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AUDIT

The Regional Municipality of York

Audit Findings Report
For the year ended December 31, 2015

KPMG LLP

May 11, 2016

kpmg.ca

The contacts at KPMG in connection with this report are:

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At KPMG, we are **passionate** about earning your **trust**. We take deep **personal accountability**, individually and as a team, to deliver **exceptional service and value** in all our dealings with you.

At the end of the day, we measure our success from the **only perspective that matters – yours**.

Executive summary

Purpose of this report

The purpose of this Audit Findings Report is to assist you, as a member of the audit committee, in your review of the results of our audit of the consolidated financial statements of the Regional Municipality of York ("the Region") as at and for the year ended December 31, 2015.

This Audit Findings Report builds on the Audit Planning Report issued on September 16, 2015.

We appreciate the assistance of management and staff in conducting our audits. We hope this Audit Findings Report is of assistance to you for the purpose above, and we look forward to discussing our findings and answering your questions.

Changes from the Audit Plan

The preliminary materiality in the Audit Planning Report has been updated to reflect the Region's actual operating expenditures of approximately $1,750M. The materiality for the year-end audit was $50.0M, which was decreased from the Audit Planning Report materiality of $62.7M. The year-end performance materiality was $37.5M and the audit posting threshold was $2.5M.

There have been no other changes from the Audit Planning Report previously issued.

Adjustments and differences

We did not identify any adjustments subsequently corrected by management or any uncorrected adjustments.

Audit risks and results

Prior to the audit, we discussed a number of significant financial reporting risks. These included fraud risk over revenue recognition and management override of controls.

We also discussed some other areas of audit focus. We are satisfied that our audit work has appropriately dealt with these risks and other areas of focus. We have no significant matters to report to the Audit Committee with respect to them.

See pages 5-7, 10

Executive summary

Finalizing the audit

As of May 11, 2016, we have completed the audit of the consolidated financial statements, with the exception of certain remaining procedures, which include amongst others:

- completing our discussions with the Audit Committee;
- receipt of the signed management representation letter (to be signed upon the approval of the financial statements); and,
- obtaining evidence of the approval of the financial statements.

We will update the Audit Committee, and not solely the Chair (as required by professional standards), on significant matters, *if any*, arising from the completion of the audit, including the completion of the above procedures. Our auditors' report will be dated upon the completion of any remaining procedures.

Significant accounting policies and practices

PS 3260 – *Liability for Contaminated Sites* is effective for the year ending December 31, 2015. This standard requires entities to record a liability associated with the remediation costs for contaminated sites. See "Other Matters" section of this report for further details.

Critical accounting estimates

Overall, we are satisfied with the reasonability of critical accounting estimates.

The critical areas of estimates relate to the depreciation of capital assets, employee future benefits, Metrolinx betterments, Housing York Inc. accounting, and contingent liabilities. A performance improvement observation was noted with respect to the Metrolinx betterments.

See pages 8 - 9

Independence

We confirm that we are independent with respect to the Region, within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any other standards or applicable legislation or regulation from January 1, 2015 up to the date of auditor's reports.

Control and other observations

We did not identify any control deficiencies that we determined to be significant deficiencies in internal controls over financial reporting.

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Audit risks and results

Inherent risk of material misstatement is the susceptibility of a balance or assertion to misstatement which could be material, individually or when aggregated with other misstatements, assuming that there are no related controls.

Significant financial reporting risks	Our significant findings from the audit
Fraud risk from revenue recognition	• Our audit approach consisted of substantive procedures to address the relevant assertions associated with the significant risk. • We did not identify any issues related to fraud risk associated with revenue recognition.
Risk of management override of controls	• We performed procedures consistent with professional standards including, testing of journal entries, performing a retrospective review of estimates and evaluating the business rationale of significant transactions. • We did not identify any issues or concerns regarding management override of controls.

Audit risks and results

Significant findings from the audit regarding other areas of focus are as follows:

Other areas of focus	Our significant findings from the audit
Development charges	• During the audit, we noted the development charge collections were $258.3M (2014 – $265.4M) and the amounts recognized as revenue were $284.0M (2014 - $361.9M). • We reviewed on a sample basis both development charge collections and transfers into income. We also agreed the total development charge transfers to the amount recognized into revenues. We noted that the development charge collections and transfers were appropriate, and the transfers had appropriately been recognized into revenues.
Deferred Metrolinx revenue	• During our substantive testing, we noted that the Region recognized $274M (2014 - $184M) of deferred revenue earned for the Metrolinx projects. The Region also received cash advances from Metrolinx of $87.9M (2014 - $181.8M). • We obtained the deferred revenue continuity schedule and selected samples for testing to determine if the selected amounts had been recognized appropriately as revenue in the current period. We also tested the cash advances by agreeing to cash payments. • Based on our testing, we concluded that the Metrolinx deferred revenue was recognized appropriately.
Land payable and expropriation accruals	• During our substantive audit of accruals, we noted the land payable balance was $16.3M (2014 – 25.9M) and the amount accrued for the expropriation of property was 54.6M (2014 - $25.4M). • We obtained a listing of land payables and selected significant additions and disposals for testing to determine if the year-end balance was appropriate. We also obtained detailed schedules of the expropriation accruals by project, and selected samples for testing to ensure the liability existed as of year-end and the amount accrued was appropriate. • We noted the land payables and expropriation accruals were recognized appropriately.

Audit risks and results

Significant findings from the audit regarding other areas of focus are as follows:

Other areas of focus	Our significant findings from the audit
Investments and investment income	• As at year-end, the Region held $2,318.4M ($2,419.9M) in investments. The cash balances also includes $316M (2014 - $80M) of short-term investments with maturity dates less than 3 months from year-end. • We performed test of details over the additions and disposals of investments, compared the investment listing to third party confirmations, and reviewed the investments for compliance with the investment policy. • We noted the recognition of additions and de-recognition of disposals were properly executed. The accounting records were compared to third party confirmations without issue. Also the investment activity and balances were consistent with the Region's policies.
Tangible capital assets	• During our substantive testing of tangible capital asset additions, we noted that the Region recognized $808.5 (2014 -$701.3M) in total additions, which is comprised of $799.0M (2014 - $681.8M) of additions to the Region's work in progress ("WIP"), and $9.5M (2014 - $19.5M) of additions to HYI. The Region also capitalized $1,208M (2014 - $474.4) from WIP into tangible capital assets. • The Region disposed of assets with a cost base of $66.3M (2014 - $29.5M) and accumulated amortization of $54.4M (2014 - $27.7M). The proceeds on the disposals of capital assets were $3.9M (2014 - $0.7M), which resulted in a loss on disposal of $8.0M (2014 - $1.1M). • We reviewed on a sample basis the additions to both WIP and tangible capital assets. We noted that the capital additions were appropriate and management has correctly capitalized the additions from work in progress to capital assets. We also reviewed on a sample basis the disposals of tangible capital assets, and recalculated the overall loss on disposal. We noted that the disposals were recorded appropriately.

Accounting estimates

Management is required to disclose information in the consolidated financial statements about the assumptions it makes about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to carrying amounts of assets and liabilities within the next financial year. Generally, these are considered to be "accounting estimates."

We have summarized our assessment of the subjective areas.

Accounting estimates

Estimate	KPMG comment
Contingent liabilities	• The CPA Handbook PS 3300 Contingent Liabilities requires that the Region recognize a liability when *"…it is likely that a future event will confirm that a liability has been incurred at the date of the financial statements; and the amount can be reasonably estimated."* • At any point in time, the Region is subject to a number of matters which could potentially result in the determination of a contingent liability as defined above, including, but not limited to matters such as legal claims, contract settlement accruals etc. • We reviewed the Region's assessments of contingent liabilities and the process employed to develop and record the estimated liabilities. Where applicable, we met with the individuals responsible for the process and are satisfied that the methodology used is consistent with the approach taken in prior years and has been appropriately reviewed. • As these items are resolved, it is possible that the final amounts recorded for these liabilities may change, however the amounts currently recorded represent management's best estimates of exposure given the information presently available.
Employee future benefits	• We reviewed actuarial reports regarding estimates related to Employee Future Benefits, and conducted tests of detail to assess the reliability of the information used within the reports. • We recalculated the accruals based on the information noted above, and did not identify any discrepancies.
Amortization expense	• We reviewed the estimated useful lives of the various additions from work in progress to tangible capital assets and conclude that they are reasonable. • Fiscal 2015 amortization expense was recalculated and it was determined that management's calculation of the amortization expense was appropriate.

Accounting estimates (continued)

Management is required to disclose information in the consolidated financial statements about the assumptions it makes about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to carrying amounts of assets and liabilities within the next financial year. Generally, these are considered to be "accounting estimates."

We have summarized our assessment of the subjective areas.

Estimate	KPMG comment
Metrolinx betterments	• During the audit, we noted an entry of $234.1M was recorded to reflect a change in estimate for expenditures that were initially allocated to the Metrolinx project. • In 2015, the D1 and H3 Metrolinx rapidways were put into service and detailed analysis was performed on the construction costs to finalize the portion allocated as Region-owned vs. Metrolinx-owned. In previous years the estimate based on the Master Agreement was that the majority of "project assets" would be Metrolinx-owned and thus expensed through the consolidated statement of operations by the Region. Upon these projects being put into service, the Owner's Engineer provided a detailed analysis of the completed assets, which included a cost allocation of the value of betterment to the Region-owned assets. It was determined that the original estimate of the betterments required an increase of $234.1M. • Management prepared a memo to analyse how to appropriately recognize the betterment adjustment. Management determined it was a change in estimate and applied the adjustment prospectively. • We reviewed the analysis and supporting documentation prepared by management and discussed the analysis directly with the Owner's Engineer. We determined management's assessment is appropriate based on CPA Handbook PSAS 2120 – Accounting Changes • The analysis above suggests that the Region should consider budget to actual analyses of project assets prior to the in-service period, in order to better allocate capital costs and expenditures at each reporting date.
Accounting treatment with Housing York Inc. ("HYI")	• HYI owns several buildings under the Affordable Housing Program ("AHP"). In prior years, HYI recorded the amortization expense for the buildings based on the terms of the mortgages secured to finance such assets and the annual charges of the mortgage as an amortization expense. This practice is in compliance with the Contribution Agreement between HYI and the Region and Section 80(2) of the Housing Services Act, 2011 (the "Act"). The treatment resulted in a non-cash deficiency of revenue over expenditures and ultimately a deficit, which was disallowed under the AHP rules. In 2012 the Contribution Agreement was amended to allow for cessation of amortization on AHP buildings. The amendment was applied in 2012 and future years. • Although amortization has not been recorded on the AHP projects since 2012 in HYI financial statements, the Region continues to record amortization in the consolidated financial statements. We perform reasonability test to ensure that the amortization expense on the HYI buildings is adequately recorded within the Region's consolidated financial statements.

We believe management's process for identifying accounting estimates is considered adequate.

Other matters

Professional standards require us to communicate Other Matters to Council, such as those relating to the Region's related parties, compliance with new accounting standards, and other significant items encountered during the audit.

Other matters

We have highlighted below other significant matters that we would like to bring to your attention:

Matter	KPMG comment
Reclassification of sinking fund investment income	• During the audit, management determined the gross revenues and expenses had been understated in 2014 due to incorrect presentation of the sinking fund investment income. • Management corrected the presentation in 2015. We noted the total Interest and Investment revenue in 2015 represents the investment income earned on the general and sinking fund investment. We performed substantive analytical procedures on the general and sinking fund investment income and noted the amount recognized is appropriate. To ensure comparability of the prior period figure, management also reclassified $16.8M from 2014 General Government expenses to Interest and Investment revenue. We noted the sinking fund investment income reclassified was appropriate.
Contaminated Sites	• A new standard has been issued establishing a standard for the recognition of liabilities for contaminated sites – PS 3260. This standard is effective for fiscal years beginning on or after April 1, 2014. The fiscal year ending December 31, 2015 is the first year this standard is applicable to the Region. • The standard indicates that a liability for remediation of contaminated sites should be recognized if the local government is directly responsible or accepts responsibility for the remediation, and it is expected future economic benefits will be given up and a reasonable estimate of the amount can be made. This would only impact the Region if a property was determined to be a contaminated site requiring remediation. • KPMG obtained an understanding of the process and methodology undertaken by management to identify and quantify liabilities for contaminated sites in the current and prior year periods. We reviewed the work performed by Region engineers, discussed significant assumptions with management, and inspected supporting documentation to determine if a liability exists under the contaminated site standard. • It was determined by management that a financial liability does not exist with respect to PS 3260. KPMG concurs with management's assessment.

Adjustments and differences

Adjustments and differences identified during the audit have been categorized as Corrected "adjustments" or Uncorrected "differences." These include disclosure adjustments and differences.

Professional standards require that we request of management that all identified adjustments or differences be corrected.

Corrected adjustments

We did not identify any adjustments that were communicated to management and subsequently corrected in the financial statements.

Uncorrected differences

We did not identify differences that remain uncorrected.

Appendices

Appendix 1: Required communications

In accordance with professional standards, there are a number of communications that are required during the course of and upon completion of our audit. These include:

- **Auditors' report** – the conclusion of our audit is set out in our draft auditors' report as attached
- **Management representation letter** –In accordance with professional standards, copies of the management representation letter are provided to Council. The management representation letter is attached.

Appendix 2: Audit Quality and Risk Management

KPMG maintains a system of quality control designed to reflect our drive and determination to deliver independent, unbiased advice and opinions, and also meet the requirements of Canadian professional standards.

Quality control is fundamental to our business and is the responsibility of every partner and employee. The following diagram summarises the six key elements of our quality control systems.

Visit http://www.kpmg.com/Ca/en/services/Audit/Pages/Audit-Quality-Resources.aspx for more information.

- Other controls include:
  - Before the firm issues its audit report, the Engagement Quality Control Reviewer reviews the appropriateness of key elements of publicly listed client audits.
  - Technical department and specialist resources provide real-time support to audit teams in the field.
- We conduct regular reviews of engagements and partners. Review teams are independent and the work of every audit partner is reviewed at least once every three years.
- We have policies and guidance to ensure that work performed by engagement personnel meets applicable professional standards, regulatory requirements and the firm's standards of quality.
- All KPMG partners and staff are required to act with integrity and objectivity and comply with applicable laws, regulations and professional standards at all times.

- We do not offer services that would impair our independence.
- The processes we employ to help retain and develop people include:
  - Assignment based on skills and experience;
  - Rotation of partners;
  - Performance evaluation;
  - Development and training; and
  - Appropriate supervision and coaching.
- We have policies and procedures for deciding whether to accept or continue a client relationship or to perform a specific engagement for that client.
- Existing audit relationships are reviewed annually and evaluated to identify instances where we should discontinue our professional association with the client.

Appendix 3: Background and professional standards

Internal control over financial reporting

As your auditors, we are required to obtain an understanding of internal control over financial reporting (ICFR) relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on internal control. Accordingly, we do not express an opinion on the effectiveness of internal control.

Our understanding of ICFR was for the limited purpose described above and was not designed to identify all control deficiencies that might be significant deficiencies and therefore, there can be no assurance that all significant deficiencies and other control deficiencies have been identified. Our awareness of control deficiencies varies with each audit and is influenced by the nature, timing, and extent of audit procedures performed, as well as other factors.

The control deficiencies communicated to you are limited to those control deficiencies that we identified during the audit.

Documents containing or referring to the audited financial statements

We are required by our professional standards to read only documents containing or referring to audited financial statements and our related auditors' report that are available through to the date of our auditors' report. The objective of reading these documents through to the date of our auditors' report is to identify material inconsistencies, if any, between the audited financial statements and the other information. We also have certain responsibilities, if on reading the other information for the purpose of identifying material inconsistencies, we become aware of an apparent material misstatement of fact.

We are also required by our professional standards when the financial statements are translated into another language to consider whether each version, available through to the date of our auditors' report, contains the same information and carries the same meaning.

Appendix 4: Current developments

The following is a summary of the accounting standard changes that are relevant to the Municipality.

Standard	Summary and implications	
PS Introduction	This standard provides the standards to be followed by government partnerships. Government business partnerships (with all public sector partners) are to follow the standards applicable to publicly accountable entities in Part I of the *CPA Canada Handbook Accounting*. Non-business government partnerships with only government partners can chose either PSA Standards or the standards applicable to publicly accountable entities in Part I of the *CPA Canada Handbook Accounting*. Government partnerships that have one or more private sector partners should use the standards determined by the partners. This section also requires government organizations that meet the new definition of government components to apply the PSA Standards This standard is effective for fiscal periods beginning on or after January 1, 2017 (the Region's December 31, 2017 year-end)	

Standard	Summary and implications
PS 3210 - Assets	This standard provides a definition of assets and further expands that definition as it relates to control. Assets are defined as follows: • They embody future economic benefits that involve a Region, singly or in combination with other assets, to provide goods and services, to provide future cash inflows, or to reduce cash outflows. • The public sector entity can control the economic resource and access to the future economic benefits. • The transaction or event giving rise to the public sector entity's control has already occurred. The standard also includes some disclosure requirements related to economic resources that are not recorded as assets to provide the user with better information about the types of resources available to the public section entity. This standard is effective for fiscal periods beginning on or after April 1, 2017 (the Region's December 31, 2018 year-end).
PS 3320 – Contingent Assets	This standard defines contingent assets. They have two basis characteristics: • An existing condition or situation that is unresolved at the financial statement date. • An expected future event that will resolve the uncertainty as to whether an asset exists. The standard also has specific disclosure requirements for contingent assets when the occurrence of the confirming event is likely. This standard is effective for fiscal periods beginning on or after April 1, 2017 (the Region's December 31, 2018 year-end).

Standard	Summary and implications
PS 3380 – Contractual Rights	This standard defines contractual rights to future assets and revenue. Information about a public sector entity's contractual rights should be disclosed in notes or schedules to the financial statements and should include descriptions about their nature and extent and the timing. The standard also indicates that the exercise of professional judgment would be required when determining contractual rights that would be disclosed. Factors to consider include, but are not limited to: (a) contractual rights to revenue that are abnormal in relation to the financial position or usual business operations; and (b) contractual rights that will govern the level of certain type of revenue for a considerable period into the future. This standard is effective for fiscal periods beginning on or after April 1, 2017 (the Region's December 31, 2018 year-end).
PS 2200 Related Party Disclosures	This standard relates to related party disclosures and defines related parties. Related parties could be either an entity or an individual. Related parties exist when one party has the ability to control or has shared control over another party. Individuals that are key management personnel or close family members may also be related parties. Disclosure is only required when the transactions or events between related parties occur at a value different from what would have been recorded if they were not related and the transactions could have a material financial impact on the financial statements. Material financial impact would be based on an assessment of the terms and conditions underlying the transaction, the financial materiality of the transaction, the relevance of the information and the need for the information to enable the users to understand the financial statements and make comparisons. This standard also specifies the information required to be disclosed including the type of transactions, amounts classified by financial statement category, the basis of measurement, and the amounts of any outstanding items, any contractual obligations and any contingent liabilities. The standard also requires disclosure of related party transactions that have occurred where no amounts has been recognized. This standard is effective for fiscal periods beginning on or after April 1, 2017 (the Region's December 31, 2018 year-end).

Standard	Summary and implications	
PS 3430 Restructuring Transactions	A restructuring transaction in the public sector differs from an acquisition as they generally include either no or nominal payment. It also differs from a government transfer as the recipient would be required to assume the related program or operating responsibility. The standard requires that assets and liabilities are to be measured at their carrying amount. It also prescribes financial statement presentation and disclosure requirements. This standard is effective for fiscal periods beginning on or after April 1, 2018 (the Region's December 31, 2019 year-end).	
PS 3420 Inter-entity Transactions	This standard relates to the measurement of related party transactions and includes a decision tree to support the standard. Transactions are recorded a carrying amounts with the exception of the following: • In the normal course of business – use exchange amount • Fair value consideration – use exchange amount • No or nominal amount – provider to use carrying amount; recipient choice of either carrying amount or value fair. • Cost allocation – use exchange amount This standard is effective for fiscal periods beginning on or after April 1, 2017 (the Region's December 31, 2018 year-end).	
Standard of Financial Instruments	A standard has been issued, establishing a standard on accounting for and reporting all types of financial instruments including derivatives. The effective date of this standard has recently been deterred and it is now effective for fiscal periods beginning on or after April 1, 2019 (the Region's December 31, 2020 year-end). Implications: This standard will require the Region to identify any contracts that have embedded derivatives and recognize these on the consolidated statement of financial position at fair value. Portfolio investments in equity instruments are required to be recorded at fair value. Changes in fair value will be reported in a new financial statement – statement of remeasurement gains and losses. This standard sets out a number of disclosures in the financial statements designed to give the user an understanding of the significance of financial instruments to the Region. These disclosures include classes of financial instruments and qualitative and quantitative risk disclosures describing the nature and extent of risk by type. The risks to be considered include credit, currency, interest rate, liquidity, and market risk.	

Standard	Summary and implications
Revised Standard on Foreign Currency Translation	A revised standard has been issued establishing standards on accounting for and reporting transactions that are denominated in a foreign currency. The effective date of this standard has been deferred and is effective for fiscal periods beginning on or after April 1, 2019 (the Region's December 31, 2020 year-end). Earlier adoption is permitted. An entity early adopting this standard must also adopt the new financial instruments standard. Implications: Exchange gains and losses arising prior to settlement are recognized in a new statement of remeasurement gains and losses.

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York Region

Finance Department

May 11, 2016

KPMG LLP
Chartered Professional Accountants
Yonge Corporate Center
4100 Yonge Street, Suite 200
Toronto, Ontario M2P 2H3

Attention: Mr. Kevin Travers, Partner

Dear Mr. Travers:

We are writing at your request to confirm our understanding that your audits was for the purpose of expressing an opinion on the consolidated financial statements (hereinafter referred to as "financial statements") of The Regional Municipality of York ("the Region") as at and for the period ended December 31, 2015.

We confirm that the representations we make in this letter are in accordance with the definitions as set out in **Attachment I** to this letter.

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

GENERAL:

1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated January 28, 2016, for:

   a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework

   b) providing you with all relevant information, such as all financial records and related data and complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of shareholders, board of directors and committees of the board of directors that may affect the financial statements, and access to such relevant information

   c) such internal control as management determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error

   d) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements

The Regional Municipality of York, 17250 Yonge Street, Newmarket, Ontario L3Y 6Z1
Tel: 905-830-4444, 1-877-464-9675 Fax: 905-895-9452
Internet: www.york.ca

INTERNAL CONTROL OVER FINANCIAL REPORTING:

2) We have communicated to you all deficiencies in the design and implementation or maintenance of internal control over financial reporting of which management is aware.

FRAUD & NON-COMPLIANCE WITH LAWS AND REGULATIONS:

3) We have disclosed to you:

a) the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud

b) 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

c) 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

d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements, whose effects should be considered when preparing financial statements

e) all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements

COMMITMENTS & CONTINGENCIES:

4) There are no:

a) other liabilities that are required to be recognized and no other contingent assets or contingent liabilities that are required to be disclosed in the financial statements in accordance with the relevant financial reporting framework, including liabilities or contingent liabilities arising from illegal acts or possible illegal acts, or possible violations of human rights legislation

b) other environmental matters that may have an impact on the financial statements

c) guarantees, whether written or oral, under which the Entity is contingently liable.

SUBSEQUENT EVENTS:

5) All events subsequent to the date of the financial statements and for which the relevant financial reporting framework requires adjustment or disclosure in the financial statements have been adjusted or disclosed.

RELATED PARTIES:

6) We have disclosed to you the identity of the Region's related parties.

7) We have disclosed to you all the related party relationships and transactions/balances of which we are aware.

8) All related party relationships and transactions/balances have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.

9) We have no knowledge of any relationship or transaction with related parties that have not been properly accounted for, or adequately disclosed.

10) We have provided you with all information concerning related party transactions and amounts receivable from or payable to related parties, including support for any assertion that a transaction with a related party was conducted on terms equivalent to those prevailing in an arm's-length transaction.

ESTIMATES:

11) Measurement methods and significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

NON-SEC REGISTRANTS OR NON-REPORTING ISSUERS:

12) We confirm that the Entity is not a Canadian reporting issuer (as defined under any applicable Canadian securities act) and is not a United States Securities and Exchange Commission ("SEC") Issuer (as defined by the Sarbanes-Oxley Act of 2002). We also confirm that the financial statements of the Entity will not be included in the consolidated financial statements of a Canadian reporting issuer audited by KPMG or an SEC Issuer audited by any member of the KPMG organization.

Sincerely,
THE REGIONAL MUNICIPALITY OF YORK

Bill Hughes

Bill Hughes
Commissioner of Finance and Treasurer

W. Marshall

Warren Marshall
Director, Controllership Office and Deputy Treasurer

I have the recognized authority to take, and assert that I have taken, responsibility for the financial statement.

Attachment I – Definitions

MATERIALITY

Certain representations in this letter are described as being limited to matters that are material. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both.

FRAUD & ERROR

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorization.

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

RELATED PARTIES

In accordance with CPA Handbook Section 3840.04 (g) *related party* is defined as:

- Related parties exist when one party has the ability to exercise, directly or indirectly, control, joint control or significant influence over the other. Two or more parties are related when they are subject to common control, joint control or common significant influence. Related parties also include management and immediate family members (see paragraph 3840.04).

In accordance with CPA Handbook Section 3840.03 (h) a *related party transaction* is defined as:

- A related party transaction is a transfer of economic resources or obligations between related parties, or the provision of services by one party to a related party, regardless of whether any consideration is exchanged. The parties to the transaction are related prior to the transaction. When the relationship arises as a result of the transaction, the transaction is not one between related parties.