the period	(260,376)	(524,890)
Long-term disability benefits payable	\$ 4,606,605	\$ 4,719,337

Actuarial valuations for accounting purposes are normally performed every two years using the projected benefit method. The most recent actuarial report was prepared at December 31, 2016. The unamortized actuarial gain will be amortized into future years' expenses over 7 years, the average expected period during which benefits will be paid.

The assumptions used in the December 31, 2016 actuarial valuation were:

(a) Interest (discount) rate

The present value of the future benefits as at December 31, 2016 was determined using a discount rate of 2.75% (2015 - 2.5%).

(b) Health and dental costs

Health and dental cost premiums are assumed to increase by 5.0% per annum.

15. 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 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.

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 Investing in Ontario and the Gas Tax grants are restricted to infrastructure and require annual reporting. The following funds have statutory restrictions and as such are classified as deferred contributions:

	Beginning Balance 2016	2016 Inflows	2016 Outflows	Ending Balance 2016
Parkland	\$ 1,092,162	\$ 164,076	\$ 271,761	\$ 984,477
Development Charges	26,494,841	3,077,423	6,242,676	23,329,588
Engineering Administration	812,058	910,472	854,172	868,358
Gas Tax Grant	2,468,610	2,465,349	2,001,349	2,932,610
	30,867,671	6,617,320	9,369,958	28,115,033
Other	2,210,695	5,543,974	6,609,938	1,144,731
Total	\$ 33,078,366	\$ 12,161,294	\$ 15,979,896	\$ 29,259,764

THE CORPORATION OF THE TOWN OF NEWMARKET
Notes to the Consolidated Financial Statements
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16. LONG-TERM DEBT

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

			2016	2015
Long-term debt incurred by the Town			\$ 36,772,663	\$ 39,753,155
Purpose	Rates	Mature Dates	2016	2015
Land for recreation facilities	5.724%	2024	6,605,305	7,240,466
Youth Centre	5.724%	2024	1,530,498	1,677,669
Downtown renewal	5.724%	2024	485,463	532,145
Recreation facility	5.246%	2024	6,310,150	6,930,583
Parklands	5.246%	2024	1,341,433	1,473,326
Traffic flow improvements	5.246%	2024	772,993	848,996
Downtown revitalization	5.246%	2024	210,338	231,020
Recreation facility	4.756%	2026	8,892,409	9,572,858
Consolidated Operations Centre	5.000%	2019	9,052,072	9,585,069
FCM loan for Operations Centre	2.000%	2031	1,572,002	1,661,023
			\$ 36,772,663	\$ 39,753,155

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

2017	3,079,140
2018	3,228,829
2019	10,881,018
2020	3,000,979
2021	3,158,304
2022 and thereafter	13,424,393
	\$ 36,772,663

- (c) Interest expense on long-term debt amounted to \$1,996,975 (2015 - \$2,123,376).

17. INSURANCE COVERAGE

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

Claim costs during the year amounted to \$155,180 (2015 - \$91,121).

Contributions have been made to the fund for claims in excess of \$10,000 and under \$50,000,000. These contributions have been reported as expenses on the "Consolidated Statement of Operations". The contributions for the year were \$973,572 (2015 - \$1,000,644).

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18. CONTINGENCIES

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

The Town has been named as defendant in a tax re-assessment application in which an exemption from municipal taxation for the years 2013 and onward has been sought. It is too early in the litigation to determine the likelihood of success or estimate the extent of any future payments of the potential claim. Accordingly, no provision has been made in these financial statements for any liability which may arise.

The Town has been named as a defendant in a procurement matter in which damages have been sought. The claim is for lost profits in connection with the termination of a janitorial services contract. The claim has not been substantiated and it is too early in the litigation to determine the likelihood of success or estimate the extent of any future payments of the potential claim. Accordingly, no provision has been made in these financial statements for any liability which may arise.

The Town has been named as defendant in a leasing matter in which damages have been sought. The claim is for lost profits in connection with the termination of a lease agreement for commercial space within a community centre. It is too early in the litigation to determine the likelihood of success or estimate the extent of any future payments of the potential claim. Accordingly, no provision has been made in these financial statements for any liability which may arise.

The Town has been named as a defendant in an employment law matter in which damages have been sought. It is too early in the litigation to determine the likelihood of success or estimate the extent of any future payments of the potential claim. Accordingly, no provision has been made in these financial statements for any liability which may arise.

A claim has been initiated against the Town by a party whose lands were expropriated. It is too early in the litigation to determine the likelihood of success or estimate the extent of any future payments of the potential claim. Accordingly, no provision has been made in these financial statements for any liability which may arise.

19. LEASE AGREEMENTS

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

2017	\$	126,753
2018		64,027
	\$	<u>190,780</u>

20. CONTRACTUAL OBLIGATIONS

During the year the Town had work done on several major projects with contract values totaling approximately \$12,131,225. These contracts relate to the construction, repair and replacement of certain facilities and infrastructure. Approximately \$3,140,872 relating to these contracts had not been expended as at December 31, 2016.

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 \$27,907,202, of which expenses of approximately \$5,272,759 were outstanding as at December 31, 2016.

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21. PENSION AGREEMENTS

OMERS provides pension services to approximately 470,000 active and retired members from approximately 1,000 employers. Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2016. The results of this valuation disclosed total actuarial liabilities of \$87.5 billion in respect of benefits accrued for service with actuarial assets at that date of \$81.8 billion indicating an actuarial deficit of \$5.7 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.

Contributions in 2016 ranged from 9% to 15.9% depending on the proposed retirement age and level of earnings. The Town's 2016 operating expense for OMERS pension benefits was \$4,072,739 (2015- \$4,083,200).

22. ACCUMULATED SURPLUS

The Accumulated Surplus is comprised of the following:

	2016	2015
Reserves set aside for specific purposes by Council		
Reserves for operating purposes	\$ 4,869,267	\$ 4,507,618
Reserves for capital purposes	1,098,178	806,259
Newmarket Public Library	582,111	627,847
Building Code Act Fees	5,770,435	5,381,847
Water & Wastewater Rate Stabilization	4,499,339	2,832,711
Total Reserves	16,819,330	14,156,282
Reserve funds set aside for specific purposes by Council		
Asset replacement funds	22,653,403	18,394,532
Reserve funds for operating purposes	3,547,445	3,432,638
Reserve funds for capital purposes	835,809	1,092,852
Self-insured long-term disability	3,836,012	3,401,975
Total Reserve Funds	30,872,669	26,321,997
Total Reserves and Reserve Funds	47,691,999	40,478,279
Invested in tangible capital assets	475,725,170	465,439,466
Less: amount financed by long-term debt	(36,772,663)	(39,753,155)
Surplus land	155,285	155,285
Operating surplus	3,323	15,135
Funds available for future capital expenses	366,407	617,247
Funds to be provided from future revenues	(265,591)	(449,046)
Equity in Newmarket Hydro Holdings Inc. (Note 11)	68,130,795	66,317,053
Employee future benefits to be recovered	(3,774,473)	(3,540,639)
Accumulated Surplus	\$ 551,260,252	\$ 529,279,625

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Notes to the Consolidated Financial Statements
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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 (see note 15). 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:

	2016	2015
Cost-sharing agreements	\$ 619,137	\$ 1,221,791
Grants with stipulations	\$ 2,001,349	2,102,286
Other grants	\$ 1,146,623	1,262,513
	<u>\$ 3,767,109</u>	<u>\$ 4,586,590</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.

	2016	2015
Net expenses before allocation	\$ 23,778,907	\$ 22,677,776
Less: Aurora's allocation (2015 - 40.23%; 2016 - 40.20%)	(9,468,805)	(9,123,269)
<u>Newmarket's net allocation</u>	<u>\$ 14,310,102</u>	<u>\$ 13,554,507</u>

25. TRUST FUND

The Trust fund administered by the Town amounting to \$329,333 (2015 - \$323,407) is presented in a separate financial statement of trust balances and operations. As such balances are held in trust by the Town for the benefit of others, they are not included in the Town's consolidated statement of financial position or financial activities.

26. 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 of the assets controlled.

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

a) Tangible capital assets recognized at nominal value.

Certain assets have been assigned a nominal value because of the difficulty of determining a valuation. The most significant such asset is the land under the Town's roads which has been assigned a nominal value of one dollar per kilometer of road length. The 2016 road network had 230 kilometers (2015 - 227 km).

THE CORPORATION OF THE TOWN OF NEWMARKET
Notes to the Consolidated Financial Statements
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26. TANGIBLE CAPITAL ASSETS (continued)

b) Capitalization of interest

No interest was capitalized in 2016 (2015 - nil).

c) Construction in Process

The financial statements and accompanying schedules include \$7,404,596 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. The value of contributed assets received during the year was \$10,089,926 (2015 - \$4,532,696). Contributed assets included streetlights (\$600,695), storm water management pond (\$193,253), parks (\$417,735), and linear assets (\$8,878,243) of subdivisions assumed by the Town in 2016. The 2015 contributed assets consisted of land, street lighting, storm water management pond, and underground linear assets by developers.

e) Change in estimated useful life

In 2016 the estimated useful life of the sewers and watermains was extended from 50 years to 80 years to better reflect their longevity and actual replacement cycle. The road paved surface category was reduced from 25 years to 20 years to coincide with the replacement cycle of the associated underground assets. The impact of these changes was a decrease of \$1,266,871 in amortization expense.

27. SEGMENTED INFORMATION

Certain allocation methodologies are employed in the preparation of segmented financial information. Government grants, user charges, transfers from other funds, and other revenues are allocated to the specific program or service they relate to. Expense allocations are both internal and external. There is an external allocation to the Town of Aurora for its share of the costs of running Central York Fire Services (see Note 26). Activity based costing is used to allocate internal support costs to departments. These costs include the net expenses for departments, such as human resources, information systems, finance and others, commonly referred to as overhead. Measures of activity, or drivers, are used to apportion the support costs.

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

Schedule 2 Service Bundles

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

Fire & Emergency Services

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

THE CORPORATION OF THE TOWN OF NEWMARKET
Notes to the Consolidated Financial Statements
December 31, 2016

27. SEGMENTED INFORMATION (continued)

Water, Wastewater & Solid Waste

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

Bylaw & Licensing Services

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

Roads, Bridges & Sidewalks

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

Planning & Development Services

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

Community Programs & Events

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

Facilities, Parks & Trails

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

Corporate Support & Governance

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

Public Library Services

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

Main Street District BIA

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

THE CORPORATION OF THE TOWN OF NEWMARKET
Notes to the Consolidated Financial Statements
December 31, 2016

28. SUBSEQUENT EVENTS

On April 27, 2017, Newmarket-Tay Power Distribution Ltd's offer to purchase the shares of another Local Distribution Company – Midland Utility Power Corporation was accepted, pending contract finalization. Newmarket-Tay Power Distribution Ltd. is an electricity distributor licensed by the Ontario Energy Board. It provides electricity distribution services in the Town of Newmarket and certain parts of the Township of Tay. The shareholders are the Town of Newmarket and the Township of Tay.

The Corporation of the Town of Newmarket
Tangible Capital Assets - Summary By Asset Category
December 31, 2016

Schedule 1

	Cost				Accumulated Amortization			Net Book Value		
	2016 Opening Balance	Additions and Betterments	Disposals/ Transfers	Write Downs	2016 Closing Balance	2018 Opening Balance	2016 Amortization Expense		Accumulated Amortization on Disposals	2018 Ending Balance
General Capital Assets										
Land	\$ 74,717,975	\$ -	\$ -	\$ -	\$ 74,717,975	\$ -	\$ -	\$ -	\$ -	\$ 74,717,975
Land Improvements	10,094,720	1,544,020	11,838,749	1,820,332	11,838,749	1,820,332	344,384	2,164,716	9,674,033	9,674,033
Building	94,253,768	9,967,189	6,150	33,205,172	94,214,777	33,205,172	2,388,062	6,150	35,587,084	58,627,693
Machinery and Equipment	13,264,760	1,493,946	111,430	14,847,296	6,566,123	1,236,152	108,816	7,715,459	6,851,637	6,851,637
Vehicles	5,889,729	450,244	165,775	5,974,198	2,541,625	440,253	158,821	2,823,057	3,151,141	3,151,141
Other - Library Collections	1,754,996	201,171	1,737,903	941,523	216,855	216,855	216,264	940,114	797,789	797,789
	\$ 189,776,977	\$ 13,650,540	\$ 501,619	\$ -	\$ 202,830,898	\$ 45,094,775	\$ 4,625,706	\$ 490,051	\$ 48,230,430	\$ 153,700,468
Infrastructure Assets										
Land	\$ 15,868,676	\$ 2,803,856	\$ -	\$ -	\$ 18,492,534	\$ -	\$ -	\$ -	\$ -	\$ 18,492,534
Land Improvements	23,750,754	606,856	24,357,610	17,265,281	24,357,610	17,265,281	547,832	17,813,093	6,544,517	6,544,517
Buildings	24,846,481	24,846,481	3,854,516	793,913	24,846,481	3,854,516	793,913	4,648,428	20,198,032	20,198,032
Machinery & Equipment	1,864,087	79,534	1,942,621	952,589	1,942,621	144,025	1,096,614	846,067	977,599	977,599
Vehicles	2,276,300	499,889	137,249	2,638,920	1,523,516	275,054	137,249	1,661,321	267,561,417	267,561,417
Linear Assets	448,221,308	24,796,258	471,827,564	196,424,240	196,424,240	865,868	204,266,147	314,620,106	7,404,596	7,404,596
	\$ 516,647,588	\$ 28,765,373	\$ 1,327,251	\$ -	\$ 544,105,710	\$ 220,020,122	\$ 10,488,619	\$ 1,023,137	\$ 228,485,604	\$ 314,620,106
Assets under construction	\$ 24,130,786	\$ 3,405,782	\$ 20,131,994	\$ -	\$ 7,404,596	\$ -	\$ -	\$ -	\$ -	\$ 7,404,596
Total Tangible Capital Assets	\$ 750,554,383	\$ 45,847,705	\$ 21,960,864	\$ -	\$ 764,441,204	\$ 265,114,897	\$ 15,114,325	\$ 1,513,188	\$ 278,716,034	\$ 475,725,170

The Corporation of the Town of Newmarket
Tangible Capital Assets - Summary By Asset Category
December 31, 2015

Schedule 1

	Cost					Accumulated Amortization			2015	
	2015 Opening Balance	Additions and Betterments	Disposals/ Transfers	Write Downs	2015 Closing Balance	2015 Opening Balance	2015 Amortization Expense	Accumulated Amortization on Disposals	2015 Ending Balance	Net Book Value
General Capital Assets										
Land	\$ 74,717,975				\$ 74,717,975				\$ -	\$ 74,717,975
Land Improvements	9,857,793	365,839	128,908		10,094,729	1,651,859	297,381	128,908	1,820,332	8,274,397
Building	63,948,319	305,449			84,253,768	30,963,511	2,241,661		33,205,172	51,048,596
Machinery and Equipment	11,569,462	2,887,346	1,192,048		13,264,780	6,674,623	980,763	1,069,263	6,586,123	6,678,657
Vehicles	5,596,268	237,272	143,811		5,689,729	2,274,745	406,109	139,229	2,541,625	3,148,104
Other - Library Collections	1,766,806	207,507	219,417		1,754,896	940,639	220,301	219,417	941,523	813,473
	\$ 187,456,748	\$ 4,003,413	\$ 1,684,164	\$ -	\$ 189,775,977	\$ 42,505,377	\$ 4,146,215	\$ 1,556,817	\$ 45,094,775	\$ 144,681,202
Infrastructure Assets										
Land	\$ 15,894,527	2	205,651		\$ 15,898,678				\$ -	\$ 15,898,678
Land Improvements	23,551,760	522,280	323,306		23,750,754	17,049,749	538,818	323,306	17,265,281	6,485,473
Buildings	24,050,529	857,762	81,830		24,846,481	3,142,430	773,916	61,830	3,654,516	20,991,945
Machinery & Equipment	1,425,480	438,607			1,864,087	810,102	142,487		952,589	911,498
Vehicles	2,321,116	167,772	212,568		2,276,300	1,418,076	315,069	209,669	1,523,516	752,784
Linear Assets	440,427,914	8,965,168	1,171,774		448,221,308	186,634,704	10,515,687	926,151	196,424,240	251,797,068
	\$ 507,671,346	\$ 10,951,591	\$ 1,975,349	\$ -	\$ 516,647,588	\$ 209,255,061	\$ 12,286,007	\$ 1,520,946	\$ 220,020,122	\$ 296,627,466
Assets under construction										
	\$ 14,872,447	\$ 10,481,577	\$ 1,223,226	\$ -	\$ 24,130,789	\$ -	\$ -	\$ -	\$ -	\$ 24,130,789
Total Tangible Capital Assets	\$ 710,000,541	\$ 25,436,581	\$ 4,882,759	\$ -	\$ 730,554,303	\$ 251,760,438	\$ 16,432,222	\$ 3,077,763	\$ 265,114,697	\$ 465,439,606

The Corporation of the Town of Newmarket
 Segment Disclosures - Service Bundle
 Year Ended December 31, 2016

Schedule 2

	Fire & Emergency Services		Water, Wastewater & Solid Waste		Bylaw & Licensing Services		Roads, Bridges & Sidewalks	
	2016	2015	2016	2015	2016	2015	2016	2015
EXPENSES								
Salaries and wages	\$ 20,185,433	\$ 19,381,664	\$ 2,617,491	\$ 2,203,634	\$ 1,079,088	\$ 1,033,998	\$ 2,274,079	\$ 2,427,530
Materials, goods and supplies	841,942	743,021	614,366	673,519	53,535	55,829	1,022,493	603,175
Utilities	167,085	161,216	30,080	29,283	-	-	952,087	1,201,327
Contracted and general services	761,352	749,008	22,453,356	20,986,340	358,423	355,055	656,644	1,098,174
Rent and financial	-	-	47,188	51,030	37,000	225	510	326
Interest on long-term debt	-	-	572,330	577,750	-	-	-	-
Capital repairs and maintenance	492,588	314,411	1,907,559	2,017,887	-	902	2,563,761	2,297,513
Amortization expenses	360,059	355,887	2,978,048	5,204,034	20,549	10,126	6,890,178	5,633,446
Allocations	(7,284,620)	(7,138,835)	2,558,299	2,816,253	944,652	873,964	1,912,141	1,458,932
Total expenses	15,523,839	14,566,374	33,678,717	34,559,731	2,493,247	2,330,099	16,271,893	14,720,423
REVENUES								
Taxation	14,920,424	14,485,552	2,603,057	2,846,037	1,524,815	1,241,931	11,041,614	10,902,703
User charges	297,654	270,564	33,632,832	31,176,117	450,256	400,988	121,856	106,143
External non-tax revenues	2,525,802	(193,379)	7,942,936	6,890,287	451,237	384,677	7,829,447	3,204,593
Gain / (loss) on sale of tangible capital assets	3,182	2,073	(196,599)	(101,153)	-	-	(71,309)	(13,191)
Total revenues	17,747,162	14,574,810	43,982,226	40,811,288	2,426,308	2,037,596	18,921,608	14,200,248
Net surplus of Gov't. Business Enterprise	-	-	-	-	-	-	-	-
Annual Surplus (Deficit)	\$ 2,223,323	\$ 8,434	\$ 10,303,509	\$ 6,251,558	\$ (66,939)	\$ (292,503)	\$ 2,649,715	\$ (520,175)

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

The Corporation of the Town of Newmarket
 Segment Disclosures - Service Bundle
 Year Ended December 31, 2016

Schedule 2

	Planning & Development Services		Community Programs and Events		Facilities, Parks & Trails		Corporate Support & Governance	
	2016	2015	2016	2015	2016	2015	2016	2015
EXPENSES								
Salaries and wages	\$ 4,088,507	\$ 3,784,701	\$ 5,229,315	\$ 4,965,692	\$ 7,228,614	\$ 7,273,975	\$ 9,832,609	\$ 9,822,203
Materials, good and supplies	246,878	216,101	147,476	184,998	1,438,919	1,431,592	369,229	411,096
Utilities	-	-	3,840	3,949	2,445,123	2,304,719	615,669	606,388
Contracted and general services	293,703	218,064	1,181,331	979,290	1,020,794	768,955	3,164,703	3,094,944
Rents and financial	26,000	-	45,806	44,696	50,391	49,170	57,005	140,068
Interest on long-term debt	-	-	-	-	-	-	1,424,645	1,545,625
Capital repairs and maintenance	145,261	161,776	3,702	32,237	1,767,899	1,783,510	538,693	375,412
Amortization expenses	-	-	41,801	31,663	3,802,724	4,136,819	686,773	643,167
Allocations	2,711,113	2,242,853	1,735,436	2,018,051	3,276,059	2,410,334	(15,863,265)	(14,296,994)
Total expenditures	7,511,462	6,623,495	8,388,707	8,260,576	21,030,533	20,161,075	827,051	2,341,909
REVENUES								
Taxation	3,586,307	3,303,097	4,133,759	4,275,461	14,094,016	13,068,390	-	49,614
User charges	3,120,116	2,656,945	3,807,093	3,429,451	2,520,344	2,551,919	416,532	312,940
External non-tax revenues	1,138,681	794,566	340,607	389,790	3,022,582	5,379,061	6,548,832	6,349,765
Gain / (loss) on sale of tangible capital assets	-	-	-	-	61,427	45,257	-	-
Total revenues	7,845,004	6,754,608	8,281,459	8,094,702	19,698,369	21,044,628	6,965,364	6,712,319
Net surplus of Gov't. Business Enterprise	-	-	-	-	-	-	1,813,742	1,671,129
Annual Surplus (Deficit)	\$ 333,542	\$ 131,112	\$ (107,248)	\$ (165,874)	\$ (1,332,164)	\$ 883,553	\$ 7,952,045	\$ 6,041,539

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

The Corporation of the Town of Newmarket
 Segment Disclosures - Service Bundle
 Year Ended December 31, 2016

Schedule 2

	Public Library Services		Main Street District BIA		Consolidated	
	2016	2015	2016	2015	2016	2015
EXPENSES						
Salaries and wages	\$ 2,218,316	\$ 2,182,466	\$ -	\$ -	\$ 54,753,452	\$ 53,075,863
Materials, good and supplies	276,576	268,831	22,520	8,221	5,032,934	4,595,383
Utilities	114,045	109,602	-	-	4,327,929	4,416,486
Contracted and general services	107,018	118,692	14,939	11,744	30,012,263	28,380,266
Rents and financial	-	-	-	-	263,900	285,515
Interest on long-term debt	-	-	-	-	1,996,975	2,123,375
Capital repairs and maintenance	56,051	29,681	-	-	7,475,513	7,013,328
Amortization expenses	432,193	415,080	-	-	15,114,325	16,432,222
Allocations	541,370	492,173	-	-	(9,468,805)	(9,123,269)
Total expenditures	3,745,569	3,616,525	37,459	19,965	109,508,486	107,200,169
REVENUES						
Taxation	3,428,957	3,333,158	30,000	30,000	55,362,949	53,545,943
User charges	69,085	63,370	-	-	44,435,767	40,968,437
External non-tax revenues	273,774	274,865	6,055	3,900	30,079,954	23,488,125
Gain / (loss) on sale of tangible capital assets	-	-	-	-	(203,299)	(67,015)
Total revenues	3,771,816	3,671,393	36,055	33,900	129,675,371	117,935,490
Net surplus of Gov't. Business Enterprise	-	-	-	-	1,813,742	1,671,129
Annual Surplus (Deficit)	\$ 26,247	\$ 54,868	\$ (1,404)	\$ 13,935	\$ 21,980,627	\$ 12,406,450

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



The Corporation of the Town of Newmarket

Final Report to the Audit Committee

June 21, 2017



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June 21, 2017

Members of the Audit Committee
The Corporation of the Town of Newmarket

Dear Audit Committee Members:

We are pleased to present the results of our audit of the consolidated financial statements of The Corporation of the Town of Newmarket (the "Town") for the year ended December 31, 2016. The purpose of our report is to summarize certain aspects of the audits that we believe to be of interest to the Audit Committee and should be read in conjunction with the draft consolidated financial statements and our draft audit report which is included as Appendix A.

Our audit and therefore this report will not necessarily identify all matters that may be of interest to the Audit Committee in fulfilling its responsibilities.

This report has been prepared solely for the use of the Audit Committee and should not be distributed without our prior consent. Consequently, we accept no responsibility to a third party that uses this communication.

We wish to express our appreciation for the co-operation we received during the audit from the Town's management and staff who have assisted us in carrying out our work. We look forward to meeting with you to discuss the contents of this report and any other matters that you consider appropriate.

Yours truly,

BDO Canada LLP
Chartered Professional Accountants, Licensed Public Accountants

A handwritten signature in black ink that reads "Michael Jones". The signature is written in a cursive, flowing style.

Partner



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STATUS OF THE AUDIT

As of the date of this final report, we have substantially completed our audit of the 2016 consolidated financial statements pending the completion of the items highlighted below. These items will need to be completed prior to issuance of our audit report on the consolidated financial statements.

COMPLETION OF AUDIT

- Receipt of signed Management representation letter
- Receipt of outstanding legal confirmations
- Subsequent events review through to financial statement approval date

FINANCIAL STATEMENTS

- Approval of consolidated financial statements by the Council

We conducted our audit in accordance with Canadian generally accepted auditing standards. The objective of our audit was to obtain reasonable, not absolute, assurance about whether the consolidated financial statements are free from material misstatement. The scope of the work performed was substantially the same as that described in our Planning Report to the Audit Committee dated October 19, 2016.



INDEPENDENCE

At the core of the provision of external audit services is the concept of independence. Canadian generally accepted auditing standards require us to communicate to the Audit Committee at least annually, all relationships between BDO Canada LLP and its related entities and The Corporation of the Town of Newmarket and its related entities that, in our professional judgment, may reasonably be thought to bear on our independence with respect to the audit of the Town.

Our annual letter confirming our independence was previously provided to you. We know of no circumstances that would cause us to amend the previously provided letter.

MATERIALITY

Misstatements, including omitted financial statement disclosures, are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As communicated to you in our Planning Report to the Audit Committee, preliminary materiality was set as outlined below. Final materiality had changed to \$1,458,000 for The Corporation of the Town of Newmarket and \$1,215,000 for Newmarket Hydro holdings Inc.

	Materiality	
The Corporation of the Town of Newmarket	\$	1,260,000
Newmarket Hydro holdings Inc.	\$	1,050,000



AUDIT FINDINGS

As part of our ongoing communications with you, we are required to have a discussion on our views about significant qualitative aspects of the Town's accounting practices, including accounting policies, accounting estimates and financial statement disclosures. In order to have a frank and open discussion, these matters will be discussed verbally with you. A summary of the key discussion points are as follows:

ACCOUNTING AND AUDIT MATTERS

Revenue Recognition

A common significant risk in all audit engagements is the risk of Management's override of controls and fraud risk that may occur in the revenue cycle. Management has monitoring controls over journal entries and reviews its revenue recognition.

In accordance with auditing standards, BDO has performed specific procedures that include testing journal entries, reviewing accounting estimates for biases, and obtaining and evaluating the business rationale for transactions that are outside the normal course of business for the Town, if any.

BDO also reviewed deferred revenue to ensure the balance was complete and accurate. BDO examined related income statement accounts and revenue recognition policies.

No issues were noted.

Contaminated Sites

BDO reviewed management's assessment for any contaminated sites in accordance with the new accounting standards. It is management's assessment that there is no liability related to contaminated sites. BDO reviewed management's assessment and no issues were noted.

Employee Future Benefits

As described in our Planning Letter, post employee benefits were an area of concern. BDO received the actuarial report, and reviewed the reasonableness of assumptions used by the actuary and management to calculate the post employee benefits. Per our review of the actuarial report, the assumptions used by the actuary and management and the accrual were determined to be reasonable.



Contributions from Developers

BDO reviewed the assumptions and replacement costs for the contributions from developers and determined that they were reasonable.

UNADJUSTED DIFFERENCES

We have disclosed all unadjusted differences identified through the course of our audit engagement. Each of these items has been discussed with Management.

Management has determined that the unadjusted differences are immaterial both individually and in aggregate to the consolidated financial statements taken as a whole. Should the Audit Committee agree with this assessment, we do not propose further adjustments.

For purposes of our discussion, a summary of unadjusted differences has been presented in Appendix B.

MANAGEMENT REPRESENTATIONS

During the course of our audit, management made certain representations to us. These representations were verbal or written and therefore explicit, or they were implied through the consolidated financial statements. Management provided representations in response to specific queries from us, as well as unsolicited representations. Such representations were part of the evidence gathered by us to be able to draw reasonable conclusions on which to base our audit opinion. These representations were documented by including in the audit working papers memoranda of discussions with management and written representations received from management.

We will provide you a copy of the management representation letter which summarizes the representations we have requested from management.



FRAUD DISCUSSION

Canadian generally accepted auditing standards require us to discuss fraud risk with the Audit Committee on an annual basis. As an update to the discussion held with the Audit Committee during the planning of our audit, we have prepared the following comments:

Required Discussion	BDO Response	Question to Audit Committee
Details of existing oversight processes with regards to fraud.	Based on our discussions during the planning of our audit, the Audit Committee's oversight processes include: <ul style="list-style-type: none"> • Audit Committee charters; • Discussions at Audit Committee meetings; • Review of related party transactions; and • Consideration of tone at the top. 	Are there any new processes or changes in existing processes relating to fraud since the date of our previous discussions, that we should be aware of?
Knowledge of actual, suspected or alleged fraud.	Currently, we are not aware of any actual, suspected or alleged fraud.	Are you aware of any instances of actual, suspected or alleged fraud affecting the Town?

AUDITORS' RESPONSIBILITIES FOR DETECTING FRAUD

We are responsible for planning and performing the audit to obtain reasonable assurance that the consolidated financial statements are free of material misstatements, whether caused by error or fraud.

The likelihood of not detecting a material misstatement resulting from fraud is higher than the likelihood of not detecting a material misstatement resulting from error, because fraud may involve collusion as well as sophisticated and carefully organized schemes designed to conceal it.

The scope of the work performed was substantially the same as that described in our Planning Report to the Audit Committee dated October 19, 2016.



INTERNAL CONTROL MATTERS

During the course of our audit, we performed the following procedures with respect to the Town's internal control environment:

- Documented operating systems to assess the design and implementation of control activities that were relevant to the audit.
- Discussed and considered potential audit risks with management.

The results of these procedures were considered in determining, the extent and nature of substantive audit testing required.

We are required to report to you in writing, significant deficiencies in internal control that we have identified during the audit. A significant deficiency is defined as a deficiency or combination of deficiencies in internal control that, in the auditor's professional judgment, is of sufficient importance to merit the attention of those charged with governance.

As the purpose of the audit is for us to express an opinion on the Town's consolidated financial statements, our audit cannot be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be exclusive. As part of our work, we considered internal control relevant to the preparation of the consolidated financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.



OTHER REQUIRED COMMUNICATIONS

Professional standards require independent auditors to communicate with those charged with governance certain matters in relation to an audit. In addition to the points communicated within this letter, the table below summarizes these additional required communications.

Communication Required	Auditors' Response
Potential effect on the financial statements of any material risks and exposures, such as pending litigation, that are required to be disclosed in the consolidated financial statements.	No such items noted.
The final draft of the representation letter.	Provided to management
Material uncertainties related to events and conditions that may cast significant doubt on the Town's ability to continue as a going concern.	No such items noted.
Disagreements with management about matters that, individually or in aggregate, could be significant to the Town's consolidated financial statements or our audit report.	No such instances were noted.
Matters involving non compliance with laws and regulations	No such matters were noted.
Significant related party transactions that are not in the normal course of operations and which involve significant judgments made by management concerning measurement or disclosure.	No such transactions were noted.
Subsequent events that have caused changes to the audit report	As disclosed in the financial statements
Significant matters arising from the audit that were discussed or subject to correspondence with management.	No such matters other than those discussed above.
Significant accounting policies, estimates and judgments	As disclosed in the financial statements.
Unreasonable management's refusal to allow the auditor to send a confirmation request, or the inability to obtain relevant and reliable audit evidence from alternative audit procedures.	No such instances were noted.
Limitation of the scope of the audit imposed by management.	No such instances were noted.



Findings from the group audit.

Management consultation with other accountants about significant auditing and accounting matters.

No items noted.

No such instances of which we are aware.



DRAFT - For Discussion Purposes Only

APPENDIX A Draft Auditor's Report

Independent Auditor's Report

To the Mayor and Councilors of The Corporation of the Town of Newmarket

We have audited the accompanying consolidated financial statements of The Corporation of the Town of Newmarket which comprise the statement of financial position as at December 31, 2016, and the statement of operations and accumulated surplus, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Corporation of the Town of Newmarket as at December 31, 2016 and the results of its operations, changes in net assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



DRAFT - For Discussion Purposes Only

Chartered Professional Accountants, Licensed Public Accountants

June 26, 2017
Newmarket, Ontario



DRAFT - For Discussion Purposes Only

APPENDIX B
Unadjusted Differences

SUMMARY OF UNADJUSTED DIFFERENCES

The following is a summary of uncorrected misstatements noted during the course of our audit engagement:

	Decrease (Increase)			
	Assets	Liabilities	Equity	Net Income
Long Term Disability Benefits payable difference		\$105,324		\$ (105,324)
USD exchange difference	\$304,358			\$ (304,358)
Total	304,358	105,324	0	(409,682)
Effect of Prior Year's Reversing Errors	0	0	(103,844)	103,844
	\$ 304,358	\$ 105,324	\$ (103,844)	\$ (305,838)

June 26, 2017

BDO Canada LLP

Chartered Professional Accountants

The Gates of York Plaza

17310 Yonge Street, Unit 11

Newmarket Ontario

L3Y 7R9

This representation letter is provided in connection with your audit of the financial statements of The Corporation of the Town of Newmarket for the year ended December 31, 2016, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with Canadian public sector accounting standards.

We confirm that to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated October 12, 2016, for the preparation of the financial statements in accordance with Canadian public sector accounting standards; in particular, the financial statements are fairly presented in accordance therewith.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Canadian public sector accounting standards.
- All events subsequent to the date of the financial statements and for which Canadian public sector accounting standards require adjustment or disclosure have been adjusted or disclosed.
- The financial statements of the entity use appropriate accounting policies that have been properly disclosed and consistently applied.
- The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to the representation letter.
- We have reviewed and approved all journal entries recommended by the auditors during the audit.

Information Provided

- We have provided you with:
 - access to all information of which we are aware that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
 - additional information that you have requested from us for the purpose of the audit; and
 - unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- We are responsible for the design, implementation and maintenance of internal controls to prevent, detect and correct fraud and error, and have communicated to you all deficiencies in internal control of which we are aware.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

Fraud and Error

- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators, or others.

Existence, Completeness and Valuation of Specific Financial Statement Balances

- There are no pledges or assignments of assets as security for liabilities except as disclosed in the financial statements.

- All financial instruments have been appropriately recognized and measured in accordance with Canadian public sector accounting standards. Significant assumptions used in arriving at fair value of financial instruments are reasonable and appropriate in the circumstances.
- Where the value of any asset has been impaired, an appropriate provision has been made in the financial statements or has otherwise been disclosed to you.
- The inventories as set out in the financial statements represent all of the inventories to which the municipality held title as at the balance sheet date. Inventories do not include any goods consigned to the municipality, merchandise billed to customers or any items for which the liability has not been provided in the books. Appropriate provisions have been made for obsolete, slow-moving and defective inventories.
- The employee future benefit costs, assets and obligation have been determined, accounted for and disclosed in accordance with Canadian public sector accounting standards. The source data and plan provisions provided are complete and accurate. The plans included in the valuation are complete. The determination of the discount rate and the use of specific actuarial assumptions are our best estimate assumptions. We feel that the extrapolations are accurate and have properly reflected the effects of changes and events occurring subsequent to the most recent valuation that had a material effect on the extrapolation.
- Tangible capital assets have been appropriately recognized and measured in accordance with Canadian public sector accounting standards.

General Representations

- The nature of all material uncertainties have been appropriately measured and disclosed in the financial statements, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the financial statements.
- There were no direct contingencies or provisions (including those associated with guarantees or indemnification provisions), unusual contractual obligations nor any substantial commitments, whether oral or written, other than in the ordinary course of business, which would materially affect the financial statements or financial position of the municipality, except as disclosed in the financial statements.
- We have informed you of all outstanding and possible claims, whether or not they have been discussed with legal counsel. When applicable, these claims have been appropriately disclosed in the financial statements.
- We confirm that there are no derivatives or off-balance sheet financial instruments held at year end that have not been properly recorded or disclosed in the financial statements.
- We have disclosed to you all significant customers and/or suppliers of the municipality who individually represent a significant volume of business with the municipality. We are of the opinion that the volume of business (sales, services, purchases, borrowing and lending) done by the municipality with any one party is not of sufficient magnitude that discontinuance would have a material negative effect on the ongoing operations of the municipality.

- There have been no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
- We confirm that operating segments are appropriately identified and disclosed in accordance with Canadian public sector accounting standards.
- No significant matters, other than those disclosed in the financial statements, have arisen that would require a restatement of the comparative financial statements.

Other Representations Where the Situation Exists

- We have informed you of all known actual or possible litigation and claims, whether or not they have been discussed with legal counsel. When applicable, these litigation and claims have been accounted for and disclosed in the financial statements.
- Since our company is a public sector entity, we make the following additional representations: i.e. we confirm that the following transactions and events have been carried out in accordance with law, regulation or other authority:
 - Management has reviewed properties owned and assumed responsibility for and there are no contaminated sites.

Yours truly,

Signature

Position

The Corporation of the
Town of Newmarket
Main Street District BIA
Financial Statements
Year ended December 31, 2016

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Independent Auditor's Report

To the Mayor and Councilors of The Corporation of the Town of Newmarket

We have audited the accompanying financial statements of The Corporation of the Town of Newmarket Main Street District BIA, which comprise the statement of financial position as at December 31, 2016, and the statement of continuity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Town of Newmarket Main Street District BIA as at December 31, 2016 and the results of its operations, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants, Licensed Public Accountants

June 26, 2017
Newmarket, Ontario

THE CORPORATION OF THE TOWN OF NEWMARKET
Main Street District BIA
Statement of Continuity
Year Ended December 31, 2016

DRAFT

	<u>2016</u>	<u>2015</u>
FUND BALANCE, BEGINNING OF YEAR	\$ 26,744	\$ 12,809
REVENUES		
Taxation	30,000	30,000
Events	6,055	3,900
Total revenues	36,055	33,900
EXPENSES		
Promotion and events	22,519	8,221
Advertising	14,939	11,744
Total expenses	37,458	19,965
FUND BALANCE, END OF YEAR	\$ 25,341	\$ 26,744

Statement of Financial Position

Year Ended December 31, 2016

	<u>2016</u>	<u>2015</u>
ASSET		
Cash	\$ 25,341	\$ 26,744
FUND BALANCE	\$ 25,341	\$ 26,744

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

THE CORPORATION OF THE TOWN OF NEWMARKET
Main Street District BIA
Statement of Cash Flow
Year Ended December 31, 2016

DRAFT

	<u>2016</u>	<u>2015</u>
Cash received from		
Taxation	\$ 30,000	\$ 30,000
Rent and other	6,055	3,900
	<u>36,055</u>	<u>33,900</u>
Cash paid for		
Materials, goods and supplies	22,519	8,221
Contract and general services	14,939	11,744
	<u>37,458</u>	<u>19,965</u>
Net Change in Cash	(1,403)	13,935
Cash, Beginning of Year	26,744	12,809
Cash, End of Year	<u>\$ 25,341</u>	<u>\$ 26,744</u>

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

THE CORPORATION OF THE TOWN OF NEWMARKET
Main Street District BIA
Notes to the Financial Statements
December 31, 2016

1. NATURE OF OPERATIONS

On January 22, 2007 Council, under the authority of section 204 of the Municipal Act, enacted a bylaw to designate the Main Street Business Improvement Area ("BIA"). The primary objective of the BIA is to promote the area as a business, shopping and entertainment area.

2. SIGNIFICANT ACCOUNTING POLICIES

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

Sources of financing and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable. Expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

Taxation revenue is recognized in the calendar year it is raised from ratepayers by the Town.

June 26, 2017

BDO Canada LLP
Chartered Professional Accountants
17310 Yonge Street, Unit 11
Newmarket, Ontario
L3Y 7R9

This representation letter is provided in connection with your audit of the financial statements of The Corporation of the Town of Newmarket BIA for the year ended December 31, 2016, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with Canadian accounting standards for not-for-profit organizations.

We confirm that to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated October 12, 2016, for the preparation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations; in particular, the financial statements are fairly presented in accordance therewith.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Canadian accounting standards for not-for-profit organizations.
- All events subsequent to the date of the financial statements and for which Canadian accounting standards for not-for-profit organizations require adjustment or disclosure have been adjusted or disclosed.
- The financial statements of the entity use appropriate accounting policies that have been properly disclosed and consistently applied.
- The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to the representation letter.

Information Provided

- We have provided you with:
 - access to all information of which we are aware that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
 - additional information that you have requested from us for the purpose of the audit; and
 - unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- We are responsible for the design, implementation and maintenance of internal controls to prevent, detect and correct fraud and error, and have communicated to you all deficiencies in internal control of which we are aware.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

Fraud and Error

- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators, or others.

Existence, Completeness and Valuation of Specific Financial Statement Balances

- There are no pledges or assignments of assets as security for liabilities except as disclosed in the financial statements.
- All financial instruments have been appropriately recognized and measured in accordance with Canadian accounting standards for not-for-profit organizations.

General Representations

- The nature of all material uncertainties have been appropriately measured and disclosed in the financial statements, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the financial statements.
- There were no direct contingencies or provisions (including those associated with guarantees or indemnification provisions), unusual contractual obligations nor any substantial commitments, whether oral or written, other than in the ordinary course of business, which would materially affect the financial statements or financial position of the entity, except as disclosed in the financial statements.
- We confirm that there are no derivatives or off-balance sheet financial instruments held at year end that have not been properly recorded or disclosed in the financial statements.
- There have been no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
- No significant matters, other than those disclosed in the financial statements, have arisen that would require a restatement of the comparative financial statements.

Other Representations Where the Situation Exists

- We have informed you of all known actual or possible litigation and claims, whether or not they have been discussed with legal counsel. Since there are no actual, outstanding or possible litigation and claims, no disclosure is required in the financial statements.

Yours truly,

Signature

Position

Signature

Position

The Corporation of the
Town of Newmarket
Trust Fund
Financial Statements
Year ended December 31, 2016

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Independent Auditor's Report

To the Mayor and Councilors of The Corporation of the Town of Newmarket

We have audited the accompanying financial statements of The Corporation of the Town of Newmarket Trust Fund, which comprise the statement of financial position as at December 31, 2016, and the statement of continuity and cash flow for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 the financial statements that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Town of Newmarket Trust Fund as at December 31, 2016 and the results of its operations, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants, Licensed Public Accountants

June 26, 2017
Newmarket, Ontario

**THE CORPORATION OF THE TOWN OF NEWMARKET
TRUST FUND**

Statement of Continuity

DRAFT

December 31, 2016

	<u>2016</u>	<u>2015</u>
FUND BALANCE, BEGINNING OF YEAR	\$ 323,407	\$ 317,031
REVENUES		
Interest	1,226	357
Investment Income	4,700	6,019
Total revenues	5,926	6,376
FUND BALANCE, END OF YEAR	\$ 329,333	\$ 323,407

Statement of Financial Position

December 31, 2016

	<u>2016</u>	<u>2015</u>
ASSET		
Cash	147,856	81,470
Investment interest receivable	1,477	1,937
Investments (Note 3)	180,000	240,000
Fund Balance (Note 2)	\$ 329,333	\$ 323,407

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

**THE CORPORATION OF THE TOWN OF NEWMARKET
TRUST FUND**

Statement of Cash Flow

DRAFT

Year Ended December 31, 2016

	<u>2016</u>	<u>2015</u>
Cash received from		
Interest	\$ 1,226	\$ 357
Investment Income	5,160	6,450
	<u>6,386</u>	<u>6,807</u>
Cash paid for		
Materials, goods and supplies	-	-
	<u>-</u>	<u>-</u>
Net change in cash from operating activities	6,386	6,807
Financing Activities		
Investment	60,000	60,000
	<u>60,000</u>	<u>60,000</u>
Net change in cash from financing activities	60,000	60,000
Net Change In Cash	66,386	66,807
Cash, Beginning of Year	81,470	14,663
Cash, End of Year	\$ 147,856	\$ 81,470

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

**THE CORPORATION OF THE TOWN OF NEWMARKET
TRUST FUND**

Notes to the Financial Statements

DRAFT

December 31, 2016

1 SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Trust Fund are the representation of management prepared in accordance with the accounting standards, as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada ("CPA Canada") and reflect the following policies:

Sources of financing and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable. Expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

2 ELMAN W. CAMPBELL MUSEUM TRUST

The Elman W. Campbell Museum Trust, being the only trust administered by the municipality, was established as a result of the last Will and Testament of Elman W. Campbell in 1988. Operating expenses of the Museum are paid for by the Town of Newmarket and the Town receives no remuneration for administering the Fund. Eighty percent (80%) of the interest earned by the trust can be used to offset certain maintenance costs of the Museum after the capital requirements for the year have been met. The Town is required to have the Museum Fund audited annually.

3 INVESTMENTS

Investments are recorded at the lower of cost and market value.

	<u>2016</u>	<u>2015</u>
Guaranteed investment certificate	<u>\$ 180,000</u>	<u>\$240,000</u>

Non-redeemable guaranteed investment certificate, interest at 2.15%, matures August, 2019, 20% maturing annually on each anniversary date.

June 26, 2017

BDO Canada LLP
Chartered Professional Accountants
17310 Yonge Street, Unit 11
Newmarket, Ontario
L3Y 7R9

This representation letter is provided in connection with your audit of the financial statements of The Corporation of the Town of Newmarket Trust Fund for the year ended December 31, 2016, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with Canadian public sector accounting standards.

We confirm that to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated October 12, 2016, for the preparation of the financial statements in accordance with Canadian public sector accounting standards; in particular, the financial statements are fairly presented in accordance therewith.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Canadian public sector accounting standards.
- All events subsequent to the date of the financial statements and for which Canadian public sector accounting standards require adjustment or disclosure have been adjusted or disclosed.
- The financial statements of the entity use appropriate accounting policies that have been properly disclosed and consistently applied.
- The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to the representation letter.

Information Provided

- We have provided you with:
 - access to all information of which we are aware that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
 - additional information that you have requested from us for the purpose of the audit; and
 - unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- We are responsible for the design, implementation and maintenance of internal controls to prevent, detect and correct fraud and error, and have communicated to you all deficiencies in internal control of which we are aware.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

Fraud and Error

- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators, or others.

Existence, Completeness and Valuation of Specific Financial Statement Balances

- There are no pledges or assignments of assets as security for liabilities except as disclosed in the financial statements.
- All financial instruments have been appropriately recognized and measured in accordance with Canadian public sector accounting standards.
- Significant assumptions used in arriving at the fair value of financial instruments are reasonable and appropriate in the circumstances.
- Where the value of any asset has been impaired, an appropriate provision has been made in the financial statements or has otherwise been disclosed to you.

General Representations

- The nature of all material uncertainties have been appropriately measured and disclosed in the financial statements, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the financial statements.
- There were no direct contingencies or provisions (including those associated with guarantees or indemnification provisions), unusual contractual obligations nor any substantial commitments, whether oral or written, other than in the ordinary course of business, which would materially affect the financial statements or financial position of the entity, except as disclosed in the financial statements.
- We confirm that there are no derivatives or off-balance sheet financial instruments held at year end that have not been properly recorded or disclosed in the financial statements.
- We have disclosed to you all significant customers and/or suppliers of the entity who individually represent a significant volume of business with the entity. We are of the opinion that the volume of business (sales, services, purchases, borrowing and lending) done by the entity with any one party is not of sufficient magnitude that discontinuance would have a material negative effect on the ongoing operations of the entity.
- There have been no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
- No significant matters, other than those disclosed in the financial statements, have arisen that would require a restatement of the comparative financial statements.

Other Representations Where the Situation Exists

- We have informed you of all known actual or possible litigation and claims, whether or not they have been discussed with legal counsel. Since there are no actual, outstanding or possible litigation and claims, no disclosure is required in the financial statements.

Yours truly,

Signature

Position

Signature

Position

Financial statement discussion and analysis

The consolidated financial statements provide a picture of the Town's financial position as at December 31, 2016 and report the revenue and expenses for the year. Besides the Town of Newmarket, the statements also include:

- Newmarket Public Library Board;
- The Main Street District Business Improvement Area;
- The Town's proportionate share of the joint venture with the Town of Aurora – Central York Fire Services

The Town's investment in Newmarket Hydro Holdings Inc. is accounted for on a modified equity basis.

A selection of financial indicators are explained below:

2016 Financial Highlights	2016	2015
Financial Position	\$551,260,252	\$529,279,625
<p>This term refers to the ending net position of assets in excess of all liabilities. Positive balances indicate the Town's ability to cover debt obligations and to have funds set aside for future sustainability. Year over year the Town has improved this ratio from 2009. Continued focus on increasing assets and tangible capital asset additions and replacements, while lowering liabilities will keep this indicator on a positive trend.</p>		
Capital reserves as a % of accumulated amortization	8.82%	7.65%
Capital reserve contribution/amortization	105.59%	91.57%
<p>These two ratios show the level of reserve funding for future capital purposes compared to the total depreciation to date and to the current rate of amortization. The more the Town funds capital reserves as compared to the annual amortization expense, the more the infrastructure gap narrows.</p>		
<p>The breakdown of the capital reserve contribution/amortization was as follows:</p>		
Tax-supported	80.6%	
Utility (W/WW) rate supported	211.9%	
<p>The breakdown of capital reserves/accumulated amortization was as follows:</p>		
Tax-supported	-8.45%	
Utility (W/WW) rate supported	57.70%	

2016 Financial Highlights	2016	2015	*2016 BMA Study
Receivables as % of total taxes levied (includes Region and School Board)	2.73%	3.16%	5.7%

Uncollected property taxes as a percentage of total taxes charged is a good indication of the strength of the local economy and the ability of the community to pay their annual taxes. The Town has a low ratio showing good economic health, increased liquidity, and strong controls over tax collection. The Ministry of Municipal Affairs and Housing considers a ratio below 10% to be low risk. In a financial sustainability indicator review of 22 municipalities in the Greater Toronto Area from the 2016 BMA study, the average was 5.7%.

Asset consumption ratio	36.94%	36.29%	39.8%
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The asset consumption ratio shows the value of the tangible capital assets that have been consumed. Total accumulated amortization is calculated as a percentage of the gross cost of depreciable assets. This ratio highlights the aged condition of the Town's physical assets and potential asset replacement needs. A higher ratio may indicate significant replacement needs. Out of 102 municipalities in the 2016 BMA study, the average was 39.8% which is considered to be moderately new.

Debt service costs as a % of own source revenues	4.50%	4.77%
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This ratio indicates the extent to which the Town's own source revenues are committed to debt charges. The Ministry of Municipal Affairs and Housing considers a ratio between 5% and 10% to be a moderate risk and a ratio below 5% to be low risk. This is the same calculation as that used for the Annual Repayment Limit.

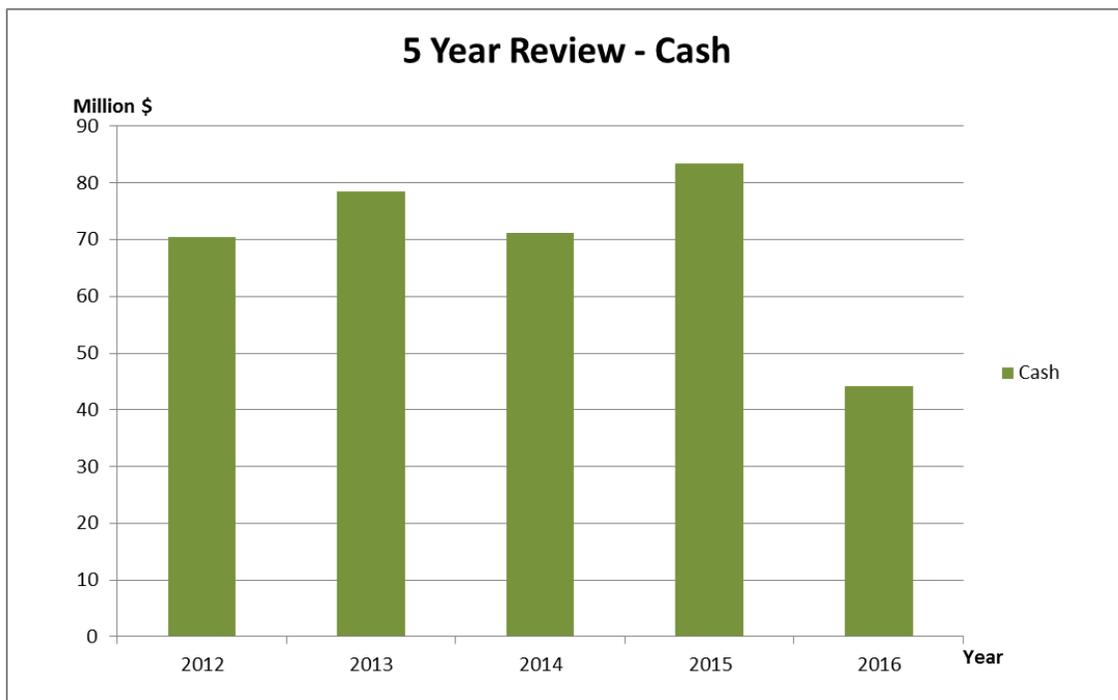
*based on average results from the 2016 Municipal Study.

Consolidated statement of financial position: Overview

The statement of financial position is similar to a private enterprise's balance sheet. It reports the municipality's financial position at the end of the accounting period (December 31).

Cash

The Town ended the year with a cash position \$39.3 million lower than that of 2015 but \$6.5 million higher than the year-end position budgeted. Last year cash includes our \$40 million non-redeemable guaranteed investment certificate, as it was due within 3 months of the end of the year and therefore considered as a cash equivalent.



Net Financial Assets

The difference between financial assets and liabilities is a strong measure of the financial position of the Town. Positive balances indicate the Town's ability to meet long term commitments and have funds set aside for future sustainability. The Town's net financial assets were \$12.8 million higher than last year's level.

Deferred revenue

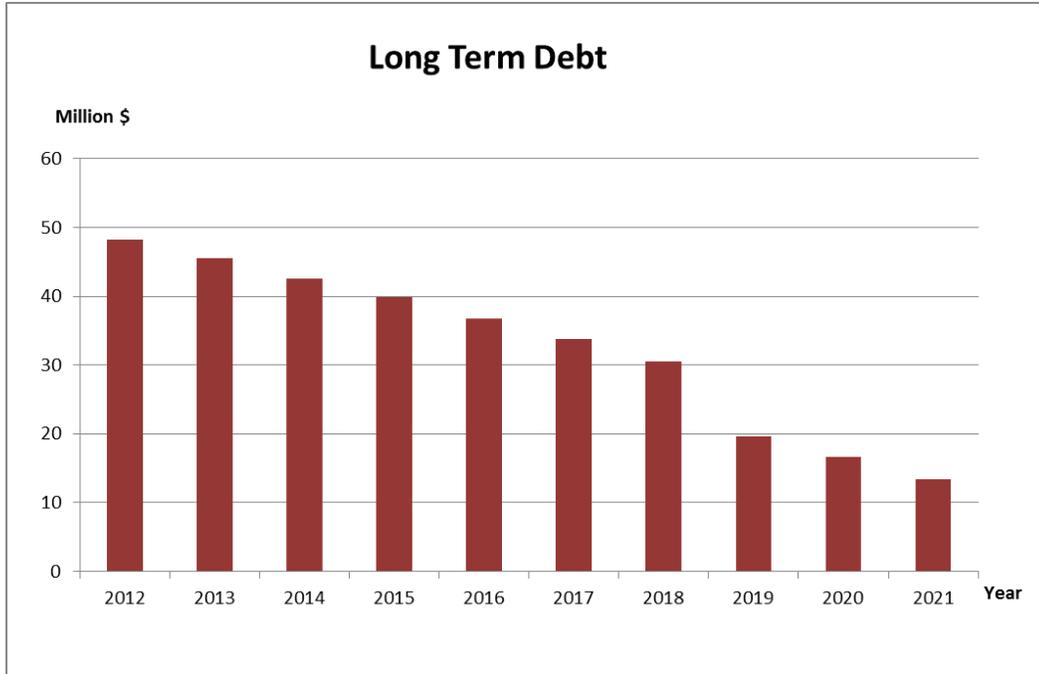
Deferred revenue represents:

- unexpended development charge and engineering administration revenues;
- unspent restricted grants from the Federal and Provincial governments;
- and prepaid building permit revenue.

In 2016, the Town collected \$2.8 million in development charges and allocated \$6.2 million to capital projects. We deferred \$386,000 in building permit revenue, as per our policy, as we do not deem building permit revenue to be earned until 90 days after collection of the fees with issuance of the permit. This is the average time for the building department to perform the majority of its duties and for the refund period to expire. Last year's deferred building permit fees of \$1.4 million were recognized in 2016.

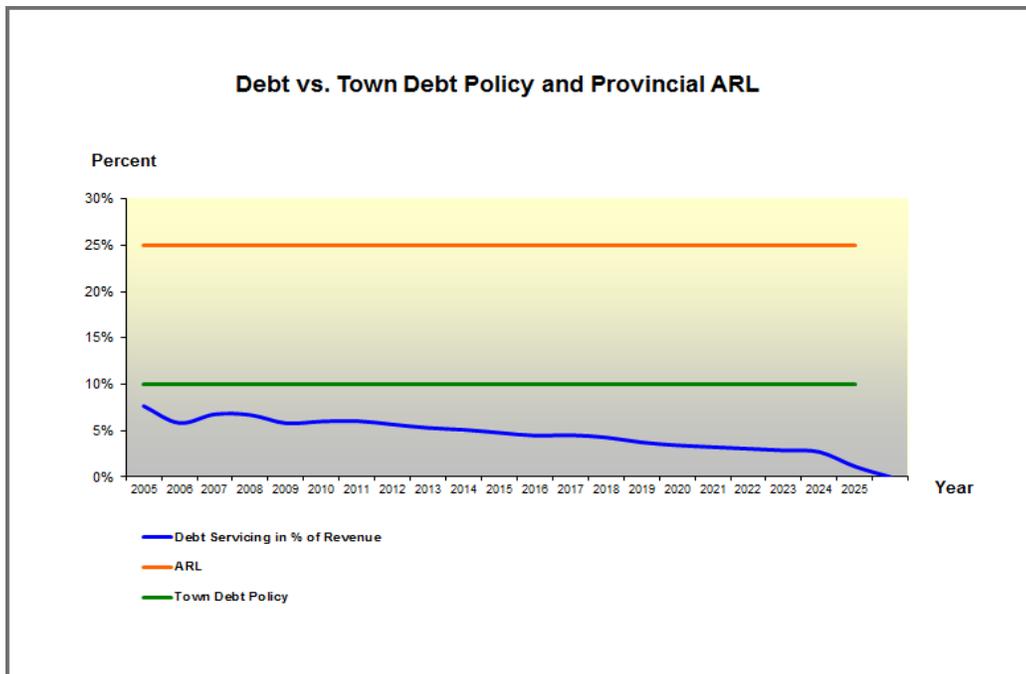
Long-term debt

A significant component of the financial liabilities is the Town's long-term debt. In accordance with the Town's Debt Policy, the amount of debt is limited to the purchase of land and other capital assets when other sources of financing are not available. The Policy also limits the servicing limit (principle and interest) to 10% of the Town's own source revenues which is lower than the 25% limit that the province allows municipalities. As part of our financial sustainability strategy, the debt policy will be updated in 2017. In 2016, the Town's actual debt servicing was 4.5% (2015 – 4.8%) - well within policy limits. At an annual interest rate of 5% with a term of 20 years, the Town could borrow another \$98.2 million and still remain within its 10% debt servicing (borrowing) limit. \$2.8 million of principal was repaid in 2016.

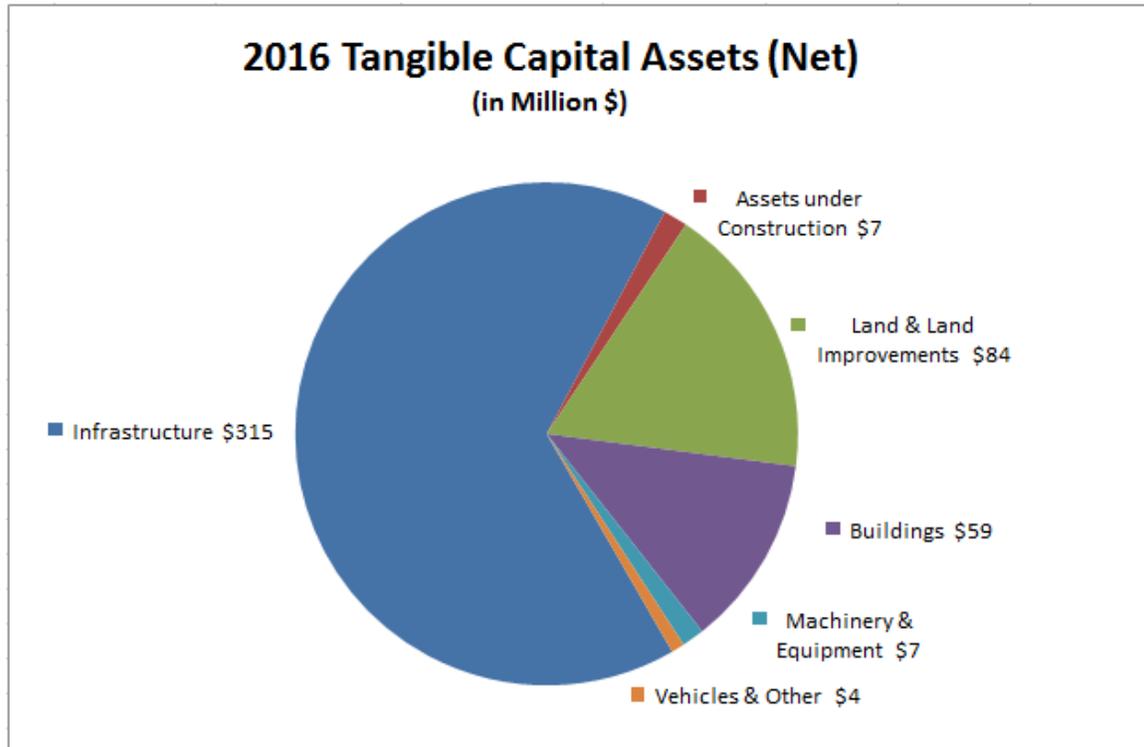


The Town’s long-term debt position reflects the pattern of investment in major infrastructure projects. In 2017, \$3.1 million of debt retirement is expected. Debt represents 7.7% of the net book value of Town’s tangible capital assets (2015 – 8.5%).

In 2019, the debentures for the Operations Centre are scheduled to be paid off which account for \$8 million of the repayments in that year.



Non-financial assets



The 2016 capital budget was \$65.5 million, including carry-overs of \$38.8 million. \$61.1 million of this amount was budgeted for tangible capital assets (TCA), with the remainder being major repair and maintenance expenses and items below the threshold for TCA. Of the TCA budget, 33% or \$20.2 million was projected to be completed in 2016. However, \$15.6 million (25%) of TCA were added in 2016.

One of the Town's goals has been to develop a sustainable capital financing strategy. The review has been done and included a review of the Town's asset replacement funds to determine what the financial requirements will be to replace the Town's assets and how the Town's annual contributions to these reserve funds compare. Additional capital levies of 0.84% (2013), 0.74% (2014), 1% (2015), and 0.8% (2016) were added in recent years. The 2017 contributions to the asset replacement funds were maintained at 2016 levels.

The Town has a TCA policy and in 2016 the estimated useful life of underground assets was extended from 50 years to 80 years to better reflect their longevity and actual replacement cycle. The road paved surface category was reduced from 25 years to 20 years to coincide with the replacement cycle of the associated underground assets. The impact of these changes was a decrease of approximately \$1.3 million in amortization expense.

An initial asset management plan was developed in 2014 and a charter for an Asset Management Committee has been created. In 2016, the focus was on developing an asset management strategy.

The Town's tangible capital assets (net of amortization expense) increased by \$10.3 million in 2016 compared to an increase of \$19.7 million in 2015. In 2016, \$8.2 million was spent on road related projects, \$2.3 million was spent for Newmarket's share of the land acquisition in Aurora for the new fire station, \$1.4 million was spend on Viva Next Infrastructure on Davis Drive, and \$1.3 million was spent on the Old Town Hall Restoration.

Accumulated surplus

The accumulated surplus is the Town's ending net position of assets in excess of liabilities. The three most significant components of the accumulated surplus are the investment in tangible capital assets, the Town's equity in Newmarket Hydro Holdings Inc., and reserves and reserve funds.

THE CORPORATION OF THE TOWN OF NEWMARKET Notes to the Consolidated Financial Statements December 31, 2016

Accumulated Surplus

The Accumulated Surplus is comprised of the following:

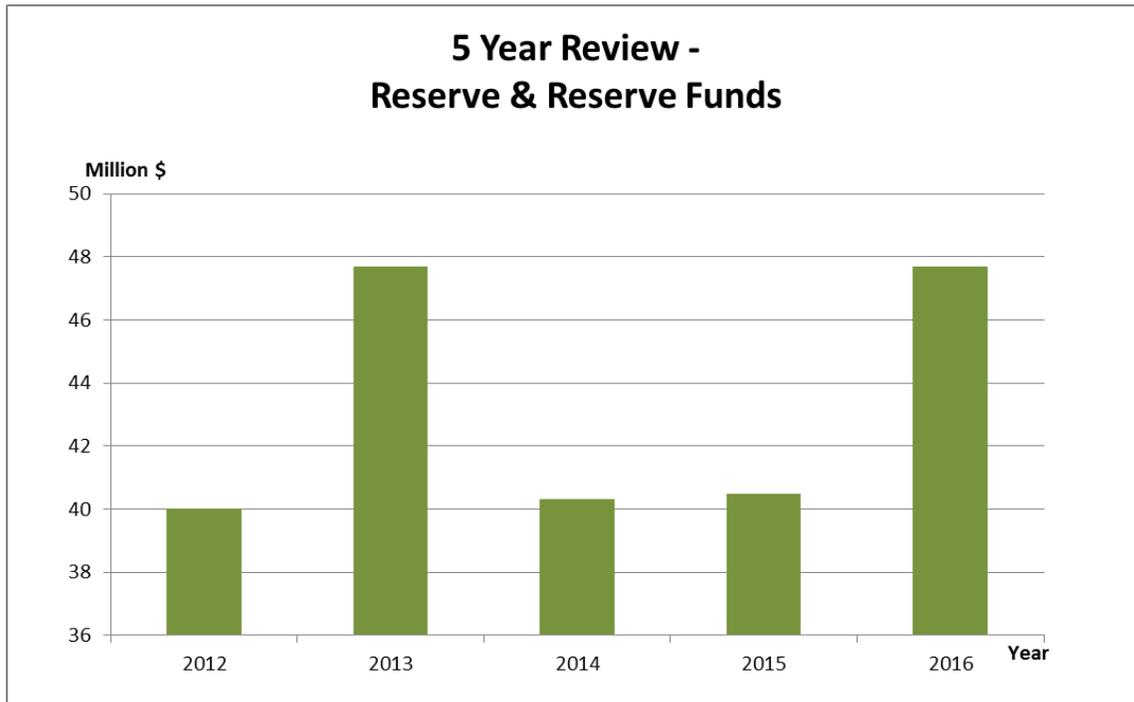
	2016	2015
Reserves set aside for specific purposes by Council		
Reserves for operating purposes	\$ 4,869,267	\$ 4,507,618
Reserves for capital purposes	1,098,178	806,259
Newmarket Public Library	582,111	627,847
Building Code Act Fees	5,770,435	5,381,847
Water & Wastewater Rate Stabilization	4,499,339	2,832,711
Total Reserves	16,819,330	14,156,282
Reserve funds set aside for specific purposes by Council		
Asset replacement funds	22,653,403	18,394,532
Reserve funds for operating purposes	3,547,445	3,432,638
Reserve funds for capital purposes	835,809	1,092,852
Self-insured long-term disability	3,836,012	3,401,975
Total Reserve Funds	30,872,669	26,321,997
Total Reserves and Reserve Funds	47,691,999	40,478,279
Invested in tangible capital assets	475,725,170	465,439,466
Less: amount financed by long-term debt	(36,772,663)	(39,753,155)
Surplus land	155,285	155,285
Operating surplus	3,323	15,135
Funds available for future capital expenses	366,407	617,247
Funds to be provided from future revenues	(265,591)	(449,046)
Equity in Newmarket Hydro Holdings Inc. (Note 11)	68,130,795	66,317,053
Employee future benefits to be recovered	(3,774,473)	(3,540,639)
Accumulated Surplus	\$ 551,260,252	\$ 529,279,625

Reserves and reserve funds

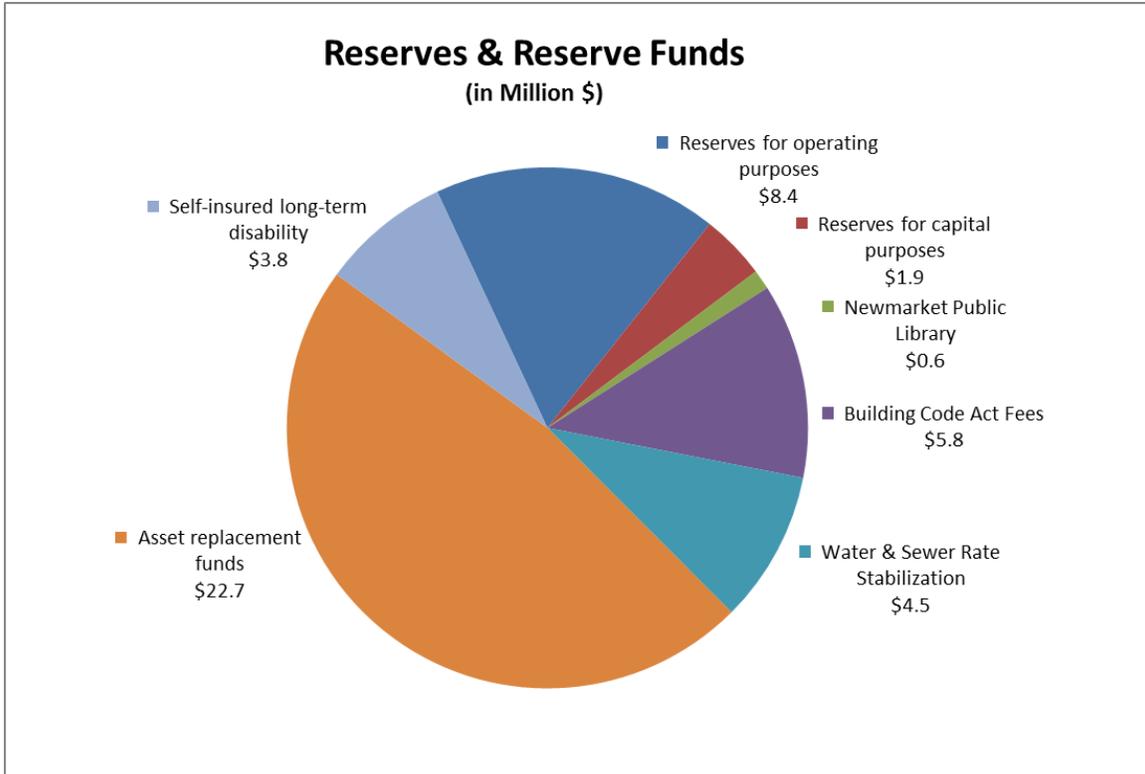
Reserves and reserve funds are used to set aside funding for the future replacement of the Town's assets, as well as other expected and unexpected obligations. It is a key component of the Town's strategy of being financially sustainable. They also help to minimize potential fluctuations in the tax and utility rates, which is commonly referred to as Rate Stabilization.

The large increase in 2013 was followed by a difficult year in 2014 with costs above the rate of inflation and unforeseen one-time costs. Our financial sustainability strategy and fiscal policies placed the Town in a position where these unexpected events could be covered by drawing on our reserves.

In 2015, we reclassified a portion of our long-term disability benefits obligation from a reserve fund to a liability and restated 2014 which resulted in a decrease of \$4.6 million in each of the two years.



The total of the Town's reserves and reserve funds at the end of 2016 was \$47.7 million, an increase of \$7.2 million from the beginning of the year. The main factor is an increase of \$4.3 million to the asset replacement reserve funds due to lower spending on capital projects.



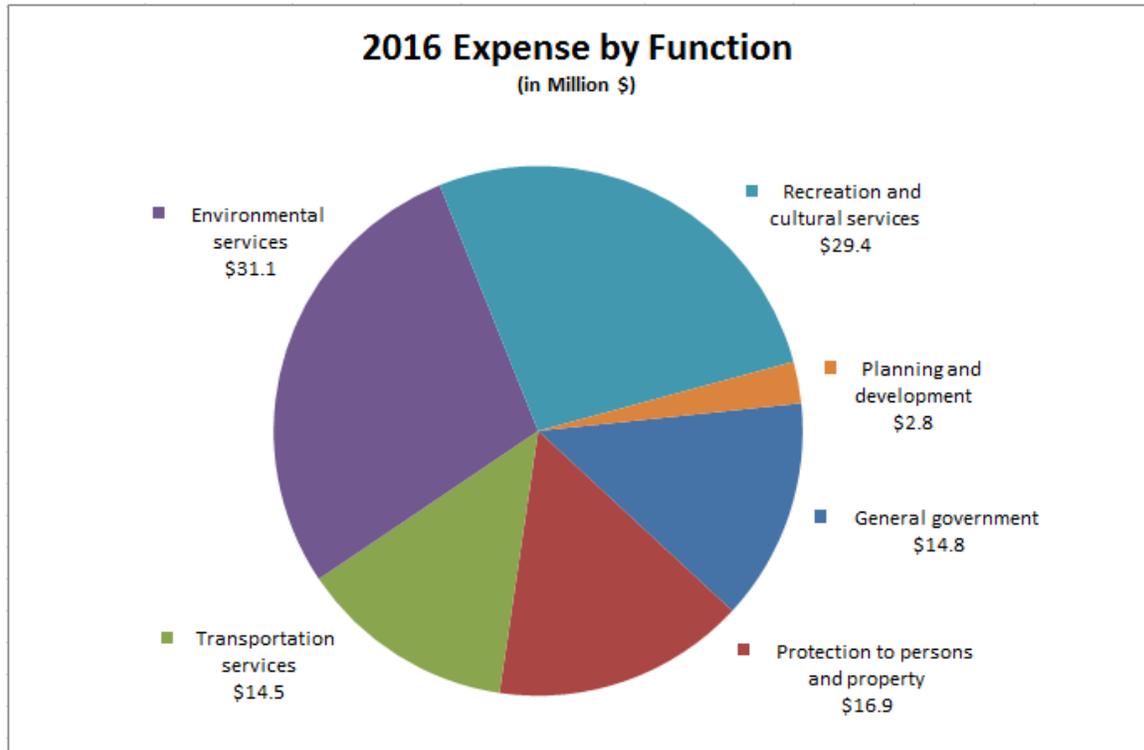
Consolidated statement of operations and surplus: Highlights

The consolidated statement of operations reports the annual surplus or deficit from operations during the year. The statement shows the revenues recognized, the cost of government services provided, and the difference between them.

Annual Surplus Reconciliation	
Surplus based on operating fund	\$ 3,323
Add: Principal payment on long-term debt	2,980,491
Contributed tangible capital assets	10,089,926
Acquisition of tangible capital assets	15,625,785
Net equity in earnings of Newmarket Hydro Holdings Inc.	1,813,742
Capital Fund revenues	(194,902)
Reserves and reserve funds revenues	7,213,720
Less: Financing from future revenue	(233,834)
Amortization expenses	(15,114,325)
Loss on disposal of tangible capital assets	(203,299)
Surplus Per Consolidated Statement of Operations	\$ 12,406,450

Expenses

The Town provides a wide variety of municipal services to its residents. The chart below provides an overview of these services and shows the relative proportion of the Town's budget that is allocated to these services.



Some of the major services included in each category are:

General government:

Finance, Human Resources, Information Technology, Communications, Legal, Customer Services, Clerks Office, Council and Executive Office expenses

Protection to persons and property:

Fire services, Licensing, and Bylaw Enforcement

Transportation services:

Roads and Road Maintenance, Snowplowing, Operations and Capital Projects Engineering

Environmental services:

Water and Wastewater Services, and Solid Waste Collection

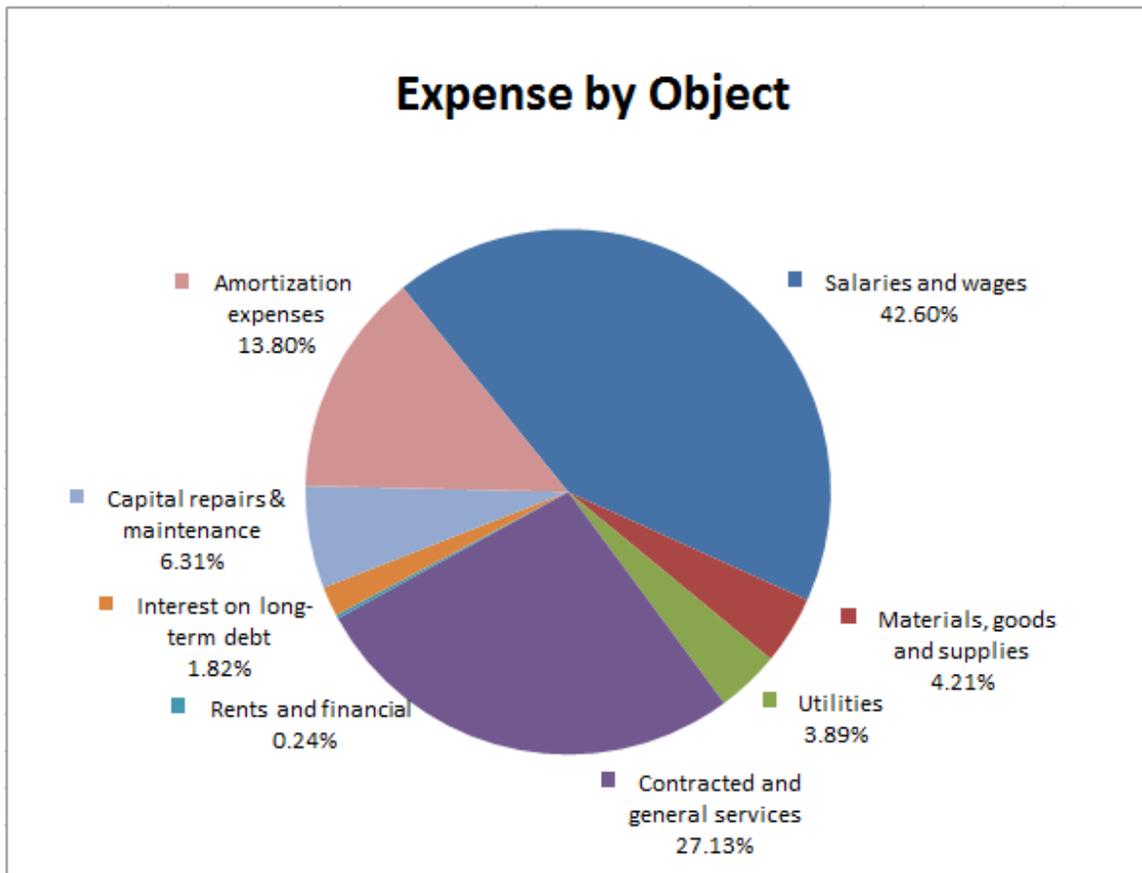
Recreational and cultural services:

Programs and Facility costs at all Recreation Centres, Parks Maintenance, Library, Theatre and Museum

Planning and development:

Planning and Building, Engineering and Development, and Economic Development

Schedule 2 to the Consolidated Financial Statements (pages 28-30) shows a breakdown of these costs by service bundle.



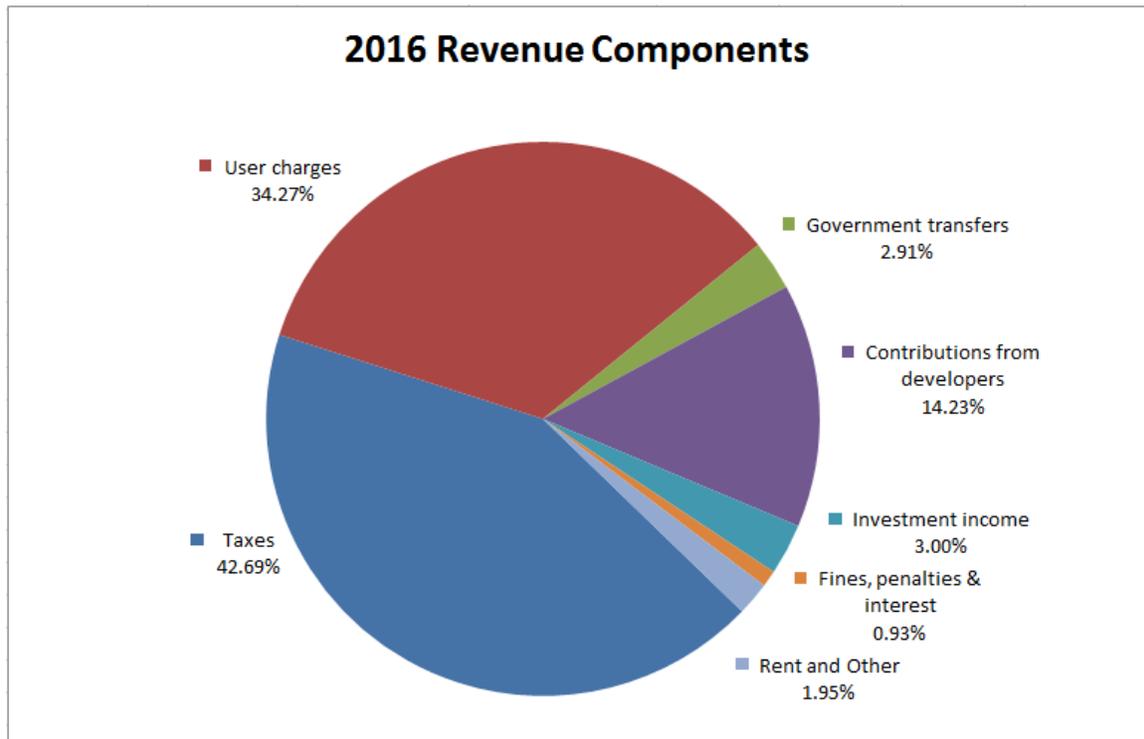
Some highlights of the Town's 2016 expenses include:

- Salaries, wages and benefits are the most significant component of the Town's costs and have increased by \$1.68 million over 2015. The economic increase in 2016 was 1.3%.
- Materials, goods and supplies were 9.5% higher than 2015 levels. Minor capital, water meters and materials for main replacement, equipment rental, and repairs and maintenance are included here.

- Contracted and general services have increased by 5.8% from 2015 levels. Charges from the Region for water and wastewater are the biggest component of this expense category where the blended increase was 9%.
- Capital repairs and maintenance includes capital expenses that do not meet the definition of TCA and annual maintenance programs. Some examples include parks spot improvements, playground equipment replacement, playground resurfacing, sidewalk spot repairs and trail rehabilitation. These expenses were 6.6% higher than 2015 levels. Two reasons for the increase are the large purchase of replacement breathing apparatus for Fire, as well as costs for the asset management project.
- Amortization (aka depreciation) has decreased by 8.3% over 2015. As part of the implementation of our asset management plan, we reviewed our estimates for the expected useful life of our assets. In 2016, the sewer and watermain categories were extended from 50 years to 80 years to better reflect their longevity and actual replacement cycle. To coincide with the replacement cycle of the associated underground assets, the road paved surface category was reduced from 25 years to 20 years. The impact of these changes was a decrease of \$1.3 million in amortization expense.

Revenues

The Town pays for the services it delivers through a variety of revenue streams including property taxes, user charges, government transfers, contributions from developers, investment income, fines, penalties and interest; rent, land sales, and the sale of goods.



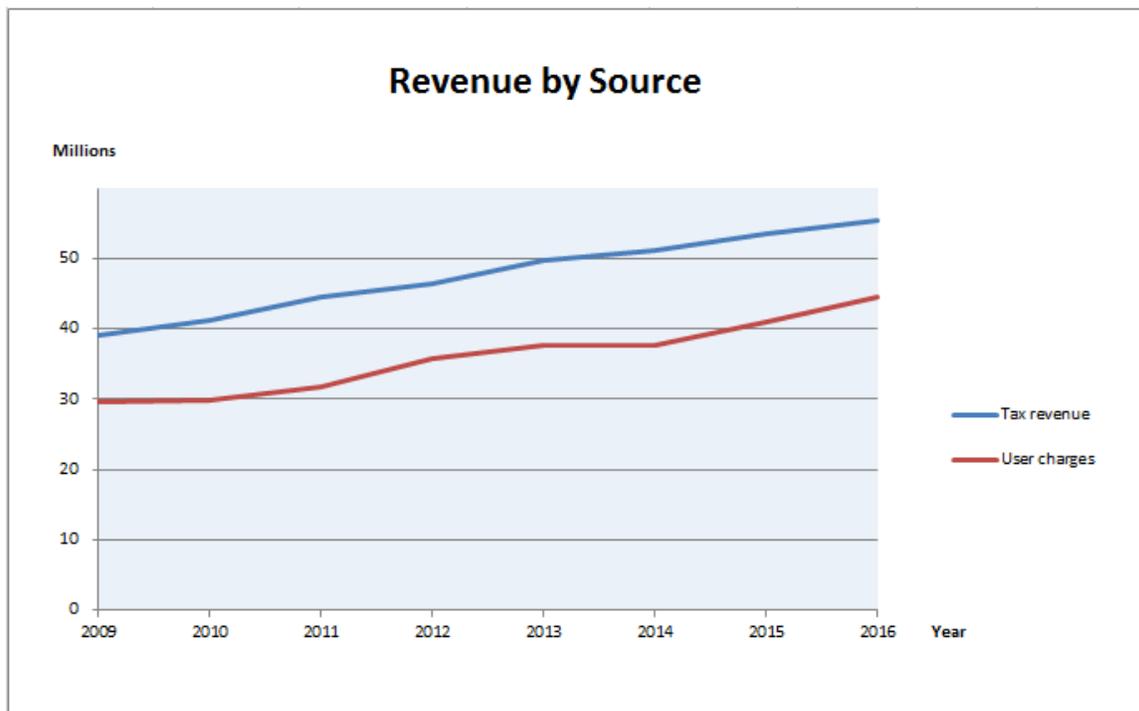
Revenue highlights for 2016 include:

- Property taxes as a percentage of the Town's revenue have decreased by 2.7%. The biggest reason for the change is the almost \$12 million (10%) increase in total revenues compared to the 3.4% increase in property taxes.

Supplementary taxes are difficult to predict and sustain. Actual collections in 2016 were only \$395,000 compared to a budget of \$826,000. Over the previous four years we have seen a high of \$1.2 million in 2013 and a low of \$402,000 in 2012. Higher write offs and provisions, which reduce tax revenues, continued the trend experienced in 2014. While charity rebates have remained at relatively the same amount over the last 3 years (an average of \$232,000), vacancy rebates increased in 2016. An increased number of applications have been identified, despite a more diligent verification process implemented in 2015. Municipalities are undertaking a review of the whole program. The proactive assessment management plan, started in 2014 continued in 2015 and 2016, with a focus on open appeals. They have been actively investigating property inspections related to appeals

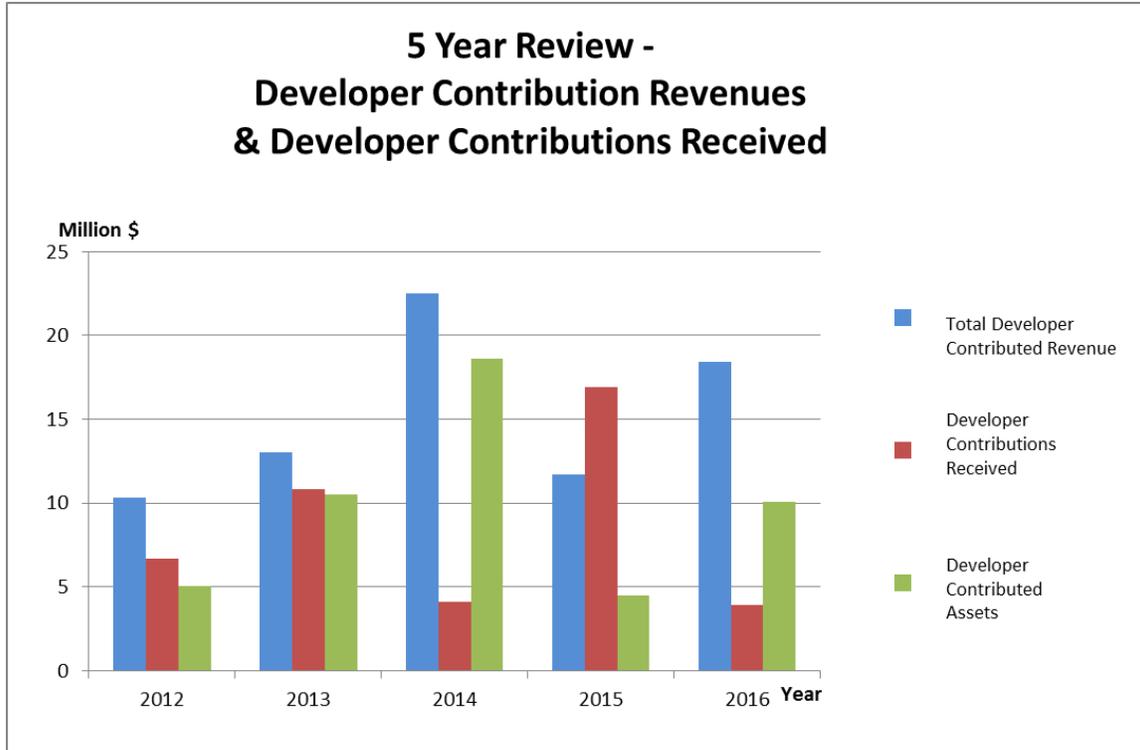
to try to reduce assessment loss. As of the end of the year only 9 appeals were still open from prior years.

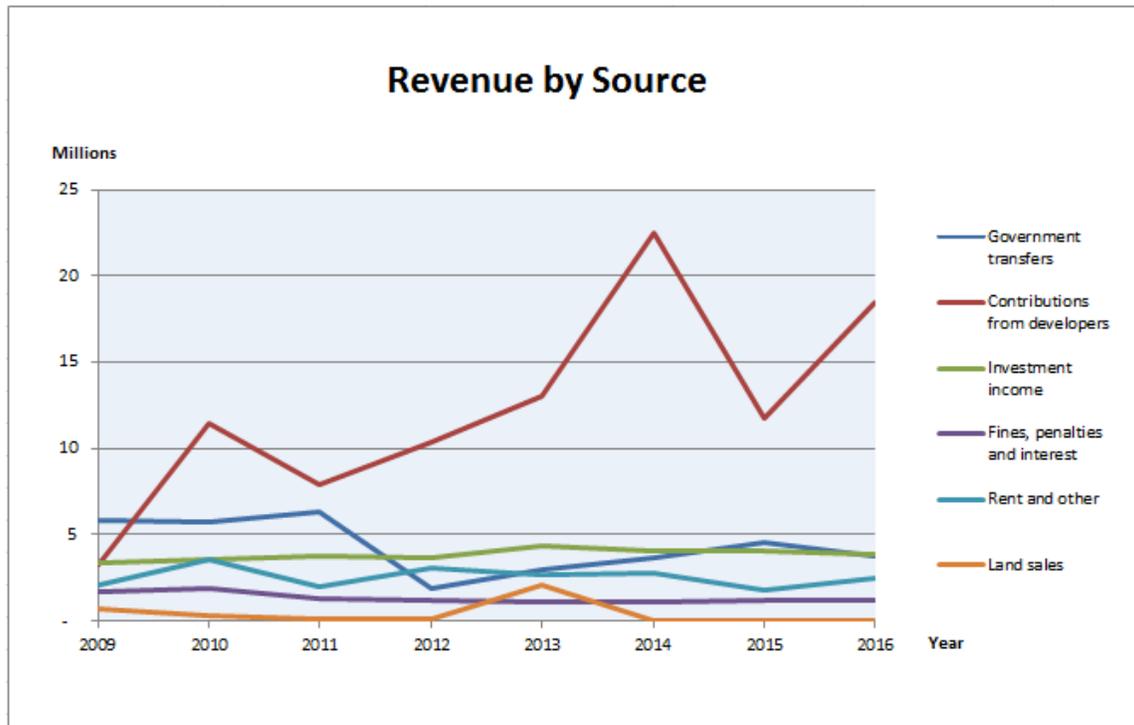
- User charges include water and wastewater revenues, recreation program revenues, license fees, and building permit fees. The majority of user charges are water and wastewater revenues where the average resident's bill increased by 6.5% from 2015, due to a combination of an increase in the volumetric rate of 2.5% for water and 14% for wastewater with no increase to the basic monthly charge. Building permit revenues were 52% higher than in 2015 and 63% more than the budgeted amount. There has been no price increase to the fees since 2010, yet the reserve has continued to increase over the last several years. A review of the fee structure was undertaken in 2015 by BMA Consulting which resulted in a modified fee structure in 2016. Fees and charges for recreation and culture programs and services were increased on average by 3.5% over 2015.



- Government transfers were 33% below budget and below 2015 levels. Most grant funding is only received after costs have been incurred. There is also a lag between the completion of the claims and the receipt of the grant funding. We received \$619,000 in combined grants from the Provincial and Federal governments for the Old Town Hall Project. Road projects financed from the Federal Gas Tax were lower than budget by \$2.4 million as some projects were not started in 2016. Multi-year capital budgeting, a key recommendation that came out of the Capital Financing Sustainability Strategy, should result in more accurate budgeting of expenditures and the related financing.

- Contributions from developers were \$6.7 million higher than in 2015, mostly due to the significant level of contributed assets (\$10.1 million). Tangible capital assets contributed to the Town included many road segments and the associated infrastructure and sidewalks constructed in 2010 and 2011. The assumption of subdivisions is not budgeted for, as the amounts and timing are difficult to predict (see the red line on Revenue by Source chart on the next page). Capital fund developer contributions are mostly development charges (DC's) and are driven by financing requirements for capital projects.





- Interest earned on the Operating Fund came in \$33,000 under budget. Reserve Fund balances were higher than expected due to lower capital spending and earned an additional \$248,000. Our investments included two non-redeemable GIC's totalling \$45 million, as well as a number of non-traditional investments – loan to a user group, the installation of solar panels, and the energy retrofit project. The lack of a multi-year capital budget makes cash forecasting and long-term investing problematic. This will be addressed more in 2017/2018 with an updated budget target methodology.
- Rent and Other came in significantly lower than the budget. The full cost of the land, construction and design of the new fire station was budgeted by Newmarket, with Aurora's portion reflected as other income. However, each municipality paid for their respective share of the land directly. Therefore, there was no contribution from Aurora. The design phase did not start until 2017. This explains the majority (approximately \$3 million) of the variance. In addition, some revenue contributions have not materialized or are affected by the timing of projects, as many of the associated capital projects have not started or have not been completed.
- Land sales reflect the permanent granting of an easement to Enbridge for which the Town received compensation.
- Gains (losses) on the disposal of tangible capital assets are not budgeted. However, when roads, trails or walkways are reconstructed any remaining unamortized cost represents a loss, as there are no proceeds.



Town of Newmarket **TERMS OF REFERENCE**

NAME:	Audit Committee
REPORTS TO:	Council
STATUS:	Advisory
ESTABLISHED:	June 19, 1995

ENABLING LEGISLATION/AUTHORIZING BY-LAW

The Audit Committee is authorized under the *Municipal Act, 2001, Section 296* and was established by Council resolution on June 19, 1995.

The Audit Committee is required to adhere to the provisions outlined in the Town's Procedural By-Law 2013-46, as amended from time to time, Committee Public Appointment Policy, and Committee Administration Policy.

MANDATE

The Audit Committee shall assist the Council in maintaining the financial integrity of the municipality.

The Committee will be responsible for the following:

- To provide advice and recommendations to Council with respect to the financial control framework including financial reporting, accounting policies, information systems integrity, approval processes and the safeguard of assets.
- To provide advice and recommendations to Council with respect to the appointment of the External Auditor, the scope and timing of the audit.
- To review and provide recommendations to Council regarding the annual report and management letter of the External Auditor.
- To make recommendations with respect to the work plan of the Internal Auditor and to provide comment and advice with respect to the recommendations of the Internal Auditor respecting the issues of internal financial control.
- To provide advice and recommendations to Council with respect to any special project or issue as requested by Council.

Deliverables

The Committee will accomplish its mandate by:

- Recommending approval of the annual financial statements.

- Reviewing the newly issued external auditors' management letter with Senior Management.
- Reviewing and approving the scope of the external audit.
- Following up with senior management on disposition of the previous year's external auditors' management letter points.

Strategic Plan Linkages

The mandate meets the following Corporate Strategic Goals:

- *Well-equipped and managed:* By focusing on Fiscal Responsibility, Leadership excellence and leading edge management, efficient management of capital assets and municipal services to meet existing and future operational needs.

The mandate meets the following Council Strategic Priorities:

- *Efficiency/Financial Management:* By ensuring effective and efficient services and measuring the Town's performance.

COMMITTEE COMPOSITION AND STAFF RESOURCES

The Audit Committee will be composed of:

- Three (3) residents
- Three (3) Members of Council (Mayor and two (2) Councillors)

The Audit Committee shall be supported by:

- Chief Administrative Officer
- Chief Executive Officer of the Newmarket Library
- Commissioner of Corporate Services
- Director of Financial Services/Treasurer

Quorum

A quorum will be the attendance of three (3) members at a Committee meeting.

Qualifications

Consideration shall be given to inclusion of the following qualifications during the appointment process:

- Persons with knowledge of accounting policies
- Persons with knowledge of risk management
- Persons with knowledge of financial auditing

FREQUENCY OF MEETINGS

Three (3) times annually (or as required)

BUDGET CONSIDERATION

The fiscal year of the Committee shall be from January 1 to December 31. The Committee will work with the assigned staff resource to submit a budget request that reflects their upcoming year's operating and capital needs, in keeping with corporate budget directions and timelines.

WORK PLAN

A report or presentation summarizing the Committee's accomplishments shall be provided to Council in the fourth quarter annually.

REMUNERATION

None.

TERM OF OFFICE

A Member's term on the Committee shall be concurrent with the Term of Council, unless otherwise indicated in the Committee's Mandate, or until a successor is appointed.

COMMITTEE REVIEW/SUNSET DATE

Every four years to coincide with the Term of Council or when a change to legislation impacts the obligations and responsibilities of the Committee.