



**CORPORATE SERVICES COMMISSION**  
**Financial Services**

TOWN OF NEWMARKET  
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June 16, 2016

**CORPORATE SERVICES REPORT – FINANCIAL SERVICES – 2016-29**

TO: Mayor Tony Van Bynen and Members of Council

SUBJECT: 2015 Financial Statements and Auditors Report

ORIGIN: Director, Financial Services/Treasurer

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**RECOMMENDATIONS:**

**THAT Corporate Services Report-Financial Services – 2016-29 dated June 16, 2016 regarding 2015 Financial Statements and Auditors Reports be received and the following recommendations be adopted:**

- i) **THAT the Town of Newmarket's Draft 2015 Consolidated Financial Statements, Trust Fund Financial Statements and Main Street District BIA Financial Statements from BDO Canada LLP be received;**
- ii) **AND THAT Council approve the Town of Newmarket's Draft 2015 Consolidated Financial Statements, Trust Fund Financial Statements and Main Street District BIA Financial Statements as endorsed by the Audit Committee.**

**COMMENTS:**

**Purpose**

The purpose of this report is to have Council approve the 2015 Financial Statements.

**Summary**

The 2015 Financial Statements are prepared by staff, audited by BDO and reviewed by the Audit Committee. These statements are now presented to Council for approval.

The statements are required by the *Municipal Act*. They account for the Town's stewardship of its resources. They are also required documentation to support certain financial relationships and transactions such as banking and grant applications.

## Background

### Provincial regulations require annual audits of our financial statements

Under the *Municipal Act*, municipalities must do the following:

1. A municipality must prepare financial statements in accordance with generally accepted accounting principles (Section 294.1).
2. The Treasurer must report the financial affairs of the municipality to Council (Section 286.1).
3. The municipality must appoint a licensed auditor who is responsible for auditing the accounts and transactions of the municipality annually and expressing an opinion on the municipality's financial statements (Section 296.1).

The annual audit, performed by BDO Canada LLP, is conducted in accordance with generally accepted auditing standards. For 2015, the Auditor's Report, which forms an integral part of the financial statements, has been issued by BDO and reflects their opinion, free of any qualifications or conditions, that the financial statements present fairly, in all material respects, the financial position of the Town in accordance with generally accepted accounting principles. The financial activities of Main Street District BIA, the Newmarket Public Library Board and the Town's proportionate share of Central York Fire Services are consolidated with the financial activities of the Town. The Town's investment in Newmarket Hydro Holdings Inc. (the majority shareholder for Newmarket Tay Hydro) is included on a modified equity basis.

The Consolidated Financial Statements are issued without restriction as they are presented in accordance with the *Municipal Act*. The format is consistent with the reporting requirements of the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

Trust Fund Financial Statements and Main Street District BIA Financial Statements vary slightly from PSAB requirements because they are prepared on a cash basis. As such they are issued with the following restriction:

*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.*

Essentially, this means that they can only be used for internal management purposes. Consideration could be made to committing resources to lift these restrictions in the future. To date, they have not been an impediment to operations, nor have they put us at any risk.

Audit results are reviewed by the Audit Committee.



The Town's Audit Committee membership includes the Mayor, two Members of Council, and three appointed citizens. Their mandate is "to assist the Council in maintaining the financial integrity of the municipality" and this includes reviewing and providing recommendations to Council regarding the annual report and management letter of the External Auditor.

At the Audit Committee meeting of June 15, 2016 BDO provided an overview of the audit findings. They informed the Committee that they had not encountered any internal control issues of note and accordingly are not issuing a management letter with recommended changes.

The Director, Financial Services/Treasurer provided a high level overview of the financial statements with a focus on financial sustainability.

Some minor changes were recommended to be made to the financial statements which were then approved for recommendation by the Committee to Council.

### Attachments

Please find attached:

- the financial statements, as noted above
- the related management representation letters
- BDO's Final Report to the Audit Committee

### CONTACT

For more information on this report, contact: Mike Mayes at 905-953-5300, ext. 2102 or via e-mail at [mmayes@newmarket.ca](mailto:mmayes@newmarket.ca)



Mayes, CPA, CGA, DPA  
Director, Financial Services/Treasurer



Esther Armchuk B.A. (Hons.), LL.B., DPA  
Commissioner, Corporate Services

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Attachments:

- a) The Corporation of the Town of Newmarket Draft Consolidated Financial Statements – Year ended December 31, 2015 (27 pages)
- b) The Corporation of the Town of Newmarket Trust Fund Draft Financial Statements –Year ended December 31, 2015 (5 pages)
- c) The Corporation of the Town of Newmarket Main Street District BIA Draft Financial Statements –Year ended December 31, 2015 (5 pages)
- d) Management Representation letters (12 pages)
- e) Final Report to the Audit Committee dated June 15, 2016 (15 pages)

**The Corporation of the  
Town of Newmarket  
Consolidated Financial Statements  
Year ended December 31, 2015**

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## Independent Auditor's Report

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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, 2015, and the statement of operations and accumulated surplus, statement of changes in net financial assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Corporation of the Town of Newmarket as at December 31, 2015 and the results of its operations, changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants, Licensed Public Accountants

June 27, 2016  
Newmarket, Ontario

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

**December 31, 2015**

	<u>2015</u>	<u>2014</u> (Note 3 Restated)
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents (Note 8)	\$ 83,424,445	\$ 71,146,192
Temporary investments (Note 9)	5,000,000	5,000,000
Taxes receivable (Note 10)	4,846,050	5,010,235
Unbilled user charges	4,413,796	4,269,884
Accounts receivable (Note 10)	6,359,972	6,668,697
Inventory for resale (Note 11)	92,074	99,515
Surplus land (Note 12)	155,285	155,285
Loans receivable (Note 10)	6,640,294	2,420,517
Investment in Newmarket Hydro Holdings Inc. (Note 13)	66,317,053	64,645,924
	<u>177,248,969</u>	<u>159,416,249</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 14)	32,435,640	22,553,576
Interest payable on debt	862,092	975,887
Employee future benefits payable (Note 15)	4,958,165	4,683,264
Long-term disability benefits payable (Note 16)	4,719,337	4,573,222
Deferred revenue (Note 17)	33,078,366	27,349,578
Long-term debt (Note 18)	39,753,155	42,618,901
	<u>115,806,755</u>	<u>102,754,428</u>
<b>NET FINANCIAL ASSETS</b>	<u>61,442,214</u>	<u>56,661,821</u>
<b>NON FINANCIAL ASSETS</b>		
Inventory (Note 11)	400,124	301,892
Prepaid expenses	1,997,821	1,669,359
Tangible capital assets (Note 28)	465,439,466	458,240,103
	<u>467,837,411</u>	<u>460,211,354</u>
<b>ACCUMULATED SURPLUS (Note 24)</b>	<u>\$ 529,279,625</u>	<u>\$ 516,873,175</u>
<b>Contingencies and lease agreements (Notes 20 and 21)</b>		

## THE CORPORATION OF THE TOWN OF NEWMARKET

## Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2015

	2015		2014
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u> (Note 3 Restated)
<b>REVENUES</b>			
<b>Taxation and user charges</b>			
Residential and farm taxation	\$ 44,728,073	\$ 44,190,993	\$ 42,241,614
Commercial, industrial and business taxation	8,754,302	8,685,966	8,302,701
Taxation from other governments	681,000	668,984	650,276
User charges	40,780,509	40,968,437	37,589,903
	94,943,884	94,514,380	88,784,494
<b>Government Transfers</b>			
Government of Canada	568,240	622,215	529,167
Federal Gas Tax Allocation	4,382,513	2,102,286	2,216,552
Province of Ontario	966,331	1,862,089	913,822
	5,917,084	4,586,590	3,659,541
<b>Other</b>			
Contribution from developers	11,945,194	11,772,593	22,503,219
Investment income	3,750,425	4,087,687	4,028,115
Fine, penalties and interest	1,327,300	1,224,456	1,143,034
Rent and other	4,707,593	1,804,079	3,345,466
Land sales	-	12,720	-
Loss on disposal of tangible capital assets	-	(67,014)	(562,647)
	21,730,512	18,834,521	30,457,187
<b>TOTAL REVENUES</b>	\$ 122,591,480	\$ 117,935,491	\$ 122,901,222



## THE CORPORATION OF THE TOWN OF NEWMARKET

## Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2015

	2015		2014
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u> (Note 3 Restated)
<b>EXPENSES</b>			
General government	\$ 15,202,899	\$ 14,532,293	\$ 15,759,232
Protection to persons and property	15,941,205	15,988,842	15,552,421
Transportation services	12,460,272	12,699,761	11,591,629
Environmental services	33,569,663	32,554,496	29,890,566
Recreation and cultural services	30,570,085	28,797,876	28,199,770
Planning and development	3,154,970	2,626,902	2,691,813
	110,899,094	107,200,170	103,685,431
<b>Net equity in earnings of Newmarket Hydro Holdings Inc.</b>	1,200,000	1,671,129	1,678,520
<b>ANNUAL SURPLUS</b>	12,892,386	12,406,450	20,894,311
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR, AS PREVIOUSLY STATED</b>			499,830,879
<b>PRIOR PERIOD ADJUSTMENT (Note 3)</b>	-	-	(3,852,015)
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR, RESTATED</b>	516,873,175	516,873,175	495,978,864
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	\$ 529,765,561	\$ 529,279,625	\$ 516,873,175

THE CORPORATION OF THE TOWN OF NEWMARKET  
Consolidated Statement of Changes in Net Financial Assets  
Year ended December 31, 2015

	2015		2014
	Budget	Actual	Actual (Note 3 Restated)
<b>Annual surplus</b>	\$ 12,892,386	\$ 12,406,450	\$ 20,894,311
Acquisition of tangible capital assets	(17,641,644)	(19,680,658)	(18,128,932)
Contributed tangible capital assets		(4,532,696)	(18,599,230)
Amortization of tangible capital assets	16,382,567	16,432,222	15,890,594
Proceeds from sale of tangible capital assets	-	514,755	147,958
Loss on sale of tangible capital assets	-	67,014	562,647
	(1,259,077)	(7,199,363)	(20,126,963)
Changes due to inventory	(6,038)	(98,232)	(59,811)
Changes due to prepaid expenses	(17,358)	(328,462)	(860,519)
	(23,396)	(426,694)	(920,330)
<b>CHANGE IN NET FINANCIAL ASSETS</b>	11,609,913	4,780,393	(152,982)
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR AS PREVIOUSLY REPORTED</b>			60,666,818
<b>PRIOR PERIOD ADJUSTMENT (Note 3)</b>			(3,852,015)
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR, RESTATED</b>	56,661,821	56,661,821	56,814,803
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	\$ 68,271,734	\$ 61,442,214	\$ 56,661,821

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**THE CORPORATION OF THE TOWN OF NEWMARKET**
**Consolidated Statement of Cash Flows**
**Year ended December 31, 2015**


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	2015		2014
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
<b>CASH PROVIDED BY (USED IN):</b>			
<b>OPERATING ACTIVITIES</b>			
<b>Cash received from</b>			
Taxation	\$ 53,962,966	\$ 54,448,881	\$ 49,692,665
User charges	40,396,219	42,501,756	36,723,176
Government transfers	3,892,459	5,214,343	3,696,853
Contributions from developers	7,344,754	16,857,668	4,166,210
Investment income	3,750,425	5,001,709	4,115,940
Fine, penalties and interest	1,327,300	1,252,071	1,146,296
Rent and other	4,707,593	1,722,119	3,334,540
Aurora's share of Central York Fire Services	9,281,379	8,933,489	8,808,584
	124,663,095	135,932,036	111,684,264
<b>Cash paid for</b>			
Salaries, wages and employee benefits	53,705,527	52,792,202	52,652,477
Materials, goods, and supplies	5,930,181	5,690,574	5,813,902
Utilities	4,353,287	4,587,919	4,226,492
Contracted and general services	27,469,940	27,316,952	26,931,314
Capital repairs and maintenance	7,127,772	1,455,737	6,988,012
Interest on long-term debt	2,237,171	2,237,170	2,359,308
Rents and financial	825,244	1,200,945	(778,092)
	101,649,122	95,281,499	98,193,413
<b>Net change in cash from operating activities</b>	<b>23,013,973</b>	<b>40,650,537</b>	<b>13,490,851</b>
<b>CAPITAL ACTIVITIES</b>			
Land sales	-	12,720	-
Proceeds on disposal of tangible capital assets	-	514,755	26,271
Acquisition of tangible capital assets	(17,641,644)	(19,680,658)	(18,128,932)
<b>Net change in cash from capital activities</b>	<b>(17,641,644)</b>	<b>(19,153,183)</b>	<b>(18,102,661)</b>



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**THE CORPORATION OF THE TOWN OF NEWMARKET**
**Consolidated Statement of Cash Flows****Year ended December 31, 2015**

	<u>2015</u>		<u>2014</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
<b>FINANCING ACTIVITIES</b>			
Loans receivable	-	(6,491,307)	-
Principal repayment on long-term debt	(2,738,587)	(2,727,794)	(2,738,587)
<b>Net change in cash from financing activities</b>	<b>(2,738,587)</b>	<b>(9,219,101)</b>	<b>(2,738,587)</b>
<b>NET CHANGE IN CASH</b>	<b>2,633,742</b>	<b>12,278,253</b>	<b>(7,350,397)</b>
<b>CASH, BEGINNING OF YEAR</b>	<b>71,146,192</b>	<b>71,146,192</b>	<b>78,496,589</b>
<b>CASH, END OF YEAR</b>	<b>\$ 73,779,934</b>	<b>\$ 83,424,445</b>	<b>\$ 71,146,192</b>
<b>Supplementary information:</b>			
Interest paid		\$ 2,237,171	\$ 2,359,308
Interest received		\$ 887,685	\$ 1,220,633

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

Schedule 1

	Cost			Accumulated Amortization			2015			
	2015 Opening Balance	Additions and Betterments	Disposals/ Transfers	Write Downs	2015 Closing Balance	2015 Opening Balance		2015 Amortization Expense	Accumulated Amortization on Disposals	2015 Ending Balance
General Capital Assets										
Land	\$ 74,717,975				\$ 74,717,975	\$ -	-	\$ -	\$ -	\$ 74,717,975
Land improvements	9,857,798	365,839	128,908		10,094,729	1,651,859	297,381	128,908	1,820,332	8,274,397
Building	83,948,319	305,449	-		84,253,768	30,963,511	2,241,661	-	33,205,172	51,048,596
Machinery and Equipment	11,569,482	2,887,346	1,192,048		13,264,780	6,674,623	980,763	1,059,263	6,586,123	6,678,657
Vehicles	5,596,268	237,272	143,811		5,689,729	2,274,745	405,109	139,229	2,541,625	3,148,104
Other - Library Collections	1,766,906	207,507	219,417		1,754,966	940,639	220,301	219,417	941,523	813,473
	\$ 187,456,748	\$ 4,003,413	\$ 1,684,184	\$ -	\$ 189,775,977	\$ 42,505,377	\$ 4,146,215	\$ 1,556,817	\$ 45,094,775	\$ 144,681,202
Infrastructure Assets										
Land	\$ 15,894,527	\$ 2	\$ 205,851		\$ 15,898,678	\$ -	-	\$ -	\$ -	\$ 15,898,678
Land improvements	23,551,780	522,280	323,306		23,750,754	17,049,749	538,818	323,306	17,265,261	6,485,493
Buildings	24,050,529	857,762	61,830		24,846,461	3,142,430	773,916	61,830	3,854,516	20,991,945
Machinery & Equipment	1,425,480	438,607	-		1,864,087	810,102	142,487	-	952,589	911,498
Vehicles	2,321,116	167,772	212,588		2,276,300	1,418,076	315,099	209,659	1,523,516	752,784
Linear Assets	440,427,914	8,965,168	1,171,774		448,221,308	186,834,704	10,515,687	926,151	196,424,240	251,797,068
	\$ 507,671,346	\$ 10,951,591	\$ 1,975,349	\$ -	\$ 516,647,588	\$ 209,255,061	\$ 12,286,007	\$ 1,520,946	\$ 220,020,122	\$ 296,627,466
Assets under construction										
	\$ 14,872,447	\$ 10,481,577	\$ 1,223,226		\$ 24,130,798	\$ -	\$ -	\$ -	\$ -	\$ 24,130,798
Total Tangible Capital Assets										
	\$ 710,000,541	\$ 25,436,581	\$ 4,882,759	\$ -	\$ 730,554,363	\$ 251,760,438	\$ 16,432,222	\$ 3,077,763	\$ 265,114,897	\$ 465,439,466





The Corporation of the Town of Newmarket  
Segment Disclosures - Service Bundle  
Year Ended December 31, 2015

Schedule 2

	Fire & Emergency Services		Water, Wastewater & Solid Waste		Bylaw & Licensing Services		Roads, Bridges & Sidewalks	
	2015	2014	2015	2014	2015	2014	2015	2014
<b>EXPENSES</b>								
Salaries and wages	\$ 19,381,664	\$ 18,743,473	\$ 2,203,634	\$ 2,109,033	\$ 1,033,998	\$ 960,924	\$ 2,427,530	\$ 1,999,590
Materials, goods and supplies	743,021	694,145	673,519	620,759	55,829	61,969	603,175	973,081
Utilities	161,218	140,141	29,283	28,668	-	-	1,201,327	1,452,129
Contracted and general services	749,008	861,861	20,986,340	19,295,194	355,055	266,739	1,098,174	730,470
Rents and financial	-	-	51,030	47,511	225	-	326	-
Interest on long-term debt	-	-	577,750	586,464	-	-	-	-
Capital repairs and maintenance	314,411	418,560	2,017,887	644,413	902	-	2,297,513	1,948,294
Amortization expenses	355,887	317,038	5,204,034	4,988,783	10,126	-	5,633,446	5,388,875
Allocations	(7,138,835)	(6,792,944)	2,816,253	2,816,253	873,964	873,964	1,458,932	1,458,932
<b>Total expenses</b>	<b>14,566,374</b>	<b>14,382,274</b>	<b>34,559,731</b>	<b>31,137,078</b>	<b>2,330,099</b>	<b>2,163,596</b>	<b>14,720,423</b>	<b>13,951,371</b>
<b>REVENUES</b>								
Taxation	14,495,552	12,888,362	2,846,037	2,778,312	1,241,331	1,439,251	10,902,703	10,385,028
User charges	270,564	262,801	31,176,117	28,931,785	400,988	384,242	106,143	167,411
External non-tax revenues	(193,379)	55,225	6,890,287	12,226,770	394,677	280,933	3,204,593	10,522,444
Gain / (loss) on sale of tangible capital assets	2,073	3,018	(101,153)	(218,933)	-	-	(13,191)	(350,823)
<b>Total revenues</b>	<b>14,574,810</b>	<b>13,209,406</b>	<b>40,811,288</b>	<b>43,717,934</b>	<b>2,037,596</b>	<b>2,104,426</b>	<b>14,200,248</b>	<b>20,724,060</b>
Net surplus of Gov't Business Enterprise	-	-	-	-	-	-	-	-
<b>Annual Surplus (Deficit)</b>	<b>\$ 8,434</b>	<b>\$ (1,172,868)</b>	<b>\$ 6,251,558</b>	<b>\$ 12,580,856</b>	<b>\$ (292,503)</b>	<b>\$ (59,170)</b>	<b>\$ (520,175)</b>	<b>\$ 6,772,689</b>

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

The Corporation of the Town of Newmarket  
Segment Disclosures - Service Bundle  
Year Ended December 31, 2015

Schedule 2

	Planning & Development Services		Community Programs and Events		Facilities, Parks & Trails		Corporate Support & Governance	
	2015	2014	2015	2014	2015	2014	2015	2014
<b>EXPENSES</b>								
Salaries and wages	\$ 3,784,701	\$ 3,647,666	\$ 4,965,692	\$ 4,638,805	\$ 7,273,975	\$ 7,243,901	\$ 9,822,203	\$ 9,752,459
Materials, good and supplies	216,101	266,484	184,998	138,396	1,431,592	1,650,123	411,096	582,654
Utilities	-	-	3,949	3,759	2,304,719	2,125,170	606,388	534,240
Contracted and general services	218,064	283,066	979,290	828,488	768,955	403,453	3,094,944	4,216,482
Rents and financial	-	-	44,696	30,569	49,170	41,504	140,068	61,955
Interest on long-term debt	-	-	-	-	-	-	1,545,625	1,660,742
Capital repairs and maintenance	161,776	85,289	32,237	77,360	1,783,510	2,395,731	375,412	425,843
Amortization expenses	-	-	31,663	-	4,138,819	4,214,227	643,167	676,548
Allocations	2,242,853	2,242,853	2,018,051	2,018,051	2,410,334	2,410,334	(14,296,994)	(14,272,021)
<b>Total expenditures</b>	<b>6,623,495</b>	<b>6,525,358</b>	<b>8,260,576</b>	<b>7,735,428</b>	<b>20,161,075</b>	<b>20,484,443</b>	<b>2,341,909</b>	<b>3,638,902</b>
<b>REVENUES</b>								
Taxation	3,303,097	3,597,061	4,275,461	4,364,077	13,068,390	12,534,252	49,614	-
User charges	2,656,945	1,911,273	3,429,451	2,869,930	2,551,919	2,675,441	312,940	319,451
External non-tax revenues	794,566	811,237	389,790	394,068	5,379,061	2,545,600	6,349,765	7,561,500
Gain / (loss) on sale of tangible capital assets	-	-	-	-	45,257	4,092	-	-
<b>Total revenues</b>	<b>6,754,608</b>	<b>6,319,571</b>	<b>8,094,702</b>	<b>7,628,075</b>	<b>21,044,628</b>	<b>17,759,385</b>	<b>6,712,319</b>	<b>7,880,951</b>
Net surplus of Gov't. Business Enterprise	-	-	-	-	-	-	1,671,129	1,678,520
<b>Annual Surplus (Deficit)</b>	<b>\$ 131,112</b>	<b>\$ (205,787)</b>	<b>\$ (165,874)</b>	<b>\$ (107,353)</b>	<b>\$ 883,553</b>	<b>\$ (2,725,058)</b>	<b>\$ 6,041,539</b>	<b>\$ 5,920,569</b>

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

The Corporation of the Town of Newmarket  
Segment Disclosures - Service Bundle  
Year Ended December 31, 2015

Schedule 2

	Public Library Services		Main Street District BIA		Consolidated	
	2015	2014	2015	2014	2015	2014
<b>EXPENSES</b>						
Salaries and wages	\$ 2,182,466	\$ 2,296,359	\$ -	\$ -	\$ 53,075,863	\$ 51,392,210
Materials, good and supplies	268,831	251,007	8,221	9,759	4,596,383	5,248,377
Utilities	109,602	92,466	-	-	4,416,486	4,376,573
Contracted and general services	118,692	102,284	11,744	18,689	28,380,266	27,006,736
Rents and financial	-	-	-	-	285,515	181,539
Interest on long-term debt	-	-	-	-	2,123,375	2,247,206
Capital repairs and maintenance	29,681	99,112	-	-	7,013,329	6,094,601
Amortization expenses	415,080	305,123	-	-	16,432,222	15,890,594
Allocations	492,173	492,173	-	-	(9,123,269)	(8,752,405)
<b>Total expenditures</b>	<b>3,616,525</b>	<b>3,638,534</b>	<b>19,965</b>	<b>28,448</b>	<b>107,200,170</b>	<b>103,685,431</b>
<b>REVENUES</b>						
Taxation	3,333,158	3,178,248	30,000	30,000	53,545,943	51,194,591
User charges	63,370	67,570	-	-	40,968,437	37,589,904
External non-tax revenues	274,865	276,898	3,900	4,700	23,488,125	34,679,374
Gain / (loss) on sale of tangible capital assets	-	-	-	-	(67,014)	(562,647)
<b>Total revenues</b>	<b>3,671,393</b>	<b>3,522,716</b>	<b>33,900</b>	<b>34,700</b>	<b>117,935,491</b>	<b>122,901,222</b>
Net surplus of Gov't. Business Enterprise	-	-	-	-	1,671,129	1,678,520
<b>Annual Surplus (Deficit)</b>	<b>\$ 54,868</b>	<b>\$ (115,818)</b>	<b>\$ 13,935</b>	<b>\$ 6,252</b>	<b>\$ 12,406,450</b>	<b>\$ 20,894,311</b>

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



# THE CORPORATION OF THE TOWN OF NEWMARKET

## Notes to the Consolidated Financial Statements

December 31, 2015

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.

(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.

# THE CORPORATION OF THE TOWN OF NEWMARKET

## Notes to the Consolidated Financial Statements

December 31, 2015

### 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (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 - Years</u>
Land improvements	20 - 40
Buildings and building components	20 - 40
Vehicles	4 - 20
Machinery and equipment	3 - 20
Library collection	7
Linear assets	
- Road base	40
- Road paved surface	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.

#### (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 6.

# THE CORPORATION OF THE TOWN OF NEWMARKET

## Notes to the Consolidated Financial Statements

December 31, 2015

### 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) *Liability for contaminated sites*

A contaminated site is a site at which substances occur in concentration that exceed the maximum acceptable amounts under an environmental standard. Sites that are currently in productive use are only considered a contaminated site if an unexpected event results in contamination. A liability for remediation of contaminated sites is recognized when the Municipality is directly responsible or accepts responsibility; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. The liability includes all costs directly attributable to remediation activities including post-remediation operations, maintenance and monitoring. The liability is recorded net of any expected recoveries.

(vi) *Deferred revenue*

Deferred revenues represent user charges and fees which have been collected but for which the related services have yet to be performed. These amounts will be recognized as revenues in the fiscal year the services are performed. The Town receives development charges under the authority of provincial legislation and Town by-laws. These funds, by their nature, are restricted in their use and, until applied to specific capital works, are recorded as deferred revenue. Amounts applied to qualifying capital projects are recorded as revenue in the fiscal period they are expended. See Note 14 for more details.

(vii) *Employee future benefits*

The present value of the cost of providing employees with future benefit programs is expensed as employees earn these entitlements through service. The cost B524 of the benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of retirement ages of employees and expected health care and dental costs. Vacation entitlements are accrued for as entitlements are earned.

(viii) *Long Term Disability Benefits*

The present value of the cost of providing employees with future long-term disability income benefits is expensed as employees earn these entitlements. The cost of the benefits earned by employees is actuarially determined using the projected benefit method for currently disabled employees. Actuarial gains and losses arising in a year are amortized into future years' expenses over the average expected period during which benefits will be paid.

(ix) *Pension Plan*

The Municipality is an employer member of the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer, defined benefit pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of assets and administration of the benefits. The Municipality has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles. The Municipality records as pension expense the current service cost, amortization of past service costs and interest costs related to the future employer contributions to the Plan for past employee service.

(x) *Revenue Recognition*

*(a) Taxes and user charges*

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

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

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

*(b) Investment income*

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



# THE CORPORATION OF THE TOWN OF NEWMARKET

## Notes to the Consolidated Financial Statements

December 31, 2015

### *(c) Government transfers*

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

### *(xi) Use of estimates*

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

### *(xii) Budget figures*

Budget figures have been reclassified for the purposes of these financial statements to comply with PSAB reporting requirements. The approved operating budget and capital budgets are reflected on the Consolidated Statement of Operations. The budgets established for capital investment in tangible capital assets are on a project-oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable with current year's actual expense amounts.

### *(xiii) 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, 2015, the Municipality adopted the Public Sector Accounting Standard Section PS 3260 Liability for Contaminated Sites. This change in accounting policy has been made in accordance with the transitional provisions of the standard which is to be applied either retroactively or prospectively. The Municipality has chosen to apply this standard prospectively. As a result of this change in accounting policy, there has been no effect on the financial statements.

## 3. PRIOR PERIOD ADJUSTMENT

Management has restated the consolidated financial statements for the comparative year to record the following: long-term disability benefit obligation, obligation to Aurora for fire reserve, and health and dental deposits in prepaids. The impact of these restatements is as follows:

### Statement of Financial Position

Increase in prepaid expenses	\$	801,471
Increase in accounts payable		(189,780)
Increase in long-term disability benefits obligation	\$	(4,573,222)
Increase (decrease) in accumulated surplus, December 31, 2014		<u>(3,961,531)</u>

### Statement of Operations

Increase(decrease) in expense	\$	(30,885)
Health and dental deposits		84,222
Long-term disability benefits		56,179
Central York Fire Services		<u>109,516</u>
Total increase (decrease) in expense		109,516
Increase (decrease) in annual surplus		(109,516)
Increase (decrease) in opening annual surplus, January 1, 2014		<u>(3,852,015)</u>



# THE CORPORATION OF THE TOWN OF NEWMARKET

## Notes to the Consolidated Financial Statements

December 31, 2015

### 4. 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.

	Revenue	Expenses
Council approved budget:		
Operating fund - April 20, 2015	\$ 112,127,407	\$ 112,127,407
Less: Principal payment on long-term debt	-	(2,927,071)
Less: Transfers to / from other funds	(8,111,331)	(19,079,764)
Capital budget - New - April 20, 2015	29,333,475	29,333,475
Plus: Capital budget carried over from previous years	28,132,006	28,132,006
Less: Transfers to / from other funds	(40,425,164)	-
Reserves and reserve funds - May 25, 2015	20,247,854	48,187,495
Less: Transfers to / from other funds	(18,712,767)	(48,187,495)
<b>TOTAL COUNCIL APPROVED BUDGET</b>	<b>122,591,480</b>	<b>147,586,053</b>
Less: Tangible Capital Assets Capitalized	-	(53,459,526)
Plus: Budgeted amortization expense	-	16,382,567
Plus: Post-employment benefit expenses	-	390,000
<b>Adjusted Budget per Consolidated Statement of Operations</b>	<b>\$ 122,591,480</b>	<b>\$ 110,899,094</b>

### 5. 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	\$ 43,538,215	\$ 56,102,742

### 6. THE CONTINUED PROTECTION FOR PROPERTY TAXPAYERS ACT

Effective 1998, the provincial government implemented the Ontario Fair Assessment System and redefined the services which are funded from the property tax base. As a result of this, certain taxpayers experienced significant changes in their property assessments. Provincial legislation empowered municipalities with tools to lessen the immediate impact of the related property tax changes. These programs are administered by the Region of York for all constituent area municipalities. For multi-residential, commercial and industrial property owners, the Province of Ontario instituted a mandatory capping program which continued in 2015.

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.

### 7. 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.

**THE CORPORATION OF THE TOWN OF NEWMARKET**  
**Notes to the Consolidated Financial Statements**  
December 31, 2015

**8. 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. Included in our restricted and designated cash is a \$40,000,000 non-redeemable guaranteed investment certificate, with an interest rate of 1.25%, maturing in March, 2016.

Cash is segregated as follows:

	2015	2014
Restricted - obligatory reserve funds (refer to Note 17)	\$ 30,867,671	\$ 26,532,144
Designated - reserve funds (refer to Note 24)	26,321,997	31,764,619
Unrestricted and undesignated	26,234,777	12,849,429
	<u>\$ 83,424,445</u>	<u>\$ 71,146,192</u>

**9. TEMPORARY INVESTMENTS**

Temporary investments are recorded at the lower of cost and market value. The \$5,000,000 non-redeemable guaranteed investment certificate, with an annual interest rate of 1.5%, matures November, 2016.

	2015	2014
Non-redeemable guaranteed investment certificate	\$ 5,000,000	\$ 5,000,000

**10. RECEIVABLES**

(a) *Taxes receivable*

	2015	2014
Current year	\$ 3,358,376	\$ 3,544,815
Arrears previous years	2,153,417	1,877,051
	<u>5,511,793</u>	<u>5,421,866</u>
Less allowance	665,743	411,631
	<u>\$ 4,846,050</u>	<u>\$ 5,010,235</u>

(b) *Accounts receivable*

	2015	2014
Government entities	\$ 2,628,454	\$ 4,166,361
Newmarket Hydro Holdings Inc.	2,672,000	1,336,000
Trade receivables, user fees and other receivables	1,082,233	1,267,940
	<u>6,382,687</u>	<u>6,770,301</u>
Less allowance	22,715	101,604
	<u>\$ 6,359,972</u>	<u>\$ 6,668,697</u>

(c) *Loans receivable*

Interest free loans are awarded through the Community Improvement Plan's Financial Incentive Program to upgrade and restore properties within the Community Improvement Plan area. The loans are guaranteed by liens against the properties. The maximum repayment period is 10 years.

The June 16, 2015 site plan agreement with Green & Rose includes a deferral of the payment of development charges and other fees to three years from the issuance of the building permits, September 1, 2018. Of the \$6,640,294 receivable, \$4,557,753 is for Region development charges which will be payable to them.

# THE CORPORATION OF THE TOWN OF NEWMARKET

## Notes to the Consolidated Financial Statements

December 31, 2015

### 11. 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.

### 12. SURPLUS LAND

The Town owns three parcels of land that are declared surplus. One is for access to a storm water management pond with a carrying value of \$121,687, the other two small parcels of land is road allowance, with a carrying value of \$33,598.

### 13. INVESTMENT IN NEWMARKET HYDRO HOLDINGS INC.

Newmarket Hydro Holdings Inc. established by municipal council in October 2000, is wholly owned by the Corporation of the Town of Newmarket and provides regulated and unregulated electric utility services.

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

The financial statements of Newmarket Hydro Holdings Inc. (including comparatives) have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC). These are the company's first annual financial statements prepared in accordance with IFRS.

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:

	2015	2014
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.	14,620,299	12,949,170
Total investment	\$ 66,317,053	\$ 64,645,924



# THE CORPORATION OF THE TOWN OF NEWMARKET

## Notes to the Consolidated Financial Statements

December 31, 2015

### 13. INVESTMENT IN NEWMARKET HYDRO HOLDINGS INC. (continued)

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.

	2015	2014
Revenues:		
Investment income	\$ 1,205,600	\$ 1,205,600
Rent, property tax and other	377,439	375,601
Expenses:		
Energy purchases	3,410,483	3,596,417
Services - street light capital & maintenance	342,318	325,574
Dividends received	-	1,336,000
Dividends accrued	2,672,000	1,336,000
Accounts payable	289,015	380,484

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

	2015	2014
Financial position		
Current assets	\$ 34,234,748	\$ 35,232,249
Capital assets, future income taxes and other	93,203,689	82,277,507
Regulatory deferral account debit balances	3,916,408	2,191,352
Total assets	131,354,845	119,701,108
Current liabilities	13,395,057	14,585,416
Long term liabilities	58,515,974	50,663,612
Total liabilities	71,911,031	65,249,028
Non-controlling interest	3,237,102	3,109,976
Shareholder equity		
Share capital	29,609,342	29,609,342
Retained earnings	15,993,683	14,242,313
Accumulated other comprehensive income	164,616	143,857
	45,767,641	43,995,512
Regulatory deferral account credit balances	10,439,071	7,346,592
Total liabilities and equity	\$ 131,354,845	\$ 119,701,108
Results of operations		
Revenues	\$ 89,372,496	\$ 85,173,205
Operating expenses	(83,435,557)	(81,228,035)
Financing expenses	(968,064)	(957,720)
Other income	857,843	1,031,619
Non-controlling interest	(228,126)	(220,700)
Income tax	(1,145,361)	(1,131,564)
Net movement on regulatory accounts	(1,367,423)	203,444
Net income	3,085,808	2,870,249
Comprehensive income	22,321	154,685
Net income and Comprehensive income	3,108,129	3,024,934
Retained earnings, beginning of year	14,285,170	12,697,236
Net income	3,108,129	3,024,934
Dividends paid	(1,437,000)	(1,437,000)
Retained earnings, end of the year	\$ 15,956,299	\$ 14,285,170
In Town's books		
Retained earnings, end of the year - per Hydro	\$ 15,956,299	\$ 14,285,170
Less: Dividends accrued	(1,336,000)	(1,336,000)
Adjusted retained earnings, end of year	14,620,299	12,949,170
Change in adjusted retained earnings	\$ 1,671,129	\$ 1,678,520



# THE CORPORATION OF THE TOWN OF NEWMARKET

## Notes to the Consolidated Financial Statements

December 31, 2015

### 14. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	2015	2014
Government entities	\$ 17,174,638	\$ 7,495,813
Payroll liabilities	1,469,420	3,640,331
Trade payables and other accrued liabilities	13,791,582	11,417,432
	<b>\$ 32,435,640</b>	<b>\$ 22,553,576</b>

### 15. 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.

	2015	2014
Employee future benefits	\$ 4,745,729	\$ 4,474,440
Vacation pay	212,436	208,824
	<b>\$ 4,958,165</b>	<b>\$ 4,683,264</b>

Employee Future Benefits are health and dental benefits that are provided to early retirees, future retirees, and employees currently on a long-term disability. The Town recognizes these post-retirement costs as they are earned during the employee's tenure of service. A benefit liability of \$4,745,729 was determined by the last actuarial valuation carried out as at December 31, 2015, using a discount rate of 3.25%.

Total benefit payments to retirees during the year were \$173,744 (2014 - \$101,635). The plan is substantially unfunded and requires no contributions from employees. The retirement benefit liability at December 31 includes the following components:

	2015	2014
Accrued benefits obligation	\$ 5,453,445	\$ 4,787,549
Unamortized actuarial gain/(loss)	(707,716)	(313,109)
Employee future benefits payable	<b>\$ 4,745,729</b>	<b>\$ 4,474,440</b>
Employee future benefits, beginning of the year	\$ 4,474,440	\$ 4,176,897
Annual amortization of actuarial loss	9,697	3,567
Current period service cost	246,244	233,398
Interest cost	189,092	162,213
Benefits paid for the period	(173,744)	(101,635)
Employee future benefits, end of the year	<b>\$ 4,745,729</b>	<b>\$ 4,474,440</b>

Actuarial valuations for accounting purposes are performed every three years using the projected benefit method prorated on services. The most recent actuarial report was prepared at December 31, 2015. The unamortized actuarial loss relates to an actuarial loss of \$666,606 at January 1, 2012 (\$481,519 as at December 31, 2015), plus an actuarial loss of \$308,773 at December 31, 2015 and an actuarial loss of \$115,451 at January 1, 2015 (\$107,754 as at December 31, 2015) which are being amortized over the estimated remaining service life of the active employees, less an unamortized actuarial gain of \$457,000 at January 1, 2009 (\$190,330 as at December 31, 2015) which is being amortized over twelve years. The average remaining service period of the active employees covered by the benefit plan is fifteen years.

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

(a) *Interest (discount) rate*

The present value of the future benefits as at December 31, 2015 was determined using a discount rate of 3.25% (2014 - 3.75%).

(b) *Health costs*

Health cost premiums are assumed to increase at a 6.25% (2014 - 7.0%) rate for 2016 and decrease by 0.25% per annum to an ultimate rate of 4.5% per annum.

(c) *Dental costs*

Dental cost premiums are assumed to increase at a 3.0% (2014 - 4.0%) rate.

# THE CORPORATION OF THE TOWN OF NEWMARKET

## Notes to the Consolidated Financial Statements

December 31, 2015

### 16. LONG-TERM DISABILITY BENEFITS PAYABLE

The Town provides disabled employees who meet the requirements for Long Term Disability (LTD) a monthly disability income, life insurance, health, and dental benefits. An actuarial estimate of future liabilities for currently disabled employees was completed as at December 31, 2015 and forms the basis for the estimated liability reported in these financial statements.

	2015	2014
Accrued benefits obligation	\$ 2,164,403	\$ 4,669,983
Unamortized actuarial gain/(loss)	2,554,934	(96,761)
Employee future benefits payable	\$ 4,719,337	\$ 4,573,222
Employee future benefits, beginning of the year	\$ 4,573,222	\$ 4,489,000
Annual amortization of actuarial loss	14,886	
Current period service cost	527,656	516,556
Interest cost	128,463	144,906
Benefits paid for the period	(524,890)	(577,240)
Employee future benefits, end of the year	\$ 4,719,337	\$ 4,573,222

Actuarial valuations for accounting purposes are performed every two years using the projected benefit method. The most recent actuarial report was prepared at December 31, 2015. The unamortized actuarial gain will be amortized into future years' expenses over 7 years, the average expected period during which benefits will be paid.

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

(a) *Interest (discount) rate*

The present value of the future benefits as at December 31, 2015 was determined using a discount rate of 2.5% (2014 - 2.75%).

(b) *Health costs*

Health cost premiums are assumed to increase at 5.0% per annum.

### 17. DEFERRED REVENUE

Development Charges are levies against new development, and are a primary source of funding growth-related capital facilities and infrastructure. Development charges are imposed on all lands, buildings or structures that are developed for residential or non-residential uses. These charges are payable by the developer of a building permit, unless they are for town-wide engineering services, in which case they are payable upon registration of a subdivision agreement. Development charges are not recognized as revenue until the identified capital costs for growth are incurred.

A requirement of PSAB is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as provincial legislation restricts how these funds may be used and under certain circumstances how these funds may be refunded. Parkland contributions are restricted to parks or recreation purposes. The Investing in Ontario and the Gas Tax grants are restricted to infrastructure and require annual reporting. The following funds have statutory restrictions and as such are classified as deferred

	Beginning Balance 2015	2015 Inflows	2015 Outflows	Ending Balance 2015
Parkland	\$ 1,332,230	\$ 266,838	\$ 506,906	\$ 1,092,162
Development Charges	21,668,363	10,236,217	5,409,739	26,494,841
Engineering Administration	1,142,164	345,715	675,821	812,058
Gas Tax Grant	2,227,448	2,343,448	2,102,286	2,468,610
Investing in Ontario Grant from Province	161,939	1,726	163,665	-
	26,532,144	13,193,944	8,858,417	30,867,671
Other	817,434	6,178,996	4,785,735	2,210,695
Total	\$ 27,349,578	\$ 19,372,940	\$ 13,644,152	\$ 33,078,366

# THE CORPORATION OF THE TOWN OF NEWMARKET

## Notes to the Consolidated Financial Statements

December 31, 2015

### 18. LONG-TERM DEBT

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

			2015	2014
Long-term debt incurred by the Town			\$ 39,753,155	\$ 42,618,901
Purpose	Rates	Mature Dates	2015	2014
Land for recreation facilities	5.724%	2024	7,240,466	7,840,773
Youth Centre	5.724%	2024	1,677,669	1,816,764
Downtown renewal	5.724%	2024	532,145	576,265
Recreation facility	5.246%	2024	6,930,583	7,519,705
Parklands	5.246%	2024	1,473,326	1,598,564
Traffic flow improvements	5.246%	2024	848,996	921,164
Downtown revitalization	5.246%	2024	231,020	250,657
Recreation facility	4.756%	2026	9,572,858	10,222,063
Consolidated Operations Centre	5.000%	2019	9,585,069	10,124,631
FCM loan for Operations Centre	2.000%	2031	1,661,023	1,748,315
			\$ 39,753,155	\$ 42,618,901

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

2016	2,936,627
2017	3,079,140
2018	3,228,829
2019	10,924,882
2020	3,000,979
2021 and thereafter	16,582,698
	\$ 39,753,155

(c) Interest expense on long-term debt amounted to \$2,123,376 (2014 - \$2,247,206).

### 19. 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 \$91,121 (2014 - \$36,920).

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 \$1,000,644 (2014 - \$885,338).

### 20. 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.



# THE CORPORATION OF THE TOWN OF NEWMARKET

## Notes to the Consolidated Financial Statements

December 31, 2015

### 20. CONTINGENCIES (continued)

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

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

The Town has been named as defendant in a complaint by a home owner in a subdivision development claiming loss of enjoyment of the property arising from alleged delays in grading and sod installation. It is too early in the litigation to determine the likelihood of success or estimate the extent of any future payments of the potential claim. Accordingly, no provision has been made in these financial statements for any liability which may arise.

The Town has been named as respondent in a human rights matter. 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.

### 21. 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:

2016	\$	177,243
2017		121,773
2018		73,272
	\$	<u>372,288</u>

### 22. CONTRACTUAL OBLIGATIONS

During the year the Town had work done on several major projects with contract values totaling approximately \$22,461,292. These contracts relate to the construction, repair and replacement of certain facilities and infrastructure. Approximately \$6,326,416 relating to these contracts had not been expended as at December 31, 2015.

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 \$26,803,924, of which expenses of approximately \$6,610,837 were outstanding as at December 31, 2015.

### 23. PENSION AGREEMENTS

OMERS provides pension services to approximately 461,000 active and retired members from approximately 1,000 employers. Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2015. The results of this valuation disclosed total actuarial liabilities of \$81.9 billion in respect of benefits accrued for service with actuarial assets at that date of \$74.9 billion indicating an actuarial deficit of \$7.0 billion. Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Town does not recognize any share of the OMERS pension surplus or deficit.

Contributions in 2015 ranged from 9% to 15.9% depending on the proposed retirement age and level of earnings. The Town's 2015 operating expense for OMERS pension benefits was \$4,083,200 (2014- \$4,037,385).



# THE CORPORATION OF THE TOWN OF NEWMARKET

## Notes to the Consolidated Financial Statements

December 31, 2015

### 24. ACCUMULATED SURPLUS

The Accumulated Surplus is comprised of the following:

	2015	2014
<b>Reserves set aside for specific purposes by Council</b>		
Reserves for operating purposes	\$ 4,507,618	\$ 4,719,091
Reserves for capital purposes	806,259	1,173,308
Newmarket Public Library	627,847	543,697
Building Code Act Fees	5,381,847	5,316,860
Water & Wastewater Rate Stabilization	2,832,711	1,089,450
<b>Total Reserves</b>	<b>14,156,282</b>	<b>12,842,406</b>
<b>Reserve funds set aside for specific purposes by Council</b>		
Asset replacement funds	18,394,533	15,905,427
Reserve funds for operating purposes	3,578,753	3,752,975
Reserve funds for capital purposes	946,736	4,786,563
Self-insured long-term disability	3,401,975	3,358,123
<b>Total Reserve Funds</b>	<b>26,321,997</b>	<b>27,803,088</b>
<b>Total Reserves and Reserve Funds</b>	<b>40,478,279</b>	<b>40,645,494</b>
Invested in tangible capital assets	465,439,466	458,240,103
Less: amount financed by long-term debt	(39,753,155)	(42,618,901)
Surplus land	155,285	155,285
Operating surplus	15,135	-
Funds available for future capital expenses	617,247	156,878
Funds to be provided from future revenues	(449,046)	(1,085,870)
Equity in Newmarket Hydro Holdings Inc. (Note 12)	66,317,053	64,645,924
Employee future benefits to be recovered	(3,540,639)	(3,265,738)
<b>Accumulated Surplus</b>	<b>\$ 529,279,625</b>	<b>\$ 516,873,175</b>

### 25. 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 17). 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:

Cost-sharing agreements	\$ 1,221,791	\$ 1,018,749
Grants with stipulations	2,102,286	2,216,552
Other grants	1,262,513	424,240
	<b>\$ 4,586,590</b>	<b>\$ 3,659,541</b>

### 26. 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.

	2015	2014
Net expenses before allocation	\$ 22,677,776	\$ 22,049,022
Less: Aurora's allocation (2015 - 40.23%; 2014 -39.95%)	(9,123,269)	(8,808,584)
<b>Newmarket's net allocation</b>	<b>\$ 13,554,507</b>	<b>\$ 13,240,438</b>

## THE CORPORATION OF THE TOWN OF NEWMARKET

### Notes to the Consolidated Financial Statements

December 31, 2015

#### 27. TRUST FUND

The Trust fund administered by the Town amounting to \$323,407 (2014 - \$317,031) 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.

#### 28. 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 2015 road network had 227 kilometers (2014 - 227 km).

b) Capitalization of interest

No interest was capitalized in 2015 (2014 - nil).

c) Construction in Process

The financial statements and accompanying schedules include \$24,130,798 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 \$4,532,696 (2014 - \$18,599,230). Contributed assets included streetlights (\$325,530), storm water management pond (\$456,000) and underground linear assets (\$3,751,166) of subdivisions assumed by the Town in 2015. The 2014 contributed assets consisted of land, street lighting, and linear assets by developers.

#### 29. SEGMENTED INFORMATION

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

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

##### *Schedule 2 Service Bundles*

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

# THE CORPORATION OF THE TOWN OF NEWMARKET

## Notes to the Consolidated Financial Statements

December 31, 2015

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### 29. SEGMENTED INFORMATION (continued)

#### *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 26.

#### *Water, Wastewater & Solid Waste*

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

#### *Bylaw & Licensing Services*

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

#### *Roads, Bridges & Sidewalks*

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

#### *Planning & Development Services*

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

#### *Community Programs & Events*

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

#### *Facilities, Parks & Trails*

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

#### *Corporate Support & Governance*

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

#### *Public Library Services*

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

#### *Main Street District BIA*

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

### 30. SUBSEQUENT EVENTS

On February 12, 2016 the Town acquired lands from the Church of Christ on Davis Drive for \$500,000. The Church also donated a parcel of land for which a donation receipt in the amount of \$360,000 was issued.

On February 12, 2016 the Town and the Town of Aurora purchased a four acre parcel of land in Aurora for the construction of a new fire facility. The purchase price of \$3,656,031 was split 59.8%, 40.2% by the respective municipalities.

**The Corporation of the  
Town of Newmarket  
Trust Fund  
Financial Statements  
Year ended December 31, 2015**

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## Independent Auditor's Report

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### 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, 2015, and the statement of continuity and cash flow 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 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, 2015 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 Professional Accountants, Licensed Public Accountants

June 27, 2016  
Newmarket, Ontario

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

**Statement of Continuity**

**DRAFT**

December 31, 2015

	<u>2015</u>	<u>2014</u>
FUND BALANCE, BEGINNING OF YEAR	\$ 317,031	\$ 312,128
REVENUES		
Interest	357	2,535
Investment Income	6,019	2,368
Total revenues	6,376	4,903
EXPENDITURES		
Transfer to Capital Fund	-	-
Total expenditures	-	-
FUND BALANCE, END OF YEAR	\$ 323,407	\$ 317,031

**Statement of Financial Position**

December 31, 2015

	<u>2015</u>	<u>2014</u>
ASSET		
Cash	81,470	14,663
Investment interest receivable	1,937	2,368
Investments (Note 3)	240,000	300,000
Fund Balance (Note 2)	\$ 323,407	\$ 317,031

# THE CORPORATION OF THE TOWN OF NEWMARKET TRUST FUND

## Statement of Cash Flow

DRAFT

Year Ended December 31, 2015

	2015	2014
Cash received from		
Interest	\$ 357	\$ 2,535
Investment Income	6,450	-
	<u>6,807</u>	<u>2,535</u>
Cash paid for		
Materials, goods and supplies	-	-
	<u>-</u>	<u>-</u>
Net change in cash from operating activities	6,807	2,535
Financing Activities		
Investment	60,000	(300,000)
Net change in cash from financing activities	<u>60,000</u>	<u>(300,000)</u>
Net Change In Cash	66,807	(297,465)
Cash, Beginning of Year	14,663	312,128
Cash, End of Year	<u>\$ 81,470</u>	<u>\$ 14,663</u>

# THE CORPORATION OF THE TOWN OF NEWMARKET TRUST FUND

## Notes to the Financial Statements

DRAFT

December 31, 2015

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### 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.

### 3 INVESTMENTS

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

	2015	2014
Guaranteed investment certificate	\$ 240,000	\$300,000

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

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**The Corporation of the  
Town of Newmarket  
Main Street District BIA  
Financial Statements  
Year ended December 31, 2015**

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## Independent Auditor's Report

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### 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, 2015, and the statement of continuity and cash flow 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, 2015 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 Professional Accountants, Licensed Public Accountants

June 27, 2016  
Newmarket, Ontario

# THE CORPORATION OF THE TOWN OF NEWMARKET

## Main Street District BIA

### Statement of Continuity

DRAFT

Year Ended December 31, 2015

	2015	2014
FUND BALANCE, BEGINNING OF PERIOD	\$ 12,810	\$ 6,558
REVENUES		
Taxation	30,000	30,000
Events	3,900	4,700
Total revenues	33,900	34,700
EXPENDITURES		
Promotion and events	8,221	9,759
Advertising	11,744	18,689
Total expenditures	19,965	28,448
FUND BALANCE, END OF PERIOD	\$ 26,745	\$ 12,810

### Statement of Financial Position

December 31, 2015

	2015	2014
ASSET		
Cash	\$ 26,745	\$ 12,810
FUND BALANCE	\$ 26,745	\$ 12,810

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

**THE CORPORATION OF THE TOWN OF NEWMARKET**  
**Main Street District BIA**  
**Statement of Cash Flow**

**DRAFT**

**Year Ended December 31, 2015**

	<u>2015</u>	<u>2014</u>
<b>Cash received from</b>		
Taxation	\$ 30,000	\$ 30,000
Rent and other	3,900	4,700
	<u>33,900</u>	<u>34,700</u>
<b>Cash paid for</b>		
Materials, goods and supplies	8,221	9,759
Contract and general services	11,744	18,689
	<u>19,965</u>	<u>28,448</u>
<b>Net Change in Cash</b>	13,935	6,252
<b>Cash, Beginning of Year</b>	12,810	6,558
<b>Cash, End of Year</b>	\$ 26,745	\$ 12,810

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



**THE CORPORATION OF THE TOWN OF NEWMARKET**  
**Main Street District BIA**  
**Notes to the Financial Statements**

December 31, 2015

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**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.



Mike Mayes  
Director, Financial Services/Treasurer  
Corporate Services Commission

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P.O. Box 328  
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mmayes@newmarket.ca  
905-953-5300 ext. 2102  
FAX: 905-953-5150

June 27, 2016

BDO Canada LLP  
Chartered Professional 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, 2015, and the statement of continuity, 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 financial information is prepared, in all material respects for the year ended of The Corporation of the Town of Newmarket BIA in accordance with the basis of accounting noted in the financial information.

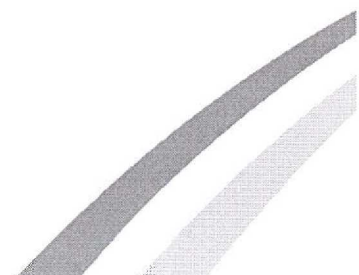
We confirm that:

### **Financial Statements**

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated October 23, 2015, for the preparation of the financial statements in accordance with basis of accounting noted in financial information; 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 information.
4. All events subsequent to the date of the financial statements and for which basis of accounting noted in financial information require adjustment or disclosure have been adjusted or disclosed.
5. The financial statements of the 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. The minute books of the organization are a complete record of all meetings and resolutions of Board of Directors throughout the year and to the present date.
  9. We have disclosed to you all significant matters contained in the minutes of all meetings and resolutions of Board of Directors throughout the year and to the present date.
  10. All transactions have been recorded in the accounting records and are reflected in the financial statements.
  11. 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.
  12. 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.
  13. 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.
  14. We are aware of the environmental laws and regulations that impact our 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**

15. 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.
16. 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.



17. 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.
18. 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**

19. There are no pledges or assignments of assets as security for liabilities except as disclosed in the financial statements.
20. All financial instruments have been appropriately recognized and measured in accordance with basis of accounting noted in financial information. Significant assumptions used in arriving at fair value of financial instruments are reasonable and appropriate in the circumstances.
21. 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**

22. 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.
23. 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 organization, except as disclosed in the financial statements.
24. 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.
25. We confirm that there are no derivatives or off-balance sheet financial instruments held at end that have not been properly recorded or disclosed in the financial statements.
26. We have disclosed to you all significant customers and/or suppliers of the organization who individually represent a significant volume of business with the organization. We are of the opinion that the volume of business (sales, services, purchases, borrowing and lending) done by the organization with any one party is not of sufficient magnitude that discontinuance would have a material negative effect on the ongoing operations of the organization.
27. There have been no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.



28. 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,



---

Mike Mayes  
Director, Financial Services/Treasurer

---

Robert N. Shelton  
Chief Administrative Officer

/ne



Mike Mayes  
Director, Financial Services/Treasurer  
Corporate Services Commission

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June 27, 2016

BDO Canada LLP  
Chartered Professional 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, 2015, 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 information is prepared, in all material respects for the year ended of The Corporation of the Town of Newmarket BIA in accordance with the basis of accounting noted in the financial information.

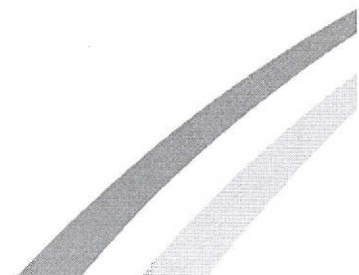
We confirm that:

### **Financial Statements**

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated October 23, 2015, for the preparation of the financial statements in accordance with basis of accounting noted in financial information; 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 information.
4. All events subsequent to the date of the financial statements and for which basis of accounting noted in financial information require adjustment or disclosure have been adjusted or disclosed.
5. The financial statements of the 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. The minute books of the organization are a complete record of all meetings and resolutions of Board of Directors throughout the year and to the present date.
  9. We have disclosed to you all significant matters contained in the minutes of all meetings and resolutions of Board of Directors throughout the year and to the present date.
  10. All transactions have been recorded in the accounting records and are reflected in the financial statements.
  11. 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.
  12. 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.
  13. 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.
  14. We are aware of the environmental laws and regulations that impact our 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**

15. 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.
16. 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.



17. 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.
18. 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**

19. There are no pledges or assignments of assets as security for liabilities except as disclosed in the financial statements.
20. All financial instruments have been appropriately recognized and measured in accordance with basis of accounting noted in financial information. Significant assumptions used in arriving at fair value of financial instruments are reasonable and appropriate in the circumstances.
21. 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**

22. 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.
23. 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 organization, except as disclosed in the financial statements.
24. 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.
25. We confirm that there are no derivatives or off-balance sheet financial instruments held at end that have not been properly recorded or disclosed in the financial statements.
26. We have disclosed to you all significant customers and/or suppliers of the organization who individually represent a significant volume of business with the organization. We are of the opinion that the volume of business (sales, services, purchases, borrowing and lending) done by the organization with any one party is not of sufficient magnitude that discontinuance would have a material negative effect on the ongoing operations of the organization.
27. There have been no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.



28. 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,



---

Mike Mayes  
Director, Financial Services/Treasurer

---

Robert N. Shelton  
Chief Administrative Officer

/ne



Mike Mayes  
Director, Financial Services/Treasurer  
Corporate Services Commission

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June 27, 2016

BDO Canada LLP  
Chartered Professional 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, 2015, 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 is prepared, in all material respects for the year ended of The Corporation of the Town of Newmarket BIA in accordance with the basis of accounting noted in the financial information.

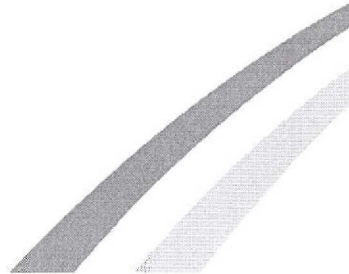
We confirm that:

### **Financial Statements**

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated October 23, 2015, for the preparation of the financial statements in accordance with basis of accounting noted in financial information; 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.
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4. All events subsequent to the date of the financial statements and for which basis of accounting noted in financial information require adjustment or disclosure have been adjusted or disclosed.
5. The financial statements of the organization use appropriate accounting policies that have been properly disclosed and consistently applied.

### **Information Provided**

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- 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
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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. The minute books of the organization are a complete record of all meetings and resolutions of Board of Directors throughout the year and to the present date.
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    - guarantees;
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  14. We are aware of the environmental laws and regulations that impact our 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.

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  - employees who have significant roles in internal control; or
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#### **Existence, Completeness and Valuation of Specific Financial Statement Balances**

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#### **General Representations**

22. 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.
23. 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 organization, except as disclosed in the financial statements.
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25. We confirm that there are no derivatives or off-balance sheet financial instruments held at end that have not been properly recorded or disclosed in the financial statements.
26. We have disclosed to you all significant customers and/or suppliers of the organization who individually represent a significant volume of business with the organization. We are of the opinion that the volume of business (sales, services, purchases, borrowing and lending) done by the organization with any one party is not of sufficient magnitude that discontinuance would have a material negative effect on the ongoing operations of the organization.
27. There have been no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.



28. 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,



---

Mike Mayes  
Director, Financial Services/Treasurer

---

Robert N. Shelton  
Chief Administrative Officer

/ne



# The Corporation of the Town of Newmarket

Final Report to the Audit Committee

June 15, 2016



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

June 15, 2016

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, 2015. 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

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 2015 consolidated financial statements pending the completion of the items highlighted below. These items will need to be completed prior to issuance of our audit report on the consolidated financial statements.

### COMPLETION OF AUDIT

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

### FINANCIAL STATEMENTS

- Approval of consolidated financial statements by the Council

We conducted our audit in accordance with Canadian generally accepted auditing standards. The objective of our audit was to obtain reasonable, not absolute, assurance about whether the consolidated financial statements are free from material misstatement. The scope of the work performed was substantially the same as that described in our Planning Report to the Audit Committee dated October 13, 2015.



## 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	\$	1,260,000
Newmarket Hydro holdings Inc.	\$	1,050,000



## AUDIT FINDINGS

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

### ACCOUNTING AND AUDIT MATTERS

#### Revenue Recognition

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

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

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

No issues were noted.

#### Contaminated Sites

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

#### Employee Future Benefits

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



### Contributions from Developers

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

### Prior Period Adjustment

BDO reviewed the prior period adjustments made by management for the long-term disability benefit obligation, fire reserves, and health and dental deposits and disclosure in financial statements. The financial statements were updated for this change and financial statement note disclosure was added. No issues were noted.

## ADJUSTED AND UNADJUSTED DIFFERENCES

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

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

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

## MANAGEMENT REPRESENTATIONS

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

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

## FRAUD DISCUSSION

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

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

## AUDITORS' RESPONSIBILITIES FOR DETECTING FRAUD

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

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

The scope of the work performed was substantially the same as that described in our Planning Report to the Audit Committee dated October 13, 2015.

## 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 to communicate to you.



## OTHER REQUIRED COMMUNICATIONS

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

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

Findings from the group audit.

No items noted.

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

No such instances of which we are aware.



DRAFT - For Discussion Purposes Only

## APPENDIX A

### Draft Auditor's Report

#### Independent Auditor's Report

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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, 2015, 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, 2015 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 27, 2016  
Newmarket, Ontario

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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
Tax Write-off difference	\$ 103,844			\$ (103,844)
<hr/>				
Total	103,844	0	0	(103,844)
Effect of Prior Year's Reversing Errors	0	0	79,088	(79,088)
<hr/>				
	\$ 103,844	\$ 0	\$ 79,088	\$ (182,932)
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