



Tel: 905 898 1221  
Fax: 905 898 0028  
Toll-free: 866 275 8836  
www.bdo.ca

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

## Private & Confidential

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,

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

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