

Additions & Corrections to the Agenda

Declarations of Pecuniary Interest

Approval of Minutes

1. Audit Committee Minutes of June 11, 2013. p. 1
2. Audit Committee (Closed Session) Minutes of June 11, 2013.

Items

3. Review of 2013 Financial Statements. p. 5

BDO Canada LLP. and the Director, Financial Services/Treasurer to review:

- a) Summary Letter dated June 23, 2014 from Mr. M. Jones, BDO Canada LLP
- b) Representation Letter dated June 23, 2014
- c) Town of Newmarket Consolidated Financial Statements
- d) Town of Newmarket Main Street District BIA Financial Statements
- e) Town of Newmarket Trust Fund Financial Statements

Closed Session (if required)

RESOLUTION TO CONVENE INTO CLOSED SESSION

THAT the Audit Committee resolve into closed session pursuant to Section 239 of *The Municipal Act, 2001* as amended for the purpose of discussing labour relations or employee negotiations.

4. Discussion with BDO Canada LLP, Auditor regarding Labour Relations or Employee Negotiations.

RESOLUTION TO CONVENE INTO OPEN SESSION

The Director of Financial Services/Treasurer recommends:

THAT the Town of Newmarket's Draft 2013 Consolidated Financial Statements, Trust Fund Financial Statements and Main Street District BIA Financial Statements, Representation Letter dated June 23, 2014 and Summary Letter dated June 23, 2014 from Mr. M. Jones, BDO Canada LLP be received;

AND THAT the Audit Committee recommend to Council that the Town of Newmarket's Draft 2013 Consolidated Financial Statements, Trust Fund Financial Statements and Main Street District BIA Financial Statements endorsed by the Audit Committee be approved.

New Business

Next Meeting

The next Audit Committee meeting will be held on Tuesday, September 9, 2014 at 8:00 a.m. in the Cane A & B rooms.

Adjournment

The meeting of the Audit Committee was held on Tuesday, June 11, 2013 at 8:00 a.m. in the Mulock Room, 395 Mulock Drive, Newmarket.

Members Present: Mayor Van Bynen
Councillor Di Muccio
Councillor Hempen
M. Holland
C. Prattas
M. Foerster

Staff: R.N. Shelton, Chief Administrative Officer
M. Mayes, Director, Financial Services/Treasurer
L. Lyons, Deputy Clerk

Guest: P. Duggan, Director/Audit Services – Regional Municipality of York
(8:05 to 8:27 a.m.)
T. White, BDO Canada LLP, CA – Manager

The meeting was called to order at 8:05 a.m.

M. Holland in the Chair.

ADDITIONS TO THE AGENDA

The Director of Financial Services/Treasurer advised of corrections to the order of items distributed being the material contained on Pages 3.5 to 3.9 should be discussed before the material contained on Pages 3.1 to 3.3. He also advised of an additional Management Letter to be included within Item 3 of the agenda.

Moved by C. Prattas
Seconded by M. Foerster

THAT the page numbers corrections and order of material for discussion as referenced above under the Additions portion of the agenda be received.

CARRIED

DECLARATIONS OF INTEREST

None.

1. AUDIT COMMITTEE MINUTES – JUNE 11, 2013 – ITEM 1
AUDIT COMMITTEE MINUTES

Audit Committee Minutes of October 23, 2013 and June 19, 2013.

An amendment was made within Item 3 of the Audit Committee Minutes of October 23, 2012 with respect to the 2012 Audit Plan by replacing the word “Board” with the word “Standard” as related to the Public Sector Accounting.

Moved by C. Prattas
Seconded by Mayor Van Bynen

THAT the Audit Committee Minutes of October 23, 2013, as amended, and June 19, 2012 be approved.

CARRIED

2. AUDIT COMMITTEE MINUTES – JUNE 11, 2013 – ITEM 2
INTERNAL AUDIT UPDATE

Mr. P. Duggan, Director of Audit Services, Region of York provided a summary of reviews conducted since the last update and outlined Audit Services’ upcoming work plan. The following topics were discussed:

Regional Audit Services Memorandum advising that said department will provide services to the N6.
 Health and Safety Audit – Records Management – detailed records for different locations across Town
 Procurement – Sign-off on consensus scoring sheet

Mr. Duggan advised of some upcoming projects within the Audit Services division being:

Waste Management Contract Review
 Baseline of Insurance Benefits
 Water Audit
 Overtime Controls

He further advised of the first draft of the Phase 1 Request for Proposal – Financial Sustainability Consulting. Discussion ensued regarding full detailed reports being available to all Audit Committee members and current practices of reporting out.

3. AUDIT COMMITTEE MINUTES – JUNE 11, 2013 – ITEM 3
REVIEW OF 2012 FINANCIAL STATEMENTS

The Director of Financial Services/Treasurer and Ms. Trudy White, BDO Canada provided a verbal update of the review of the 2012 Financial Statements for the Town of Newmarket Consolidated Statements, Town of Newmarket Trust Fund Statements and Main Street District Business Improvement Area Statements.

Discussion ensued regarding the Newmarket Tay Power Distribution overcharge of clients and the adjustments made.

The Director of Financial Services/Treasurer advised that at the request of the Town's Auditor that the gasoline tax monies and Engineering fees for Subdivisions and Site Plan Application fees are now being treated as obligatory reserve funds – deferred revenue until earned.

Ms. White, Manager, BDO Canada LLP reviewed the summary of unadjusted misstatements. The Director of Financial Services/Treasurer advised that the items all related to timing and will be reflected in the 2013 fiscal year.

The Director of Financial Services/Treasurer also advised that the Management Representation Letter dated June 20, 2013 from BDO Canada LLP will be signed by the delegated authority signing officer (CAO) one for each audit, Town, Trust Fund and BIA.

Ms. White reviewed the Management Summary Letter dated June 17, 2013 from Mr. M. Jones, BDO Canada LLP and provided a verbal update that the internal audit progressed relatively smoothly with the following noted concerns:

- Information Technology internal controls – access rights/segregation of access rights and periodic review of access rights duties should occur
- Payroll Master Files
- Building Permit Fees and Planning Fees Review

The Director of Financial Services/Treasurer advised acceptance of the comments provided and will be furnishing a response to BDO Canada LLP.

Queries regarding tangible capital assets were brought forward for discussion. The Director of Financial Services/Treasurer provided information regarding tangible capital assets/replacement values/statistics and reflections of accrued book values.

Further queries were brought forward regarding investment policies and strategies.

The Director of Financial Services/Treasurer provided an overview of the financial statements. Discussion ensued regarding capital carry-over funds and examples of such. The following matters were brought to the attention of the Director of Financial Services for further review.

- Page 20 – Standard Clause regarding Lawsuits
- Page 21 – Pension Agreements
- CYFS Pension Deficits

A suggestion was made to have all Financial Statements available to the public.

**Moved by Mayor Van Bynen
Seconded by C. Prattas**

THAT the Audit Committee resolve into closed session pursuant to Section 239 of *The Municipal Act, 2001* as amended, for the purpose of discussing labour relations or employee negotiations.

CARRIED

The Audit Committee resolved into a Closed Session at 9:45 a.m.

The Audit Committee (Closed Session) Minutes are recorded under separate cover.

The Audit Committee resumed into public session at 9:47 a.m.

**Moved by Councillor Hempen
Seconded by C. Prattas**

THAT the Town of Newmarket's Draft 2012 Consolidated Financial Statements, Management Letter, Trust Fund Financial Statements and Main Street District BIA Financial Statements, Representation Letter dated June 20, 2013 and Summary Letter dated June 17, 2013 from Mr. M. Jones, BDO Canada LLP be received;

AND THAT the Audit Committee recommend to Council that the Town of Newmarket's Draft 2012 Consolidated Financial Statements, Trust Fund Financial Statements and Main Street District BIA Financial Statements, as amended and endorsed by the Audit Committee be approved.

CARRIED

NEW BUSINESS

None.

The next scheduled meeting of the Audit Committee is Tuesday, October 29, 2013 at 8:00 a.m. in the Cane Room.

**Moved by M. Foerster
Seconded by Councillor Hempen**

THAT the meeting adjourn.

CARRIED

There being no further business the meeting adjourned at 9:47 a.m.

Date

Mark Holland, Chair



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BDO Canada LLP
 The Gates of York Plaza
 17310 Yonge Street, Unit 11
 Newmarket ON L3Y 7R9 Canada

June 23, 2014

Mayor and Members of Council
 The Corporation of the Town of Newmarket
 395 Mulock Drive
 PO Box 328, STN Main
 Newmarket Ontario L3Y 4X7

Dear Sir/Madam:

Re: Audit of the Consolidated Financial Statements of The Corporation of the Town of
 Newmarket
 For the year ended December 31, 2013

The purpose of our report is to summarize certain aspects of the audit that we believe would be of interest to the Mayor and Council and should be read in conjunction with the consolidated financial statements and our report thereon.

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

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

Independence

At the core of the provision of external audit services is the concept of independence. We are communicating 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 have influenced our independence during the audit engagement.

In determining which relationships to report, we have considered the applicable legislation and relevant rules of professional conduct and related interpretations prescribed by the appropriate provincial institute/ordre covering such matters as the following:

- holding of a financial interest, either directly or indirectly in a client;
- holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client;
- personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client;
- economic dependence on a client; and
- provision of services in addition to the external audit engagement.

We are not aware of any relationships between the municipality and us that, in our professional judgment, may reasonably be thought to bear on our independence to date.

We hereby confirm that we were independent with respect to The Corporation of the Town of Newmarket within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario as of June 23, 2014.

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 Mayor and Council, preliminary materiality was \$1,000,000. Final materiality remained unchanged from our preliminary assessment.

We communicated all corrected and uncorrected misstatements identified during our audit to the Mayor and Council, other than those which we determine to be "clearly trivial". Misstatements are considered to be clearly trivial for purposes of the audit when they are inconsequential both individually and in aggregate.

We encouraged management to correct any misstatements identified throughout the audit process.

Likely Aggregate Misstatements

We have disclosed all significant adjusted and unadjusted differences and disclosure omissions 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 Mayor and Council agree with this assessment, we do not propose further adjustments.

Uncorrected misstatements aggregated during the audit that were determined by management to be immaterial amounted to \$390,912. A summary of the statement of likely aggregate misstatements is attached to this letter.

Auditor's considerations of possible fraud and illegal activities

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 Mayor and Council.

Subsequent Events

On May 1, 2014 the Town received a supplemental assessment from our previous insurance carrier - Ontario Municipal Insurance Exchange (OMEX). This assessment was the result of growing damage awards and larger resulting settlements for the period 2002 to 2012. The supplemental assessment, in the amount of \$812,615 plus 8% PST, for a total of \$877,624 is due January 2015.

Management Representations

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

Yours truly,



Michael Jones, CPA, CA
Partner
BDO Canada LLP
Chartered Accountants, Licensed Public Accountants

The Corporation of the Town of Newmarket
Summary of Unadjusted Misstatements
December 31, 2013

Description of the Misstatement	Identified Misstatement	Projected Misstatement	Estimates	Proposed Adjustments			
				Assets Dr(Cr)	Liabilities Dr(Cr)	Opening Fund Balance Dr(Cr)	Income Dr(Cr)
Long term debt discrepancy	58,438	-	-	-	58,438	-	(58,438)
Tax allowance difference	-	-	(145,511)	(145,511)	-	-	145,511
Unrecorded liability - relates to WIP and gas tax funds	-	-	-	187,985	(187,985)	-	-
Deferred revenue adjustment for above unrecorded liability	-	-	-	-	187,985	-	(187,985)
Likely Aggregate Misstatements Before Effect of Previous Year's Errors and Estimates	58,438	-	(145,511)	42,474	58,438	-	(100,912)
Effect of Previous Year's Errors				(54,495)	-	344,495	(290,000)
Likely Aggregate Misstatements				(12,021)	58,438	344,495	(390,912)

Details of why no adjustment has been made to the financial statements for the above items:

Estimate, invoices received after preparation of financial statements and one after gas tax audit completed already



TOWN OF NEWMARKET
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June 23, 2014

BDO Canada LLP
Chartered Accountants
The Gates of York Plaza
17310 Yonge Street, Unit 11
Newmarket, ON L3Y 7R9
Canada

Dear Sir:

This representation letter is provided in connection with your audit of the statement of financial position as at December 31, 2013, and the statement of continuity, and cash flows for the year then ended of The Corporation of the Town of Newmarket BIA for the purpose of expressing an opinion as to whether the financial information presents fairly, in all material respects, the financial position as at December 31, 2013 and the results of operations for the year then ended of The Corporation of the Town of Newmarket BIA in accordance with the basis of accounting noted in the financial statements.

We confirm that:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated January 4, 2013, for the preparation of the financial statements in accordance with basis of accounting noted in financial statements; in particular the financial statements are fairly presented in accordance therewith.
2. Significant assumptions used by us in making accounting estimates, including those measured at fair value are reasonable.
3. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of basis of accounting noted in financial statements.
4. All events subsequent to the date of the financial statements and for which basis of accounting noted in financial statements require adjustment or disclosure have been adjusted or disclosed.
5. The financial statements of the not-for-profit organization use appropriate accounting policies that have been properly disclosed and consistently applied.

Information Provided

6. 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.
7. 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.
 8. We have made available to you all:
 - minutes of the meetings of the Board of Directors
 9. All transactions have been recorded in the accounting records and are reflected in the financial statements.
 10. 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 financial statements.
 11. We have identified to you:
 - guarantees;
 - indemnifications against damages, liabilities, costs, charges or expenses suffered or incurred by officers or directors as a result of their service, and/or by any subsidiaries; and
 - non-monetary transactions and transactions for no consideration.
 12. We have disclosed to you the identity of the entity's related parties and the related party relationships and transactions of which we are aware.
 13. We are aware of the environmental laws and regulations that impact our not-for-profit organization and we are in compliance. There are no known environmental liabilities or contingencies that have not been accrued for or disclosed in the financial statements.

Fraud and Error

14. 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, and have determined such risk to be low.
15. 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.

16. 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.
17. The effects of unadjusted misstatements are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Existence, Completeness and Valuation of Specific Financial Statement Balances

18. All assets, wherever located, to which the not-for-profit organization had satisfactory title at the year end, have been fairly stated and recorded in the financial statements. There are no liens or encumbrances on the not-for-profit organization's assets.
19. All financial instruments have been appropriately recognized and measured in accordance with basis of accounting noted in financial statements. Significant assumptions used in arriving at fair value of financial instruments are reasonable and appropriate in the circumstances.
20. 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

21. 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.
22. 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 not-for-profit organization, except as disclosed in the financial statements.
23. We have informed you of all outstanding and possible claims, whether or not they have been discussed with legal counsel. Since there are no outstanding or possible claims, no disclosure is required in the financial statements.
24. 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.
25. We have disclosed to you all significant customers and/or suppliers of the not-for-profit organization who individually represent a significant volume of business with the not-for-profit organization. We are of the opinion that the volume of business (sales, services, purchases, borrowing and lending) done by the not-for-profit organization with any one

party is not of sufficient magnitude that discontinuance would have a material negative effect on the ongoing operations of the not-for-profit organization.

26. There have been no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
27. No significant matters, other than those disclosed in the financial statements, have arisen that would require a restatement of the comparative financial statements.

Yours truly,

Robert N. Shelton
Chief Administrative Officer

Mike Mayes, CGA
Director, Financial Services/Treasurer



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June 23, 2014

BDO Canada LLP
Chartered Accountants
The Gates of York Plaza
17310 Yonge Street, Unit 11
Newmarket, ON L3Y 7R9
Canada

Dear Sir:

This representation letter is provided in connection with your audit of the consolidated statement of financial position as at December 31, 2013, and the consolidated statement of operations and accumulated surplus, changes in net assets and cash flows for the year then ended of The Corporation of the Town of Newmarket for the purpose of expressing an opinion as to whether the consolidated financial statements present fairly, in all material respects, the financial position as at December 31, 2013 and the results of operations and cash flows for the year then ended of The Corporation of the Town of Newmarket in accordance with Canadian public sector accounting standards.

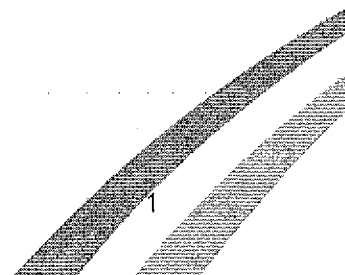
We confirm that:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated January 4, 2013, for the preparation of the consolidated financial statements in accordance with Canadian public sector accounting standards; in particular the consolidated financial statements are fairly presented in accordance therewith.
2. Significant assumptions used by us in making accounting estimates, including those measured at fair value are reasonable.
3. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Canadian public sector accounting standards.
4. All events subsequent to the date of the consolidated financial statements and for which Canadian public sector accounting standards require adjustment or disclosure have been adjusted or disclosed.
5. The consolidated financial statements of the municipality use appropriate accounting policies that have been properly disclosed and consistently applied.

Information Provided

6. We have provided you with:



- access to all information of which we are aware that is relevant to the preparation of the consolidated 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.
7. 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.
 8. We have made available to you all:
 - minutes of the meetings of the Council.
 9. The minute books of the municipality are a complete record of all meetings and resolutions of the Council throughout the year and to the present date.
 10. We have disclosed to you all significant matters contained in the minutes of all meetings and resolutions of the council throughout the year and to the present date.
 11. All transactions have been recorded in the accounting records and are reflected in the consolidated financial statements.
 12. 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 consolidated financial statements.
 13. We have identified to you:
 - guarantees;
 - indemnifications against damages, liabilities, costs, charges or expenses suffered or incurred by officers or directors as a result of their service, and/or by any subsidiaries; and
 - non-monetary transactions and transactions for no consideration.
 14. We have disclosed to you the identity of the entity's related parties and the related party relationships and transactions of which we are aware.
 15. We are aware of the environmental laws and regulations that impact our municipality and we are in compliance. There are no known environmental liabilities or contingencies that have not been accrued for or disclosed in the consolidated financial statements.

Fraud and Error

16. We have disclosed to you the results of our assessment of the risk that the consolidated financial statements may be materially misstated as a result of fraud, and have determined such risk to be low.
17. 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 consolidated financial statements.
18. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's consolidated financial statements communicated by employees, former employees, analysts, regulators, or others.
19. The effects of unadjusted misstatements are immaterial, both individually and in the aggregate, to the consolidated financial statements taken as a whole. A list of the uncorrected misstatements is attached to the representation letter.

Existence, Completeness and Valuation of Specific Financial Statement Balances

20. All assets, wherever located, to which the municipality had satisfactory title at the year end, have been fairly stated and recorded in the consolidated financial statements. There are no liens or encumbrances on the municipality's assets.
21. 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.
22. Where the value of any asset has been impaired, an appropriate provision has been made in the consolidated financial statements or has otherwise been disclosed to you.
23. The inventories as set out in the consolidated 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.
24. 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.

General Representations

25. The nature of all material uncertainties have been appropriately measured and disclosed in the consolidated 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 consolidated financial statements.
26. 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 consolidated financial statements or financial position of the municipality, except as disclosed in the consolidated financial statements.
27. 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 consolidated financial statements.
28. 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 consolidated financial statements.
29. 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.
30. There have been no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
31. We confirm that operating segments are appropriately identified and disclosed in accordance with Canadian public sector accounting standards.
32. No significant matters, other than those disclosed in the consolidated financial statements, have arisen that would require a restatement of the comparative consolidated financial statements.

Yours truly,

Signature

Position

Signature

Position



TOWN OF NEWMARKET
395 Mulock Drive
P.O. Box 328
Newmarket, ON L3Y 4X7

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info@newmarket.ca
905.895.5193

June 23, 2014

BDO Canada LLP
Chartered Accountants
The Gates of York Plaza
17310 Yonge Street, Unit 11
Newmarket, ON L3Y 7R9
Canada

Dear Sir:

This representation letter is provided in connection with your audit of the statement of financial position as at December 31, 2013, and the statement of continuity, and cash flows for the year then ended of The Corporation of the Town of Newmarket Trust Fund for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position as at December 31, 2013 and the results of operations for the year then ended of The Corporation of the Town of Newmarket Trust Fund in accordance with the basis of accounting noted in the financial statements.

We confirm that:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated January 4, 2013, for the preparation of the financial statements in accordance with Basis of accounting noted in the financial statements; in particular the financial statements are fairly presented in accordance therewith.
2. Significant assumptions used by us in making accounting estimates, including those measured at fair value are reasonable.
3. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Basis of accounting noted in the financial statements.
4. All events subsequent to the date of the financial statements and for which Basis of accounting noted in the financial statements require adjustment or disclosure have been adjusted or disclosed.
5. The financial statements of the trust use appropriate accounting policies that have been properly disclosed and consistently applied.

Information Provided

6. 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.
7. 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.
 8. All transactions have been recorded in the accounting records and are reflected in the financial statements.
 9. 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 financial statements.
 10. We have identified to you:
 - guarantees;
 - indemnifications against damages, liabilities, costs, charges or expenses suffered or incurred by officers or directors as a result of their service, and/or by any subsidiaries; and
 - non-monetary transactions and transactions for no consideration.
 11. We have disclosed to you the identity of the entity's related parties and the related party relationships and transactions of which we are aware.
 12. We are aware of the environmental laws and regulations that impact our trust and we are in compliance. There are no known environmental liabilities or contingencies that have not been accrued for or disclosed in the financial statements.

Fraud and Error

13. 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, and have determined such risk to be low.
14. 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.
15. 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.

16. The effects of unadjusted misstatements are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Existence, Completeness and Valuation of Specific Financial Statement Balances

17. All assets, wherever located, to which the trust had satisfactory title at the year end, have been fairly stated and recorded in the financial statements. There are no liens or encumbrances on the trust's assets.
18. All financial instruments have been appropriately recognized and measured in accordance with Basis of accounting noted in the financial statements. Significant assumptions used in arriving at fair value of financial instruments are reasonable and appropriate in the circumstances.
19. 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

20. 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.
21. 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 trust, except as disclosed in the financial statements.
22. We have informed you of all outstanding and possible claims, whether or not they have been discussed with legal counsel. Since there are no outstanding or possible claims, no disclosure is required in the financial statements.
23. 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.
24. We have disclosed to you all significant customers and/or suppliers of the trust who individually represent a significant volume of business with the trust. We are of the opinion that the volume of business (sales, services, purchases, borrowing and lending) done by the trust with any one party is not of sufficient magnitude that discontinuance would have a material negative effect on the ongoing operations of the trust.
25. There have been no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

26. No significant matters, other than those disclosed in the financial statements, have arisen that would require a restatement of the comparative financial statements.

Yours truly,

Signature

Position

Signature

Position

**The Corporation of the
Town of Newmarket
Consolidated Financial Statements
For the year ended December 31, 2013**

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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 which comprise the consolidated statement of financial position as at December 31, 2013, and the consolidated statement of operations, consolidated statement of changes in net assets and consolidated 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, 2013 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.

Chartered Accountants, Licensed Public Accountants

June 23, 2014
Newmarket, Ontario

Draft - Subject to Change

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

December 31, 2013

	<u>2013</u>	<u>2012</u>
FINANCIAL ASSETS		
Cash and cash equivalents (Note 7)	\$ 78,496,589	\$ 70,391,284
Temporary investments (Note 8)	5,000,000	-
Taxes receivable (Note 9)	5,807,313	5,601,407
Unbilled user charges	4,030,017	4,125,472
Accounts receivable (Note 9)	4,425,109	6,514,729
Inventory for resale (Note 10)	103,681	127,940
Surplus land (Note 11)	33,598	1,173,371
Loans receivable (Note 9)	2,962,285	247,158
Investment in Newmarket Hydro Holdings Inc. (Note 12)	62,967,404	61,623,872
	<u>163,825,996</u>	<u>149,805,233</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 13)	23,884,445	20,865,557
Interest payable on debt	1,087,990	1,194,952
Employee future benefits payable (Note 14)	4,407,979	4,021,623
Deferred revenue (Note 15)	28,241,107	24,654,833
Long-term debt (Note 16)	45,537,657	48,204,992
	<u>103,159,178</u>	<u>98,941,957</u>
NET FINANCIAL ASSETS	<u>60,666,818</u>	<u>50,863,276</u>
NON FINANCIAL ASSETS		
Inventory (Note 10)	242,081	289,167
Prepaid expenses	808,840	495,461
Tangible capital assets (Note 26)	438,113,140	431,436,125
	<u>439,164,061</u>	<u>432,220,753</u>
ACCUMULATED SURPLUS (Note 22)	<u>\$ 499,830,879</u>	<u>\$ 483,084,029</u>
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, 2013

	<u>2013</u>		<u>2012</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
REVENUES			
Taxation and user charges			
Residential and farm taxation	\$ 39,636,710	\$ 40,478,367	\$ 37,150,873
Commercial, industrial and business taxation	8,785,730	8,615,543	8,554,802
Taxation from other governments	681,000	654,125	665,353
User charges	37,305,345	37,558,063	35,841,348
	<u>86,408,785</u>	<u>87,306,098</u>	<u>82,212,376</u>
Government Transfers			
Government of Canada	1,656,788	218,457	333,108
Federal Gas Tax Allocation	3,970,720	2,027,314	1,087,610
Province of Ontario	3,096,248	690,166	512,318
	<u>8,723,756</u>	<u>2,935,937</u>	<u>1,933,036</u>
Other			
Contribution from developers	3,941,445	13,046,148	10,345,007
Investment income	3,523,326	4,315,850	3,634,474
Fine, penalties and interest	1,417,000	1,153,277	1,227,173
Rent and other	3,216,309	3,302,271	3,313,934
Land sales	3,275,229	2,123,071	132,999
Loss on disposal of tangible capital assets	-	(597,688)	(211,267)
	<u>15,373,309</u>	<u>23,342,929</u>	<u>18,442,320</u>
TOTAL REVENUES	<u>\$ 110,505,850</u>	<u>\$ 113,584,964</u>	<u>\$ 102,587,732</u>

THE CORPORATION OF THE TOWN OF NEWMARKET

Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2013

	2013		2012
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
EXPENSES			
General government	\$ 13,646,601	\$ 13,495,807	\$ 13,153,349
Protection to persons and property	14,984,081	15,053,840	14,730,166
Transportation services	10,671,798	10,343,426	10,429,756
Environmental services	29,570,866	29,726,083	26,806,723
Recreation and cultural services	28,407,964	27,208,730	26,369,801
Planning and development	2,136,499	2,353,760	2,021,544
	<u>99,417,809</u>	<u>98,181,646</u>	<u>93,511,339</u>
Net equity in earnings of Newmarket Hydro Holdings Inc.	<u>1,000,000</u>	<u>1,343,532</u>	<u>1,369,669</u>
ANNUAL SURPLUS	<u>12,088,041</u>	<u>16,746,850</u>	<u>10,446,062</u>
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>483,084,029</u>	<u>483,084,029</u>	<u>472,637,967</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 495,172,070</u>	<u>\$ 499,830,879</u>	<u>\$ 483,084,029</u>

THE CORPORATION OF THE TOWN OF NEWMARKET
Consolidated Statement of Changes in Net Financial Assets
Year ended December 31, 2013

	2013		2012
	Budget	Actual	Actual
Annual surplus	\$ 12,088,041	\$ 16,746,850	\$ 10,446,062
Acquisition of tangible capital assets	(19,560,668)	(12,140,391)	(10,108,787)
Contributed tangible capital assets	-	(10,500,800)	(5,079,083)
Amortization of tangible capital assets	15,526,021	16,294,143	15,074,985
Proceeds from sale of tangible capital assets	-	72,348	555,688
Loss on sale of tangible capital assets	-	697,688	211,266
	(4,034,647)	(6,677,012)	654,069
Changes due to inventory	(5,783)	47,083	(27,900)
Changes due to prepaid expenses	(9,909)	(313,379)	(301,167)
	(15,692)	(266,296)	(329,067)
CHANGE IN NET FINANCIAL ASSETS	8,037,702	9,803,542	10,771,064
NET FINANCIAL ASSETS, BEGINNING OF YEAR	50,863,276	50,863,276	40,092,212
NET FINANCIAL ASSETS, END OF YEAR	\$ 58,900,978	\$ 60,666,818	\$ 50,863,276

THE CORPORATION OF THE TOWN OF NEWMARKET

Consolidated Statement of Cash Flows

Year ended December 31, 2013

	2013		2012
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
CASH PROVIDED BY (USED IN):			
OPERATING ACTIVITIES			
Cash received from			
Taxation	\$ 55,622,233	\$ 51,503,313	\$ 54,176,468
User charges	35,640,681	37,444,701	34,941,844
Government transfers	3,279,000	1,174,400	3,543,639
Contributions from developers	3,941,445	10,806,332	6,692,130
Investment income	3,523,326	1,555,610	3,928,675
Fine, penalties and interest	1,417,000	1,275,094	1,142,741
Rent and other	2,894,678	3,745,318	2,840,694
Aurora's share of Central York Fire Services	8,227,017	8,227,017	7,973,152
	114,545,380	115,731,785	115,239,343
Cash paid for			
Salaries, wages and employee benefits	47,014,791	47,115,139	44,775,991
Materials, goods, and supplies	4,805,488	8,190,915	4,665,522
Utilities	4,135,596	4,325,572	4,015,142
Contracted and general services	24,267,071	23,581,344	23,333,722
Capital repairs and maintenance	6,506,859	5,023,792	5,513,047
Interest on long-term debt	2,475,070	2,475,070	2,584,932
Rents and financial	640,277	793,199	627,723
	89,845,152	91,505,031	85,516,079
Net change in cash from operating activities	24,700,228	24,226,754	29,723,264
CAPITAL ACTIVITIES			
Land sales	3,275,229	3,262,844	268,000
Proceeds on disposal of tangible capital assets	-	72,348	555,688
Acquisition of tangible capital assets	(19,560,668)	(11,834,420)	(10,108,787)
Net change in cash from capital activities	(16,285,439)	(8,499,228)	(9,285,099)

THE CORPORATION OF THE TOWN OF NEWMARKET
Consolidated Statement of Cash Flows**Year ended December 31, 2013**

	2013		2012
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
FINANCING ACTIVITIES			
Temporary investments	-	(5,000,000)	-
Principal repayment on long-term debt	(2,668,240)	(2,622,221)	(2,512,291)
Net change in cash from financing activities	(2,668,240)	(7,622,221)	(2,512,291)
NET CHANGE IN CASH	5,746,549	8,105,305	17,925,874
CASH, BEGINNING OF YEAR	70,391,284	70,391,284	52,465,410
CASH, END OF YEAR	\$ 76,137,833	\$ 78,496,589	\$ 70,391,284
Supplementary Information:			
Interest paid		\$ 2,475,070	\$ 2,584,932
Interest received		\$ 1,306,435	\$ 1,036,452

THE CORPORATION OF THE TOWN OF NEWMARKET

Notes to the Consolidated Financial Statements

December 31, 2013

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, 2013

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>
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	25
- Sewer	50
- Watermain	50
- 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, 2013

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) *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 13 for more details.

(vi) *Employee future benefits*

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

(vii) *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.

(viii) *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.

THE CORPORATION OF THE TOWN OF NEWMARKET

Notes to the Consolidated Financial Statements

December 31, 2013

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(ix) 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 principle estimates used in the preparation of these financial statements include the useful life and valuation of tangible capital assets. Actual results could differ from these estimates.

(x) 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.

(xi) Comparative figures

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

2. CHANGE IN ACCOUNTING POLICY

Effective January 1, 2013, the Municipality adopted the revised Public Sector Accounting Standard Section PS 3410 Government Transfers and Section PS 3510 Tax Revenue. These changes in accounting policies have been made in accordance with the transitional provisions of the standards which are to be applied either retroactively or prospectively. The Municipality has chosen to apply these revised standards prospectively. For PS 3410, there has been no effect on the consolidated financial statements. For PS 3510, supplemental taxes of \$90,000 have been recorded as tax revenue and write-offs of \$430,283 have reduced tax revenue.

THE CORPORATION OF THE TOWN OF NEWMARKET

Notes to the Consolidated Financial Statements

December 31, 2013

3. 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.

	(Unaudited)	
	Revenue	Expenses
Council approved budget:		
Operating fund - December 17, 2012	\$ 100,752,218	\$ 100,752,218
Principal payment on long-term debt	-	(2,668,240)
Transfers to / from other funds	(6,307,654)	(16,648,243)
Capital budget - New - December 17, 2012	15,659,780	15,659,780
Capital budget carried over from previous years	25,540,608	25,540,608
Transfers to / from other funds	(29,567,161)	
Reserves and reserve funds - April 22, 2013	20,615,302	35,039,392
Transfers to / from other funds	(16,187,243)	(35,039,392)
TOTAL COUNCIL APPROVED BUDGET	110,505,850	122,636,123
Less: Tangible Capital Assets Capitalized	-	(39,121,335)
Plus: Budgeted amortization expense	-	15,526,021
Plus: Post-employment benefit expenses	-	377,000
Adjusted Budget per Consolidated Statement of Operations	\$ 110,505,850	\$ 99,417,809

4. OPERATIONS OF SCHOOL BOARDS AND THE REGION OF YORK

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

	School Boards	Region
Property taxes and taxation from other governments	\$ 42,852,366	\$ 53,379,878

THE CORPORATION OF THE TOWN OF NEWMARKET

Notes to the Consolidated Financial Statements

December 31, 2013

5. 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 have experienced significant changes in their property taxes. Provincial legislation empowered municipalities with tools to lessen the immediate impact of these assessment related property tax changes. These programs are administered by the Region of York for all constituent area municipalities. Within the Region of York a residential phase-in program was not adopted. For multi-residential, commercial and industrial property owners, the Province of Ontario instituted a mandatory capping program through the provisions of Bill 140, the Continued Protection for Property Taxpayers Act (2001), which limited reform-related tax increases to 5% per year from 2001 to 2004.

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.

6. 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.

7. 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:

	2013	2012
Restricted - obligatory reserve funds (refer to Note 15)	\$ 26,274,988	\$ 22,422,460
Designated - reserve funds (refer to Note 22)	34,144,411	29,254,625
Unrestricted and undesignated	18,077,190	18,714,199
	<u>\$ 78,496,589</u>	<u>\$ 70,391,284</u>

8. TEMPORARY INVESTMENTS

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

	2013	2012
Non-redeemable guaranteed investment certificate, interest at 2%, matures November, 2015	\$ 5,000,000	-

THE CORPORATION OF THE TOWN OF NEWMARKET

Notes to the Consolidated Financial Statements

December 31, 2013

9. RECEIVABLES

(a) *Taxes receivable*

	2013	2012
Current year	4,189,315	\$ 3,865,281
Arrears previous years	1,919,629	2,037,757
	6,108,944	5,903,038
Less allowance	301,631	301,631
	\$ 5,807,313	\$ 5,601,407

(b) *Accounts receivable*

	2013	2012
Government entities	\$ 2,314,115	\$ 2,542,533
Newmarket Hydro Holdings Inc.	1,352,149	1,351,413
Trade receivables, user fees and other receivables	860,449	2,783,329
	4,526,713	6,677,275
Less allowance	101,604	162,546
	\$ 4,425,109	\$ 6,514,729

(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.

On December 19, 2013 the Town entered in to an agreement with the Newmarket Soccer Club to loan the club \$2.8 million for a term of 3 years, with the Town having an option to extend the loan for two additional periods of one year, at a rate of prime plus 2%.

10. 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.

11. SURPLUS LAND

The Town owns 2 small parcels of land, the majority of which is road allowance, with a carrying value of \$33,598.

THE CORPORATION OF THE TOWN OF NEWMARKET

Notes to the Consolidated Financial Statements

December 31, 2013

12. 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.

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.

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

	2013	2012
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.	11,270,650	9,927,118
Total investment	\$ 62,967,404	\$ 61,623,872

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.

	2013	2012
Revenues:		
Investment income	\$ 1,205,600	\$ 1,205,600
Rent, property tax and other	386,770	382,244
Expenses:		
Energy purchases	2,995,243	3,642,968
Services - street light capital & maintenance	279,956	271,906
Dividends received	1,836,000	1,336,000
Dividends accrued	1,336,000	1,336,000
Accounts payable	333,155	318,309

THE CORPORATION OF THE TOWN OF NEWMARKET

Notes to the Consolidated Financial Statements

December 31, 2013

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

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

	2013	2012
Financial position		
Current assets	\$ 33,099,043	\$ 31,013,400
Capital assets and future income taxes	58,788,116	57,445,877
Total assets	91,887,159	88,459,277
Current liabilities	12,596,148	11,051,863
Long term liabilities	34,084,743	33,638,380
Total liabilities	46,680,891	44,690,243
Non-controlling interest	2,990,276	2,896,574
Shareholder equity		
Share capital	29,609,342	29,609,342
Retained earnings	12,606,650	11,263,118
	42,215,992	40,872,460
	\$ 91,887,159	\$ 88,459,277
Results of operations		
Revenues	\$ 82,333,671	\$ 73,384,668
Operating expenses	(76,241,721)	(68,422,555)
Financing expenses	(1,344,336)	(1,331,890)
Other income	(103,273)	179,701
Non-controlling interest	(93,702)	(81,179)
Income tax	(1,232,473)	(907,076)
Net earnings	3,318,166	2,821,669
Retained earnings, beginning of year	11,263,118	9,893,449
Net income	3,318,166	2,821,669
Dividends paid	(1,974,634)	(1,452,000)
Retained earnings, end of the year	\$ 12,606,650	\$ 11,263,118
In Town's books		
Retained earnings, end of the year - per Hydro	\$ 12,606,650	\$ 11,263,118
Less: Dividends accrued	(1,336,000)	(1,336,000)
Adjusted retained earnings, end of year	11,270,650	9,927,118
Change in adjusted retained earnings	\$ 1,343,532	\$ 1,369,669

THE CORPORATION OF THE TOWN OF NEWMARKET

Notes to the Consolidated Financial Statements

December 31, 2013

13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities include an accrual of \$170,000 for land remediation costs on Town-owned land.

	2013	2012
Government entities	\$ 8,653,938	\$ 7,337,444
Payroll liabilities	5,317,974	4,504,125
Trade payables and other accrued liabilities	9,912,533	9,023,988
	<u>\$ 23,884,445</u>	<u>\$ 20,865,557</u>

14. 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.

	2013	2012
Employee future benefits	\$ 4,176,897	\$ 3,854,203
Vacation pay	231,082	167,420
	<u>\$ 4,407,979</u>	<u>\$ 4,021,623</u>

Employee Future Benefits are health and dental benefits that are provided to early retirees, future retirees, and employees currently on a long-term disability. The Town recognizes these post-retirement costs as they are earned during the employee's tenure of service. A benefit liability of \$3,854,203 was determined by the last actuarial valuation carried out as at December 31, 2012, using a discount rate of 3.75%.

Total benefit payments to retirees during the year were \$101,023 (2012 - \$91,587). The plan is substantially unfunded and requires no contributions from employees. The retirement benefit liability at December 31 includes the following components:

	2013	2012
Accrued benefits obligation	\$ 4,493,573	\$ 4,174,479
Unamortized actuarial gain/(loss)	(316,676)	(320,276)
Employee future benefits payable	<u>\$ 4,176,897</u>	<u>\$ 3,854,203</u>
Employee future benefits, beginning of the year	\$ 3,854,203	\$ 3,535,812
Annual amortization of actuarial loss	3,600	52,800
Current period service cost	269,534	205,092
Interest cost	150,583	152,086
Benefits paid for the period	(101,023)	(91,587)
Employee future benefits, end of the year	<u>\$ 4,176,897</u>	<u>\$ 3,854,203</u>

THE CORPORATION OF THE TOWN OF NEWMARKET

Notes to the Consolidated Financial Statements

December 31, 2013

14. EMPLOYEE FUTURE BENEFITS PAYABLE (continued)

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, 2012. The unamortized actuarial loss relates to an actuarial loss of \$666,606 at January 1, 2012 (\$583,280 as at December 31, 2012) which is being amortized over the estimated remaining service life of the active employees, less an unamortized actuarial gain of \$457,000 at January 1, 2009 (\$266,572 as at December 31, 2012) which is being amortized over twelve years. The average remaining service period of the active employees covered by the benefit plan is sixteen years.

The assumptions used in the December 31, 2012 actuarial valuation were:

(a) *Interest (discount) rate*

The present value of the future benefits as at December 31, 2013 was determined using a discount rate of 3.75% (2012- 3.75%).

(b) *Health costs*

Health cost premiums were assumed to decrease at a 7.25% (2012 - 7.5%) rate for 2013 and continue to decrease thereafter to 5.0% over the next 10 years.

(c) *Dental costs*

Dental cost premiums were assumed to increase at a 4.0% (2012 - 4.0%) rate.

The Town used the actual benefit increase percentage of 1.76% in its calculations for 2013.

THE CORPORATION OF THE TOWN OF NEWMARKET

Notes to the Consolidated Financial Statements

December 31, 2013

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 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 2013	2013 Inflows	2013 Outflows	Ending Balance 2013
Parklands	\$ 1,529,935	\$ 178,319	\$ 252,779	\$ 1,455,475
Development Charges	17,361,907	5,984,682	1,869,366	21,477,223
Engineering Administration	1,623,722	32,225	508,663	1,147,284
Gas Tax Grant	1,750,299	2,312,765	2,027,314	2,035,750
Investing in Ontario Grant from Province	156,597	2,659	-	159,256
	22,422,460	8,510,650	4,658,122	26,274,988
Other	2,232,373	5,907,486	6,173,740	1,966,119
Total	\$ 24,654,833	\$ 14,418,136	\$ 10,831,862	\$ 28,241,107

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:

			2013	2012
Long-term debt incurred by the Town			\$ 45,537,657	\$ 48,204,992
Purpose	Rates	Dates	2013	2012
Water and sewermain project	variable	2014	\$ 126,000	\$ 245,000
Land for recreation facilities	5.724%	2024	8,408,139	8,944,372
Youth Centre	5.724%	2024	1,948,228	2,072,477
Downtown renewal	5.724%	2024	617,964	657,375
Recreation facility	5.246%	2024	8,079,096	8,610,257
Parklands	5.246%	2024	1,717,481	1,830,398
Traffic flow improvements	5.246%	2024	989,689	1,054,757
Downtown revitalization	5.246%	2024	269,303	287,009
Recreation facility	4.756%	2026	10,841,461	11,432,418
Consolidated Operations Centre	5.000%	2019	10,706,410	11,153,132
FCM loan for Operations Centre	2.000%	2031	1,833,886	1,917,797
			\$ 45,537,657	\$ 48,204,992

THE CORPORATION OF THE TOWN OF NEWMARKET

Notes to the Consolidated Financial Statements

December 31, 2013

16. LONG-TERM DEBT (continued)

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

2014	\$	2,798,033
2015		2,801,071
2016		2,936,627
2017		3,079,140
2018		3,228,829
2019 and thereafter		30,693,957
	\$	<u>45,537,657</u>

(c) Interest expense on long-term debt amounted to \$ 2,368,108 (2012 - \$2,482,772).

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 \$32,535 (2012 - \$65,641).

In 2012, the Town changed its insurer to BFL Canada. 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 \$675,674 (2012 - \$570,382).

18. CONTINGENCIES

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.

A claim has been initiated against the Town by a party whose lands were expropriated. The recommended statutory compensation has been paid in connection with two of the three affected lots. Approximately \$5,000 remains to be paid in connection with the third affected parcel. However, the affected landowner still has a potential claim for additional damages over and above the statutory compensation. 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.

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 put on notice by a party to a contract of a claim for damages. The claim is for delay damages in connection with construction performed at a Town facility. Litigation has not been commenced at this time. It is too early in the claim process to determine the likelihood of success or estimate the extent of any future payments of the potential claim.

THE CORPORATION OF THE TOWN OF NEWMARKET

Notes to the Consolidated Financial Statements

December 31, 2013

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 three years are as follows:

2014	\$	175,214
2015		119,281
2016		119,281
	\$	<u>413,776</u>

20. CONTRACTUAL OBLIGATIONS

During the year the Town had work done on several major projects with contract values totalling approximately \$34,521,576. These contracts relate to the construction, repair and replacement of certain facilities and infrastructure. Approximately \$19,551,026 relating to these contracts had not been expended as at December 31, 2013.

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 \$24,039,554, of which expenses of approximately \$8,271,721 were outstanding as at December 31, 2013.

21. PENSION AGREEMENTS

OMERS provides pension services to approximately 440,000 active and retired members and 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, 2013. The results of this valuation disclosed total

Contributions in 2013 ranged from 8.3% to 13.9% depending on the proposed retirement age and level of earnings. The 2013 operating expense for OMERS was \$3,630,746 (2012- \$3,142,504).

THE CORPORATION OF THE TOWN OF NEWMARKET

Notes to the Consolidated Financial Statements

December 31, 2013

22. ACCUMULATED SURPLUS

The Accumulated Surplus is comprised of the following:

	2013	2012
Reserves set aside for specific purposes by Council		
Cash flow reserves	\$ 1,101,458	\$ 1,101,458
Reserves for operating purposes	5,819,864	4,679,123
Reserves for capital purposes	505,567	488,865
Newmarket Public Library	590,995	560,379
Building Code Act Fees	5,488,245	3,836,967
Water & Sewer Rate Stabilization	-	129,038
Total Reserves	13,506,129	10,795,830
Reserve funds set aside for specific purposes by Council		
Asset replacement funds	14,539,143	13,757,352
Reserve funds for operating purposes	4,465,363	5,075,508
Reserve funds for capital purposes	8,827,635	4,190,095
Self-insured long-term disability	6,312,270	6,231,670
Total Reserve Funds	34,144,411	29,254,625
Total Reserves and Reserve Funds	47,650,540	40,050,455
Invested in tangible capital assets	438,113,140	431,436,125
Less: amount financed by long-term debt	(45,537,657)	(48,204,992)
Land declared surplus	33,598	1,173,371
Operating surplus	61,696	431,455
Funds available for future capital expenses	900,457	803,307
Funds to be provided from future revenues	(1,245,825)	(1,331,435)
Equity in Newmarket Hydro Holdings Inc. (Note 10)	62,967,404	61,623,872
Employee future benefits to be recovered	(3,112,474)	(2,898,129)
Accumulated Surplus	\$ 499,830,879	\$ 483,084,029

THE CORPORATION OF THE TOWN OF NEWMARKET

Notes to the Consolidated Financial Statements

December 31, 2013

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 13). 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:

	2013	2012
Cost-sharing agreements	\$ 430,146	\$ 327,004
Grants with stipulations	2,027,314	1,087,610
Other grants	478,477	518,422
	<u>\$ 2,935,937</u>	<u>\$ 1,933,036</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.

	2013	2012
Net expenses before allocation	\$ 20,439,794	\$ 19,575,825
Less: Aurora's allocation (2013 - 40.3%; 2012 - 40.7%)	(8,227,017)	(7,973,152)
Newmarket's net allocation	<u>\$ 12,212,777</u>	<u>\$ 11,602,673</u>

25. TRUST FUND

The Trust fund administered by the Town amounting to \$312,128 (2012 - \$308,253) 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 2013 road network had 218 kilometers (2012 - 213 km).

THE CORPORATION OF THE TOWN OF NEWMARKET

Notes to the Consolidated Financial Statements

December 31, 2013

26. TANGIBLE CAPITAL ASSETS (continued)

b) Capitalization of interest

No interest was capitalized in 2013 (2012 - nil).

c) Construction in Process

The financial statements and accompanying schedules include \$9,953,699 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 \$10,500,800 (2012 - \$5,079,083). Contributed assets included land (\$510,497), street lighting (\$438,042), sanitary sewer pumping station (\$1,148,676) and linear assets (\$8,403,585) of subdivisions assumed by the Town in 2013. The 2012 contributed assets consisted of street lighting, storm water management facility and linear assets by developers.

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 24). Activity based costing is used to allocate internal support costs to departments. These costs include the net expenses for departments, such as human resources, information systems, finance and others, commonly referred to as overhead. Measures of activity, or drivers, are used to apportion the support costs.

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

Schedule 2 Service Bundles

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

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 21.

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.

THE CORPORATION OF THE TOWN OF NEWMARKET

Notes to the Consolidated Financial Statements

December 31, 2013

27. SEGMENTED INFORMATION (continued)

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.

28. SUBSEQUENT EVENT

On May 1, 2014 the Town received a supplemental assessment from our previous insurance carrier - Ontario Municipal Insurance Exchange (OMEX). This assessment was the result of growing damage awards and larger resulting settlements for the period 2002 to 2012. The supplemental assessment, in the amount of \$812,615 plus 8% PST, for a total of \$877,624 is due January 2015.

The Corporation of the Town of Newmarket
Tangible Capital Assets - Summary By Asset Category
December 31, 2013

Schedule 1

	Cost				Accumulated Amortization				2013	
	2013 Opening Balance	Additions and Betterments	Disposals/ Transfers	Write Downs	2013 Closing Balance	2013 Opening Balance	2013 Amortization Expense	Accumulated Amortization on Disposals	2013 Ending Balance	Net Book Value
General Capital Assets										
Land	\$ 74,714,503			\$ -	\$ 74,714,503	\$ -	\$ -	\$ -	\$ -	\$ 74,714,503
Land improvements	9,320,073	22,387		-	9,342,460	1,102,282	269,356		1,371,638	7,970,822
Building	83,072,275			-	83,072,275	26,494,661	2,235,698		28,730,359	54,341,716
Machinery and Equipment	9,407,840	1,119,755	342,843	29,040	10,155,712	5,548,848	989,981	409,992	6,126,837	4,028,875
Vehicles	4,493,920	833,254	140,689	-	5,166,485	1,768,271	357,912	140,689	1,985,484	3,200,991
Other - Library Collections	1,755,802	211,523	185,111	-	1,782,214	969,125	88,048	115,083	942,090	840,124
	\$ 182,784,413	\$ 2,166,919	\$ 668,643	\$ 29,040	\$ 184,253,649	\$ 35,881,187	\$ 3,941,195	\$ 665,764	\$ 39,156,818	\$ 145,097,031
Infrastructure Assets										
Land	\$ 15,505,708	\$ 510,497		\$ -	\$ 16,016,205	\$ -	\$ -	\$ -	\$ -	\$ 16,016,205
Land improvements	23,551,780			-	23,551,780	15,887,123	598,732		16,485,855	7,065,925
Buildings	22,154,180	1,896,369		-	24,050,529	1,652,580	729,124		2,381,704	21,668,825
Machinery & Equipment	1,522,954	26,236	123,710	-	1,425,480	665,033	134,390	123,710	675,713	749,767
Vehicles	2,137,343			-	2,137,343	795,144	310,688		1,106,032	1,031,311
Linear Assets	401,585,333	15,561,488	2,808,299	-	414,338,522	170,398,517	9,579,814	2,170,166	177,803,145	236,530,377
	\$ 468,457,278	\$ 17,994,590	\$ 2,932,009	\$ -	\$ 481,519,859	\$ 169,398,397	\$ 11,352,948	\$ 2,293,896	\$ 198,457,449	\$ 283,062,410
Assets under construction	\$ 7,494,018	\$ 7,532,454	\$ 5,072,771		\$ 9,953,699	\$ -	\$ -	\$ -	\$ -	\$ 9,953,699
Total Tangible Capital Assets	\$ 656,716,707	\$ 27,713,963	\$ 8,673,423	\$ 29,040	\$ 675,727,207	\$ 225,279,684	\$ 16,294,143	\$ 2,959,660	\$ 237,614,067	\$ 438,113,140

The Corporation of the Town of Newmarket
Tangible Capital Assets - Summary By Asset Category
December 31, 2012

Schedule 1

	Cost				Accumulated Amortization				2012	
	2012 Opening Balance	Additions and Betterments	Disposals/ Transfers	Write Downs	2012 Closing Balance	2012 Opening Balance	2012 Amortization Expense	Accumulated Amortization on Disposals	2012 Ending Balance	Net Book Value
General Capital Assets										
Land	\$ 74,232,342	\$ 485,000	\$ 2,839	\$ -	\$ 74,714,503	\$ -	\$ -	\$ -	\$ -	\$ 74,714,503
Land improvements	9,320,073	-	-		\$ 9,320,073	832,926	269,356	-	1,102,282	\$ 8,217,791
Building	79,898,675	3,173,600	-		\$ 83,072,275	24,321,500	2,173,161	-	26,494,661	\$ 56,577,614
Machinery and Equipment	8,923,950	1,265,440	761,550		\$ 9,407,840	5,368,704	915,189	737,045	5,546,848	\$ 3,860,992
Vehicles	3,825,933	1,467,298	799,309		\$ 4,493,920	1,634,485	309,740	375,954	1,768,271	\$ 2,725,649
Other - Library Collections	1,737,812	215,840	197,850		1,755,802	944,785	222,190	197,850	969,125	\$ 786,677
	\$ 177,938,785	\$ 6,607,178	\$ 1,761,548	\$ -	\$ 182,764,413	\$ 33,302,400	\$ 3,889,636	\$ 1,310,849	\$ 35,881,187	\$ 146,883,226
Infrastructure Assets										
Land	\$ 15,505,708	\$ 2	\$ -		\$ 15,505,708	\$ -	\$ -	\$ -	\$ -	\$ 15,505,708
Land improvements	23,535,400	432,574	416,194		23,551,780	15,605,132	698,185	416,194	15,867,123	\$ 7,664,657
Buildings	22,058,640	95,520	-		22,154,160	991,217	681,363	-	1,652,580	\$ 20,501,580
Machinery & Equipment	1,544,702	103,211	124,959		1,522,954	685,500	124,482	124,959	685,033	\$ 857,921
Vehicles	2,246,368	521,003	630,028		2,137,343	1,135,184	289,988	630,028	795,144	\$ 1,342,199
Linear Assets	393,742,366	9,362,150	1,519,183		401,585,333	162,210,121	9,411,321	1,222,925	170,398,517	\$ 231,186,816
	\$ 458,833,182	\$ 10,514,460	\$ 2,690,364	\$ -	\$ 466,457,276	\$ 180,607,154	\$ 11,185,349	\$ 2,394,106	\$ 189,398,397	\$ 277,058,881
Assets under construction	\$ 9,427,780	\$ 3,660,122	\$ 5,593,888		\$ 7,494,016	\$ -	\$ -	\$ -	\$ -	\$ 7,494,016
Total Tangible Capital Assets	\$ 645,999,747	\$ 20,781,768	\$ 10,065,798	\$ -	\$ 656,715,707	\$ 213,909,554	\$ 16,074,985	\$ 3,704,955	\$ 225,279,584	\$ 431,436,125

The Corporation of the Town of Newmarket
Segment Disclosures - Service Bundle
Year Ended December 31, 2013

Schedule 2

	Fire & Emergency Services		Water, Wastewater & Solid Waste		Bylaw & Licensing Services		Roads, Bridges & Sidewalks	
	2013	2012	2013	2012	2013	2012	2013	2012
EXPENSES								
Salaries and wages	\$ 17,774,141	\$ 17,128,498	\$ 1,659,622	\$ 1,690,725	\$ 880,518	\$ 808,287	\$ 2,363,085	\$ 2,198,578
Materials, goods and supplies	599,381	668,497	698,526	561,755	54,691	59,728	925,756	822,722
Utilities	147,125	112,812	25,503	23,877	-	-	1,475,777	1,405,566
Contracted and general services	627,028	634,291	18,375,591	16,219,249	222,356	207,529	563,063	673,889
Rents and financial	116,610	27,833	39,384	(49,869)	-	-	-	-
Interest on long-term debt	-	-	598,091	609,032	-	-	-	-
Capital repairs and maintenance	733,987	1,186,490	977,582	798,049	-	-	2,276,742	1,550,613
Amortization expenses	296,547	264,459	4,754,782	4,638,533	-	5,999	5,872,431	5,423,791
Allocations	(6,295,059)	(6,154,114)	3,718,892	3,565,096	811,358	776,676	629,381	524,670
Total expenses	13,999,760	13,868,568	30,847,773	28,058,447	1,968,923	1,858,219	14,106,234	12,599,829
REVENUES								
Taxation	12,815,498	11,858,049	2,814,910	2,775,055	1,231,450	915,496	9,857,655	9,047,147
User charges	249,949	262,753	26,710,271	25,138,451	426,995	482,121	58,093	110,975
External non-tax revenues	43,252	733,457	7,518,274	3,675,808	265,724	359,608	6,608,569	3,714,173
Gain / (loss) on sale of tangible capital assets	6,289	(165,503)	(352,427)	81,970	-	(10,461)	(245,156)	(44,348)
Total revenues	13,114,988	12,688,755	36,691,028	31,671,085	1,924,169	1,746,785	16,279,161	12,827,947
Net surplus of Gov't. Business Enterprise	-	-	-	-	-	-	-	-
Annual Surplus (Deficit)	\$ (884,772)	\$ (1,179,811)	\$ 5,843,255	\$ 3,614,638	\$ (44,754)	\$ (109,454)	\$ 2,172,927	\$ 228,118

The Corporation of the Town of Newmarket
Segment Disclosures - Service Bundle
Year Ended December 31, 2013

Schedule 2

	Planning & Development Services		Community Programs and Events		Facilities, Parks & Trails		Corporate Support & Governance	
	2013	2012	2013	2012	2013	2012	2013	2012
EXPENSES								
Salaries and wages	3,430,425	\$ 2,841,980	\$ 4,208,536	\$ 4,370,381	\$ 7,182,395	\$ 6,748,740	\$ 8,717,147	\$ 8,205,375
Materials, good and supplies	301,986	263,562	158,952	136,544	1,383,683	1,213,946	387,955	380,123
Utilities	-	-	4,622	4,222	2,015,301	1,916,911	580,620	530,093
Contracted and general services	302,396	273,444	812,259	655,310	626,942	548,396	2,682,250	2,296,457
Rents and financial	-	-	34,539	34,400	112,707	250,138	67,403	59,979
Interest on long-term debt	-	-	-	-	-	-	1,770,017	1,873,741
Capital repairs and maintenance	111,974	245,275	37,398	11,915	1,978,127	3,309,475	375,460	259,333
Amortization expenses	-	-	-	-	3,315,228	3,672,964	646,598	711,379
Allocations	1,969,891	1,979,424	1,378,591	2,105,982	3,201,051	2,574,839	(14,119,206)	(13,818,346)
Total expenditures	6,116,673	5,803,685	6,634,897	7,318,754	19,815,434	20,235,409	1,108,244	498,134
REVENUES								
Taxation	3,244,425	3,041,356	3,794,424	4,356,808	12,831,262	11,311,264	-	-
User charges	4,431,558	3,962,485	2,615,451	2,742,954	2,737,369	2,608,289	256,711	466,703
External non-tax revenues	692,294	697,314	228,276	668,625	1,309,548	3,315,158	9,954,464	7,093,169
Gain / (loss) on sale of tangible capital assets	-	-	-	-	22,647	(72,925)	(29,041)	-
Total revenues	8,368,277	7,701,155	6,638,150	7,768,387	16,900,826	17,161,784	10,182,133	7,559,872
Net surplus of Gov't. Business Enterprise	-	-	-	-	-	-	1,343,532	1,369,669
Annual Surplus (Deficit)	\$ 2,251,604	\$ 2,097,470	\$ 3,253	\$ 447,633	\$ (2,914,608)	\$ (3,073,625)	\$ 10,417,421	\$ 8,431,407

The Corporation of the Town of Newmarket
Segment Disclosures - Service Bundle
Year Ended December 31, 2013

Schedule 2

	Public Library Services		Main Street District BIA		Consolidated	
	2013	2012	2013	2012	2013	2012
EXPENSES						
Salaries and wages	\$ 2,158,417	\$ 2,079,675	\$ -	\$ -	\$ 48,374,286	\$ 46,070,239
Materials, good and supplies	238,273	242,914	9,374	7,743	4,758,578	4,357,534
Utilities	79,936	83,789	-	-	4,328,884	4,077,270
Contracted and general services	110,440	140,435	21,889	22,952	24,344,212	21,671,953
Rents and financial	-	-	-	-	370,643	322,281
Interest on long-term debt	-	-	-	-	2,368,108	2,482,773
Capital repairs and maintenance	78,541	66,308	-	-	6,569,810	7,427,456
Amortization expenses	408,555	357,859	-	-	15,294,143	15,074,984
Allocations	478,283	472,622	-	-	(8,227,018)	(7,973,151)
Total expenditures	3,552,445	3,443,600	31,263	30,695	98,181,646	93,511,339
REVENUES						
Taxation	3,128,408	3,035,838	30,003	30,015	49,748,035	46,371,028
User charges	70,282	63,858	1,385	2,760	37,558,063	35,841,348
External non-tax revenues	256,153	331,511	-	-	26,876,554	20,588,623
Gain / (loss) on sale of tangible capital assets	-	-	-	-	(597,688)	(211,267)
Total revenues	3,454,843	3,431,205	31,388	32,775	113,584,964	102,587,732
Net surplus of Gov't. Business Enterprise	-	-	-	-	1,343,532	1,369,669
Annual Surplus (Deficit)	\$ (97,602)	\$ (12,395)	\$ 125	\$ 2,080	\$ 16,746,850	\$ 10,446,062

**The Corporation of the Town of
Newmarket
Main Street District BIA
Financial Statements
For the year ended December 31, 2013**

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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 information of The Corporation of the Town of Newmarket Main Street District BIA, which comprise the statement of financial position as at December 31, 2013, and the statement of continuity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial information has been prepared by management based on the basis of accounting described in Note 2.

Management's Responsibility for the Financial Information

Management is responsible for the preparation of this financial information in accordance with the basis of accounting described in Note 2, and for such internal control as management determines is necessary to enable the preparation of the financial information 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 information 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 information is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial information. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial information, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial information 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 information.

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 information of The Corporation of the Town of Newmarket Main Street District BIA for the year ended December 31, 2013 is prepared, in all material respects, in accordance with the basis of accounting described in Note 2.

Basis of Accounting and Restriction on Distribution and Use

Without modifying our opinion, we draw attention to Note 2 which describes the basis of accounting. The financial information is prepared solely for the use of The Corporation of the Town of Newmarket. Our report is intended solely for The Corporation of the Town of Newmarket and should not be distributed to or used by parties other than The Corporation of the Town of Newmarket.

Chartered Accountants, Licensed Public Accountants

June 23, 2014
Newmarket, Ontario

THE CORPORATION OF THE TOWN OF NEWMARKET
Main Street District BIA
Statement of Continuity
 Period Ended December 31, 2013

	<u>2013</u>	<u>2012</u>
FUND BALANCE, BEGINNING OF PERIOD	\$ 6,433	\$ 4,352
REVENUES		
Taxation	30,003	30,015
Events	1,385	2,760
Total revenues	31,388	32,775
EXPENDITURES		
Promotion and events	9,374	7,742
Advertising	21,889	22,952
Total expenditures	31,263	30,694
FUND BALANCE, END OF PERIOD	\$ 6,558	\$ 6,433

Statement of Financial Position
 December 31, 2013

	<u>2013</u>	<u>2012</u>
ASSET		
Cash	\$ 6,558	\$ 6,433
FUND BALANCE	\$ 6,558	\$ 6,433

THE CORPORATION OF THE TOWN OF NEWMARKET
Main Street District BIA

Statement of Cash Flow

Period Ended December 31, 2013

	<u>2013</u>	<u>2012</u>
Cash received from		
Taxation	\$ 30,003	\$ 30,015
Rent and other	1,385	2,760
	<u>31,388</u>	<u>32,775</u>
Cash paid for		
Materials, goods and supplies	9,374	7,742
Contract and general services	21,889	22,952
	<u>31,263</u>	<u>30,694</u>
Net Change in Cash	125	2,081
Cash, Beginning of Year	6,433	4,352
Cash, End of Year	<u>\$ 6,558</u>	<u>\$ 6,433</u>

THE CORPORATION OF THE TOWN OF NEWMARKET
Main Street District BIA
Notes to the Financial Statements
December 31, 2013

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 BIA are the representation of management prepared in accordance with the accounting principle discussed below:

Basis of Accounting

Taxation revenue is recognized in the calendar year it is raised from ratepayers by the Town. Revenue from donations and events is recognized when the cash is collected. Expenditures are reported on the cash basis of accounting with the exception of administrative expenditures which are reported on the accrual basis of accounting. The accrual basis of accounting recognizes expenditures 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.

**The Corporation of the Town of
Newmarket
Trust Fund
Financial Statements
For the year ended December 31, 2013**

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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 information of The Corporation of the Town of Newmarket Trust Fund, which comprise the statement of financial position as at December 31, 2013, and the statement of continuity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information. The financial information has been prepared by management on the basis of accounting described in the Note 1.

Management's Responsibility for the Financial Information

Management is responsible for the preparation of this financial information in accordance with the basis of accounting described in Note 1, and for such internal control as management determines is necessary to enable the preparation of the financial information 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 information 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 information is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial information. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial information, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial information 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 information.

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 information of The Corporation of the Town of Newmarket Trust Fund for the year ended December 31, 2013 is prepared, in all material respects, in accordance with the basis of accounting described in Note 1.

Basis of Accounting and Restriction on Distribution and Use

Without modifying our opinion, we draw attention to Note 1 which describes the basis of accounting. The financial information is prepared solely for the use of The Corporation of the Town of Newmarket. Our report is intended solely for The Corporation of the Town of Newmarket and should not be distributed to or used by parties other than The Corporation of the Town of Newmarket.

Chartered Accountants, Licensed Public Accountants

June 23, 2014
Newmarket, Ontario

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

Statement of Continuity

December 31, 2013

	<u>2013</u>	<u>2012</u>
FUND BALANCE, BEGINNING OF YEAR	\$ 308,253	\$ 312,331
REVENUES		
Interest earned	3,875	3,922
Total revenues	3,875	3,922
EXPENDITURES		
Transfer to Capital Fund	-	8,000
Total expenditures	-	8,000
FUND BALANCE, END OF YEAR	\$ 312,128	\$ 308,253

Statement of Financial Position

December 31, 2013

	<u>2013</u>	<u>2012</u>
ASSET		
Cash	312,128	308,253
Fund Balance (Note 2)	\$ 312,128	\$ 308,253

THE CORPORATION OF THE TOWN OF NEWMARKET TRUST FUND

Statement of Cash Flow

Period Ended December 31, 2013

	<u>2013</u>	<u>2012</u>
Cash received from		
Investment Income	\$ 3,875	\$ 3,922
	<u>3,875</u>	<u>3,922</u>
Cash paid for		
Materials, goods and supplies	-	8,000
	<u>-</u>	<u>8,000</u>
Net Change in Cash	3,875	(4,078)
Cash, Beginning of Year	308,253	312,331
Cash, End of Year	<u>\$ 312,128</u>	<u>\$ 308,253</u>

THE CORPORATION OF THE TOWN OF NEWMARKET TRUST FUND

Notes to the Financial Statements

December 31, 2013

1 SIGNIFICANT ACCOUNTING POLICIES

The Trust Fund financial statements of the Corporation of the Town of Newmarket (the "Trust Fund") are the representation of management prepared in accordance with the accounting principle discussed below:

Basis of Accounting

Capital receipts and income are reported on the cash basis of accounting. Expenditures are reported on the cash basis of accounting with the exception of administrative expenditures which are reported on the accrual basis of accounting. The accrual basis of accounting recognizes expenditures 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.