



The Corporation of the Town of Newmarket

Final Report to the Audit Committee

June 22, 2015



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June 22, 2015

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

Dear Audit Committee Members:

We are pleased to present the results of our audit of the consolidated financial statements of The Corporation of the Town of Newmarket (the "Town") for the year ended December 31, 2014. The purpose of our report is to summarize certain aspects of the audits that we believe to be of interest to the Audit Committee and should be read in conjunction with the draft consolidated financial statements and our draft audit report which is included as Appendix A.

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

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

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

Yours truly,

BDO Canada LLP
Chartered Professional Accountants, Licensed Public Accountants

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

Partner

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STATUS OF THE AUDIT

As of the date of this final report, we have substantially completed our audit of the 2014 consolidated financial statements pending the completion of the items highlighted below. These items will need to be completed prior to issuance of our audit report on the consolidated financial statements.

COMPLETION OF AUDIT

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

FINANCIAL STATEMENTS

- Approval of consolidated financial statements by the Council

We conducted our audit in accordance with Canadian generally accepted auditing standards. The objective of our audit was to obtain reasonable, not absolute, assurance about whether the consolidated financial statements are free from material misstatement. The scope of the work performed was substantially the same as that described in our Planning Report to the Audit Committee dated November 25, 2014.

INDEPENDENCE

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

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

MATERIALITY

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

As communicated to you in our Planning Report to the Audit Committee, preliminary materiality was set as outlined below. Final materiality remained unchanged from our preliminary assessment.

	Materiality	
The Corporation of the Town of Newmarket	\$	1,125,000
Newmarket Hydro holdings Inc.	\$	937,500

AUDIT FINDINGS

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

ACCOUNTING AND AUDIT MATTERS

Revenue Recognition

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

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

No issues were noted.

Employee Future Benefits

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

Significant Accrual - Firefighter

During our work on accrued liabilities BDO reviewed the Town's firefighter accrual. BDO reviewed the Town's policies and estimates relating to this accrual and found that Management's estimate and accrual are reasonable.

Contributions from Developers

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

ADJUSTED AND UNADJUSTED DIFFERENCES

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 Audit Committee agree with this assessment, we do not propose further adjustments.

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

MANAGEMENT REPRESENTATIONS

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

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

FRAUD DISCUSSION

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

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

AUDITORS' RESPONSIBILITIES FOR DETECTING FRAUD

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

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

The scope of the work performed was substantially the same as that described in our Planning Report to the Audit Committee dated November 25, 2014

INTERNAL CONTROL MATTERS

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

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

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

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

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

There are no significant internal control matters.

OTHER REQUIRED COMMUNICATIONS

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

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

Findings from the group audit.

No items noted.

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

No such instances of which we are aware.

BDO RESOURCES

BDO is one of Canada's largest accounting services firms providing assurance and accounting, taxation, financial advisory, risk advisory, financial recovery and consulting services to a variety of publicly traded and privately held companies.

BDO serves its clients through 105 offices across Canada. As a member firm of BDO International Limited, BDO serves its multinational clients through a global network of over 1,100 offices in more than 100 countries. Commitment to knowledge and best practice sharing ensures that expertise is easily shared across our global network and common methodologies and information technology ensures efficient and effective service delivery to our clients.

Outlined below is a summary of certain BDO resources which may be of interest to the Audit Committee.

PUBLICATIONS

<http://www.bdo.ca/en/Library/Services/assurance-and-accounting/pages/PSAB-at-a-Glance.aspx>

TAX BULLETINS, ALERTS AND NEWSLETTERS

BDO's national tax department issues a number of bulletins, alerts and newsletters relating to corporate federal, personal, commodity, transfer pricing and international tax matters.

For additional information on tax matters and links to archived tax publications, please refer to the following link: [Tax Library | BDO Canada](#).

DRAFT - For Discussion Purposes Only

APPENDIX A Draft Auditor's Report

Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of The Corporation of the Town of Newmarket which comprise the statement of financial position as at December 31, 2014, and the statement of operations and accumulated surplus, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Corporation of the Town of Newmarket as at December 31, 2014 and the results of its operations, changes in net assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



DRAFT - For Discussion Purposes Only

Chartered Professional Accountants, Licensed Public Accountants

June 22, 2015
Newmarket, Ontario



DRAFT - For Discussion Purposes Only

APPENDIX B

Unadjusted Differences

SUMMARY OF UNADJUSTED DIFFERENCES

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

	Decrease (Increase)			
	Assets	Liabilities	Equity	Net Income
Developer deposit interest	\$	\$ 264,896	\$	\$ (264,896)
Excess allowance for doubtful accounts	88,632			(88,632)
Difference in firefighters accrual	(29,416)	73,929		(44,513)
Extra accrual for interest and penalties			(68,438)	68,438
Tax Write-off difference	(79,088)			79,088
Total	(19,872)	338,825	(68,438)	(250,515)
Effect of Prior Year's Reversing Errors	0	0	0	0
	\$ (19,872)	\$ 338,825	\$ (68,438)	\$ (250,515)