

Clause 3 in Report No. 2 of Committee of the Whole was adopted, without amendment, by the Council of The Regional Municipality of York at its meeting held on June 23, 2016.

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2015 Financial Statements and Auditor's Report

Audit Committee recommends:

1. Receipt of the presentation by Warren Marshall, Director, Controllershship Office.
2. Adoption of the following recommendation contained in the report dated May 17, 2016 from the Commissioner of Finance:
 1. This report be received for information.

Report dated May 17, 2016 from the Commissioner of Finance now follows:

1. Recommendations

It is recommended that this report be received for information.

2. Purpose

The purpose of this report is to provide Council with a summary of the financial activities of the Corporation for the year 2015.

3. Background

Municipalities are required to prepare financial statements and report them to Council

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).

4. Analysis and Options

The auditor has issued an opinion on the 2015 financial statements that is free of any qualifications or conditions

The annual audit, performed by KPMG 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 KPMG without reservation 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 Region in accordance with generally accepted accounting principles. The financial activities of Housing York Inc. and York Region Rapid Transit Corporation are consolidated with the financial activities of the Region.

The following information highlights some of the key financial results for 2015.

Financial Assets increased by \$158M from 2014

Financial Assets are cash and assets that can be converted to cash in a short period of time. Cash on hand, investments and accounts receivable are all examples of financial assets.

Total Financial Assets increased by \$158M or 5% from 2014. Table 1 summarizes the changes in Financial Assets.

Table 1
Summary of Financial Assets Increase

	\$ (millions)
Cash and cash equivalents	212
Investments	(101)
Accounts receivable	56
Debt amounts recoverable from local municipalities	<u>(9)</u>
	158

The increase in Cash and Cash Equivalents was mainly due to cash inflows from operating and financing activities. The increase also reflects investments that

have been reclassified as cash equivalents because they have a term of less than 90 days. Consequently, Investments held at the end of the year decreased due to a higher proportion of cash equivalents.

The increase in Accounts Receivable consists of transfer payments due from the Province of Ontario for Metrolinx projects, from local municipalities for water billings and property tax receivables, and from the federal government for HST recoveries.

The \$9M decrease in local municipal debt is a result of the repayment of existing debt by local municipalities. Local municipal debt is issued by the Region and consolidated in the Region's financial statements.

Liabilities increased by \$28M from 2014

Liabilities include accounts payable and accrued liabilities, employee benefit obligations, deferred revenue and gross long-term liabilities. Total liabilities increased by \$28M or 1% from 2014. The changes are summarized in Table 2.

Table 2
Summary of Liabilities increase

	\$ (millions)
Accounts payable and accrued liabilities	13
Employee benefit obligations	15
Deferred revenue	(193)
Gross long-term liabilities	83
Sinking fund debenture debt	<u>110</u>
	<u>28</u>

Accounts Payable and Accrued Liabilities increased by \$13M or 2% from 2014. The major sources of this increase relate to outstanding payments for water and wastewater infrastructure projects and Rapid Transit capital projects.

Employee Benefit Obligations increased by \$15M or 10% from 2014 due to increases in actuarial valuations. Employee benefit obligations include extended health and dental coverage for early retirees, vested sick leave benefits, long-term disability claims, vacation payable and Workers' Compensation obligations.

Gross Long-term Liabilities increased by \$83M or 3% from 2014. In 2015, the Region issued \$303M of new debt, repaid \$110M of existing debt and contributed \$110M to the Sinking Fund Debenture Debt. These amounts include debt issued and repaid on behalf of local municipalities, and are recorded as a flow-through in the Region's cash flow statement.

Table 3
Summary of Deferred Revenue accounts decrease

	\$ (millions)
Development charges	(23)
Amounts from Metrolinx for rapid transit development	(155)
Provincial funding	<u>(15)</u>
	(193)

Deferred Revenue decreased by \$193M or 36% from 2014, as detailed in Table 3. Deferred revenue represents funds received that are set aside to use for specific purposes at a later date.

The decrease in deferred revenue is mainly attributable to the completion of Metrolinx projects in 2015. Funds previously received were used to pay for project expenditures in 2015 and recognized as Transfer Payment revenue.

Sinking Fund Debenture Debt increased by \$110M or 22% from 2014. This represents contributions set aside that will be used to settle sinking fund debt as amounts become due.

Net Debt decreased by \$130M from 2014

Net Debt is the amount that Financial Liabilities exceed Financial Assets. Financial assets and liabilities increased by more than \$158M and \$28M respectively during the year. The larger growth in assets reduced net debt by \$130M or 8%.

Non-financial Assets increased by \$584M in 2015

Non-financial Assets consist of the net book value (cost less accumulated amortization) of the Region's tangible capital assets plus inventory and prepaid expenses. The Region's non-financial assets increased by \$584M or 9% from 2014, primarily due to the acquisition and construction of new tangible capital assets during 2015.

Since 2009, the Region has been reporting its tangible capital assets in the audited financial statements as part of the Region's non-financial assets, as required by the Public Sector Accounting Board (PSAB). The net book value of the tangible capital assets reported in the 2015 financial statements is \$7.1B. Net book value is the original cost of the assets less amortization, or estimated usage, since the assets were put into service.

The Accumulated Surplus increased by \$714M in 2015

An accumulated surplus represents the amount by which all assets exceed all liabilities.

An accumulated surplus indicates that a government has net resources that can be used to provide future services.

The Accumulated Surplus for the Region increased by \$714M or 14% from 2014 to a total of \$5.7B at the end of 2015. It represents the increase in non-financial assets (\$584M) and the decrease in net debt (\$130M).

This increase in Accumulated Surplus has been invested in tangible capital assets and related entities (\$371M), and contributed to Reserves and Reserve Funds such as sinking fund, capital asset replacement and debt reduction reserves (\$343M).

The new accounting standard, Liability for Contaminated Sites, was adopted with no increase to liabilities

Effective January 1, 2015, the Region adopted the new Public Sector Accounting Standard PS 3260, Liability for Contaminated Sites. The standard requires the recognition of a liability for the remediation of contamination sites in the financial statements when the recognition criteria outlined in the standard are met. This change in accounting policy has been applied prospectively. The impact of adoption of this standard resulted in no increase in liability for 2015 as the recognition criteria for recording a liability for contaminated sites were not met.

5. Financial Implications

A transfer of surplus funds was made to specific reserves

These financial statements are prepared in accordance with generally accepted accounting principles and reflect the sound financial management of the Region's resources. Transfers were made to various reserves, in accordance with Council's approved reserve and surplus management strategy.

The Region allocated \$29.4M from the operating surplus to the reserves and reserve funds accounts. An operating surplus represents unspent amounts from the operating budget, and is allocated based on a Council-approved policy.

Table 4
Summary of operating surplus allocation

	\$ (millions)
Debt reduction reserve fund	13.4
General capital reserve fund	10.0
Social housing reserve fund	3.2
Long term disability reserve fund	2.0
Working capital reserve	<u>0.8</u>
	<u>29.4</u>

6. Local Municipal Impact

There are no local municipal impacts associated with this report.

7. Conclusion

The 2015 financial statements 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, which will qualify the statements for consideration for the Canadian Award for Financial Reporting presented by the Government Finance Officers Association.

For more information on this report, please contact Warren Marshall, Director, Controllershship Office, at Ext. 71601.

The Senior Management Group has reviewed this report.

May 17, 2016

Attachments (1)

eDOCs #6810316

Accessible formats or communication supports are available upon request

***THE
REGIONAL MUNICIPALITY
OF YORK***

2015

***CONSOLIDATED
FINANCIAL
STATEMENTS***

2015 Financial Statements

Table of Contents

- Consolidated Statements of Financial Position, Operations and Accumulated Surplus, Change in Net Debt, Cash Flows, and Notes to the Consolidated Financial Statements

 - Sinking Fund Statements of Financial Position, Financial Activities and Change in Fund Balance, and Notes to the Financial Statements

 - Residents' Trust Fund and Donation Account Statements of Financial Position, Financial Activities and Notes to the Financial Statements
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KPMG LLP
Yonge Corporate Centre
4100 Yonge Street, Suite 200
Toronto ON M2P 2H3
Canada
Tel 416-228-7000
Fax 416-228-7123

INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of The Regional Municipality of York

We have audited the consolidated financial statements of The Regional Municipality of York, which comprise the statement of financial position as at December 31, 2015, the statements of operations and accumulated surplus, change in net debt, and cash flows for the year then ended, and notes, comprising 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.

Auditors' 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 public sector accounting standards. Those standards require that we comply with ethical requirements and plan and perform an 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 our 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, we consider 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.



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Opinion

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

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

May 11, 2016

Toronto, Canada

THE REGIONAL MUNICIPALITY OF YORK
Consolidated Statement of Financial Position
As at December 31, 2015

	2015	2014
	\$	\$
ASSETS		
Financial Assets		
Cash and cash equivalents (Note 3)	492,937,560	280,975,026
Accounts receivable (Note 4)	313,134,867	257,577,671
Investments (Note 3)	2,318,411,139	2,419,858,853
Debt amounts recoverable from Area municipalities (Notes 5 and 9a)	211,070,743	219,604,937
Total	3,335,554,309	3,178,016,487
LIABILITIES		
Accounts payable and accrued liabilities	821,969,382	808,698,725
Employee benefit obligations (Note 7)	161,363,047	146,442,242
Deferred revenue (Note 6)	64,776,623	235,221,334
Deferred revenue-obligatory reserve funds (Note 6)	281,560,316	304,130,696
Gross long-term liabilities (Note 5)	2,833,618,685	2,750,974,572
Sinking fund debenture debt (Note 5)	610,389,226	500,686,269
Total	4,773,677,279	4,746,153,838
Net Debt	(1,438,122,970)	(1,568,137,351)
Non-Financial Assets		
Tangible capital assets (Note 14)	7,116,050,341	6,527,121,503
Inventory	3,937,124	3,540,731
Prepaid expenses	10,476,477	15,433,900
Accumulated Surplus (Note 12)	5,692,340,972	4,977,958,783

The accompanying notes are an integral part of these Consolidated Financial Statements.

THE REGIONAL MUNICIPALITY OF YORK
Consolidated Statement of Operations and Accumulated Surplus
For the year ended December 31, 2015

	Budget	2015	2014
	\$	\$	\$
Revenues			
Net taxation/user charges	1,190,907,197	1,214,394,680	1,137,490,448
Transfer payments (Note 15)	422,341,994	651,485,254	521,667,972
Development contributions	296,742,718	281,033,242	361,870,502
Fees and services	134,878,104	144,695,693	134,292,830
Interest and investment (Note 18)	-	94,804,765	80,961,800
Other	85,137,447	96,473,554	80,366,412
Total Revenues	<u>2,130,007,460</u>	<u>2,482,887,188</u>	<u>2,316,649,964</u>
Expenses			
General government (Note 18)	129,347,496	154,797,376	150,549,362
Protection to persons and property	316,728,665	331,304,851	308,041,729
Transportation services	369,191,018	371,588,836	683,624,059
Environmental services	398,653,475	431,960,462	397,624,339
Health and emergency services	173,583,985	130,264,900	126,998,106
Community services	215,827,313	237,151,372	215,593,925
Social housing	94,487,213	102,864,804	109,252,817
Planning and development services	8,718,231	8,572,398	7,992,495
Total Expenses	<u>1,706,537,396</u>	<u>1,768,504,999</u>	<u>1,999,676,832</u>
Annual Surplus	423,470,064	714,382,189	316,973,132
Accumulated Surplus, Beginning of Year	4,977,958,783	4,977,958,783	4,660,985,651
Accumulated Surplus, End of Year	<u>5,401,428,847</u>	<u>5,692,340,972</u>	<u>4,977,958,783</u>

The accompanying notes are an integral part of these Consolidated Financial Statements.

THE REGIONAL MUNICIPALITY OF YORK
Consolidated Statement of Change in Net Debt
For the year ended December 31, 2015

	Budget	2015	2014
	\$	\$	\$
Annual surplus	423,470,064	714,382,189	316,973,132
Amortization of tangible capital assets	202,332,286	207,690,044	183,305,618
Proceeds on disposal of tangible capital assets	-	3,868,496	675,294
Change in inventory	-	(396,393)	(783,681)
Change in prepaid expenses	-	4,957,423	(3,842,970)
Loss on disposal of tangible capital assets	-	8,009,444	1,084,761
Acquisition of tangible capital assets	(779,396,000)	(808,496,822)	(701,279,211)
Derease/(Increase) in net debt	(153,593,650)	130,014,381	(203,867,057)
Net debt, Beginning of year	(1,568,137,351)	(1,568,137,351)	(1,364,270,294)
Net debt, End of year	(1,721,731,001)	(1,438,122,970)	(1,568,137,351)

The accompanying notes are an integral part of these Consolidated Financial Statements.

THE REGIONAL MUNICIPALITY OF YORK

Consolidated Statement of Cash Flows

For the year ended December 31, 2015

	2015	2014
	\$	\$
Operating		
Annual surplus	714,382,189	316,973,132
Items not involving cash:		
Amortization	207,690,044	183,305,618
Loss on disposal of tangible capital assets	8,009,444	1,084,761
Changes in non-cash assets and liabilities:		
Accounts receivable	(55,557,196)	(79,331,508)
Accounts payable and accrued liabilities	13,270,657	161,684,464
Employee benefit obligations	14,920,805	12,244,691
Deferred revenue	(170,444,711)	14,720,636
Deferred revenue-obligatory reserve funds	(22,570,380)	(82,639,917)
Inventory	(396,393)	(783,681)
Prepaid expenses	4,957,423	(3,842,970)
Net change in cash and cash equivalents from operations	<u>714,261,882</u>	<u>523,415,226</u>
Capital		
Acquisition of tangible capital assets	(808,496,822)	(701,279,211)
Proceeds on disposal of tangible capital assets	3,868,496	675,294
Net change in cash and cash equivalents from capital	<u>(804,628,326)</u>	<u>(700,603,917)</u>
Investing		
Net change in investments	<u>101,447,714</u>	<u>(305,664,786)</u>
Financing		
Long-term debt issued	261,211,269	460,542,905
Long-term debt repaid	(47,794,753)	(68,916,474)
Interest earned on own sinking funds	(12,535,252)	(10,542,905)
Net change in cash and cash equivalents from financing	<u>200,881,264</u>	<u>381,083,526</u>
Net change in cash and cash equivalents	211,962,534	(101,769,951)
Opening cash and cash equivalents	<u>280,975,026</u>	<u>382,744,977</u>
Closing cash and cash equivalents	<u><u>492,937,560</u></u>	<u><u>280,975,026</u></u>

The accompanying notes are an integral part of these Consolidated Financial Statements.

THE REGIONAL MUNICIPALITY OF YORK
Notes to the Consolidated Financial Statements
December 31, 2015

The Corporation of the Regional Municipality of York (the “Region”) was incorporated as a municipality in 1971 by the Province of Ontario. The area municipalities within the regional boundaries include the towns of Aurora, East Gwillimbury, Georgina, Newmarket, Richmond Hill, Whitchurch-Stouffville, the Township of King, the City of Markham and the City of Vaughan.

1. ACCOUNTING POLICIES

The consolidated financial statements of the Regional Municipality of York are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA Canada).

The focus of PSAB financial statements is on the financial position of the Region and the changes thereto. The Consolidated Statement of Financial Position reports the financial assets and liabilities, and the non-financial assets and liabilities of the Region. Financial assets are those assets which could provide resources to discharge existing liabilities or finance future operations. Accumulated surplus represents the amount by which all assets exceed all liabilities. An accumulated surplus indicates that the Region has net resources that can be used to provide future services and meet its obligations.

a) Basis of Consolidation

- i) These consolidated financial statements reflect the assets, liabilities, revenues and expenses in the Operating Fund of all entities which are accountable to and controlled by the Region. They include the activities of all committees of Council, York Region Police Services Board, Housing York Inc. and York Region Rapid Transit Corporation (Rapidco). Inter-unit balances and transactions are eliminated from the consolidated financial statements.
- ii) The financial activities of the sinking fund are disclosed separately in the sinking fund financial statements.
- iii) Funds held in trust by the Region for the residents of Newmarket Health Centre and Maple Health Centre and their related operations are not included in the consolidated financial statements. The financial activity and position of the trust funds and donations received on behalf of the Centres are reported separately in the Residents’ Trust Funds and Donation Account Statement of Financial Position, and Statement of Financial Activities.

b) Basis of Accounting

i) Full Accrual Basis of Accounting

The consolidated financial statements are prepared using the full accrual basis of accounting. The accrual basis of accounting records gross revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the creation of a legal obligation to pay.

The annual cost of owning and using a capital asset (estimated amortization) is deducted from annual results. That is, a part of the cost of the asset is recognized in annual results in each of the periods of its useful life.

ii) Cash and Cash Equivalents

Cash and cash equivalents include short-term, highly liquid investments with a term to maturity of 90 days or less after year end.

iii) **Investments**

Investment income earned on surplus current fund and reserve funds (other than development charges) are reported as revenue in the period earned. Investment income on the development charge reserve funds is added to the fund balance and form part of the respective deferred revenue balances.

Investments are carried at the lower of cost and amortized cost. Any discount or premium is amortized over the remaining term of the investments. When there has been a loss in value that is other than temporary decline in value, the respective investment is written down to recognize the loss.

iv) **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 the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight line basis over their estimated useful lives in number of years as follows:

Land	Infinite
Land Improvements	20
Buildings	15-60
Leasehold Improvement	Lease Term
Water and Wastewater-Linear	60-100 by materials
Water and Wastewater-Discrete facilities	15-60 by asset components
Hardware and Software	3-7
Equipment and Machinery	3-30
Vehicles	3-18
Roads (Road surface/Structure)	15/45
Bridges (Deck/Understructure)	25/75
Culverts	60
Level Crossings	40
Intersections	15

There are no contributed tangible capital assets during the year.

The Region owns land that has been recorded at nominal value. The majority of this acreage is part of York Regional Forest.

v) **Deferred Revenue-General**

Funds received for specific purposes are accounted for as deferred revenue until the Region discharges the obligation which led to the receipt of the funds.

vi) **Deferred Revenue-Obligatory Reserve Funds**

Development Charges, collected under the authority of Sections 33 to 35 of the Development Charges Act 1997, are reported as Deferred Revenue in the Consolidated Statement of Financial Position in accordance with the recommendations of PSAB. Amounts applied to qualifying capital projects are recorded as revenues in the fiscal period in which the funds are expended on qualifying capital projects.

The Region receives gas tax revenues under municipal funding agreements for the transfer of the revenues. These funds, by their nature, are restricted in their use and until applied to applicable works are recorded as deferred revenue. Amounts applied to qualifying projects are recorded as revenue in the fiscal period they are expended.

vii) **Pensions and Employee Benefits**

The Region accounts for its participation in the Ontario Municipal Employee Retirement System (OMERS), a multi-employer public sector pension fund, as a defined benefit plan. Vacation entitlements are accrued for as entitlements are earned. Sick leave benefits are accrued where they are vested and subject to pay out when an employee leaves the Region's employ.

Other post-employment benefits are accrued in accordance with the projected benefit method prorated on service and management's best estimate of salary escalation and retirement ages of employees. Actuarial valuations, where necessary for accounting purposes, are performed triennially. The discount rate used to determine the accrued benefit obligation was determined by reference to market interest rates at the measurement date on high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments. Unamortized actuarial gains or losses are amortized on a straight-line basis over the expected average remaining service life of the related employee groups. Unamortized actuarial gains/losses for event-triggered liabilities, such as those determined as claims related to Workers Safety and Insurance Board (WSIB) are amortized over the average expected period during which the benefits will be paid. The cost of plan amendments is accounted for in the period they are adopted.

Where applicable, the Region has set aside reserve funds intended to fund these obligations, either in full or in part. These reserve funds were created under municipal by-law and do not meet the definition of a plan asset under PSAB 3250 Retirement Benefits. Therefore, for the purpose of these financial statements, the plans are considered unfunded.

viii) **Tax Revenue**

Property tax revenue is recognized on an accrual basis using the approved tax rates and the anticipated assessment related to the current year.

ix) **Government transfers**

Government transfers are recognized in the period in which the events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made. They consist of grants and subsidies received for various operating and capital programs.

x) **Segment Disclosure**

A segment is defined as a distinguishable activity or group of activities of a government for which it is appropriate to separately report financial information to achieve the objectives of the standard. The segment information is provided by financial statement guideline per PSAB 2700. For additional information, see Note 13.

Certain allocation methodologies are employed in the preparation of the segmented financial information. Net taxation/user charges and other revenues have been allocated to the segment based upon the segments that generate the revenues. Transfer payments have been allocated to the segment based upon the purpose for which the transfers were made. Development contributions received were allocated to the segment for which the contribution was collected.

xi) **Liabilities for Contaminated Sites**

Effective January 1, 2015 the Region adopted the new Public Sector Accounting Standard PS 3260, Liability for Contaminated Sites. The standard requires the recognition of a liability for the remediation of contamination sites in the financial statements when the recognition criteria outlined in the standard are met. This change in accounting policy has been applied prospectively. The impact of adoption of this standard resulted in no increase in liability for 2015 as the recognition criteria for recording a liability for contaminated sites were not met.

THE REGIONAL MUNICIPALITY OF YORK
Notes to the Consolidated Financial Statements
December 31, 2015

xii) **Budget Figures**

Regional Municipality of York's Council completes a review of its operating budget each year. The approved budget for 2015 is included in the budget figures presented in the Consolidated Statement of Operations. The budget as approved by Regional Council includes those expenses which are part of current tax levies and user charges.

	<u>in \$ (000s)</u>
Revenues	
Approved budget	2,712,241
Transfer from other funds	(254,957)
Proceeds of debt issued for Regional purpose	(357,759)
Other units	30,482
Total revenues	2,130,007
Expenses	
Approved budget	2,712,241
Transfer to other funds	(293,386)
Acquisition of tangible capital assets	(779,396)
Debt principal repayments	(172,751)
Amortization	204,846
Post employment benefits	6,944
Other units	28,039
Total expenses	1,706,537
Annual surplus	423,470

xiii) **Use of Estimates**

Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations.

2. TAX REVENUE

Tax revenue is comprised of \$935M (2014 - \$888M) general tax levy and \$22M (2014 - \$24M) other tax amounts.

3. INVESTMENTS

Included in cash and cash equivalents are short-term investments of \$316,000,359 (2014 - \$80,000,000) with a market value of \$315,979,059 (2014 - \$80,000,000).

Long-term investments of \$2,318,411,139 (2014 - \$2,419,858,853) have a market value of \$2,377,840,941 (2014 - \$2,492,415,532).

Cash and cash equivalents and long-term investments include \$281,560,316 (2014 - \$304,130,696) of restricted funds as required under legislation to fund obligatory reserve funds.

The yields on investments held range from 1.12% to 4.63% (1.52% to 4.46% in 2014).

4. ACCOUNTS RECEIVABLE

This amount is comprised of the following:

	2015	2014
	\$	\$
Government of Canada	34,640,420	30,022,775
Government of Ontario	53,601,747	6,656,400
Other Municipalities	126,057,820	113,494,214
Others	98,834,880	108,649,952
	<u>313,134,867</u>	<u>258,823,341</u>
Less: Allowance for Doubtful Accounts	0	1,245,670
	<u>313,134,867</u>	<u>257,577,671</u>

5. LONG-TERM LIABILITIES

- a) The balance for long-term liabilities reported on the Consolidated Statement of Financial Position is made up of the following items. Interest rates and maturity dates for the debts range from 2% to 8% and from January 2, 2016 to December 1, 2051.

The total gross amount of the long-term liabilities to be retired by sinking funds is \$2,514,610,834 (2014 - \$2,374,313,735). The amount of the sinking fund assets available to retire debt is \$610,389,226 (2014 - \$500,686,269).

	2015	2014
	\$	\$
Total long-term liabilities incurred by the Municipality including those incurred on behalf of area municipalities and outstanding at the end of the year	2,766,220,205	2,677,361,194
Mortgages payable by Housing York Inc.	<u>67,398,480</u>	<u>73,613,378</u>
	2,833,618,685	2,750,974,572
Sinking fund debenture debt	610,389,226	500,686,269
Less: Recoverable from area municipalities	<u>211,070,743</u>	<u>219,604,937</u>
Net long-term liabilities at the end of the year	<u>3,232,937,168</u>	<u>3,032,055,904</u>

THE REGIONAL MUNICIPALITY OF YORK
Notes to the Consolidated Financial Statements
December 31, 2015

b) Net long-term liabilities are repayable as follows:

2016	\$167,716,988
2017	155,624,097
2018	121,980,304
2019	341,565,102
2020	229,147,477
Thereafter	1,793,113,761
Net sinking fund debt repayable according to actuarial recommendations	<u>423,789,439</u>
	<u>\$3,232,937,168</u>

Long-term liabilities are financed through a combination of development charges, water and sewer rates, and tax levy.

c) **Charges for Net Long-term Liabilities**

Total interest charges for the year for net long-term liabilities which are included in the Consolidated Statement of Operations are \$129,551,761 (2014 - \$122,136,458).

6. DEFERRED REVENUE

Deferred revenue set aside for specific purposes by legislation, regulation, or agreement as at December 31, composed of:

	Balance at December 31, 2014	Inflows	Transferred out	Balance at December 31, 2015
	\$	\$	\$	\$
Deferred capital grants	203,479,594	351,406,717	(509,621,503)	45,264,808
Security deposits and agreements	23,174,310	91,374,865	(103,781,587)	10,767,588
Other	<u>8,567,430</u>	<u>7,359,803</u>	<u>(7,183,006)</u>	<u>8,744,227</u>
Total deferred revenue-general	<u>235,221,334</u>	<u>450,141,385</u>	<u>(620,586,096)</u>	<u>64,776,623</u>
Development charges	230,601,836	258,138,250	(281,033,242)	207,706,844
Gas tax	<u>73,528,860</u>	<u>46,046,551</u>	<u>(45,721,939)</u>	<u>73,853,472</u>
Total obligatory reserve funds	<u>304,130,696</u>	<u>304,184,801</u>	<u>(326,755,181)</u>	<u>281,560,316</u>

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7. EMPLOYEE BENEFITS

The amounts represent liabilities established for accrual accounting purposes expected to be settled in future periods. In some cases, reserves have been established to fund these amounts. In other cases, the liabilities are to be funded from future years' budgetary allocations. Net increase in the total amount is \$14,920,805.

	2015	2014
	\$	\$
Post employment benefits (c)	67,125,398	60,855,827
Vested sick leave benefits (a)	29,854,530	26,644,100
Long-term disability claims (e)	29,286,607	25,736,060
Vacation payable	17,785,853	17,576,987
Workplace Safety and Insurance Board (WSIB) (d)	17,310,659	15,629,268
	<u>161,363,047</u>	<u>146,442,242</u>

Actuarial valuations:

The following table sets out the extrapolated results for each of the plans as at December 31, 2015.

	Post employment benefits \$	Vested sick leave benefits \$	Long term disability \$	WSIB \$	2015 total \$
Accrued benefit liability, beginning of year	60,855,827	26,644,100	25,736,060	15,629,268	128,865,255
Current service cost	4,173,387	3,047,192	6,162,416	2,972,312	16,355,307
Amortization of loss	901,197	1,895,696	1,463,876	485,702	4,746,471
Interest cost	3,466,742	2,281,965	1,647,624	858,829	8,255,160
Benefit payments	(2,271,755)	(4,014,423)	(5,723,369)	(2,635,452)	(14,644,999)
Accrued benefit liability, end of year	67,125,398	29,854,530	29,286,607	17,310,659	143,577,194

The actuarial valuations of the plans were based upon a number of assumptions about future events, which reflect management's best estimate. The following represents the more significant assumptions made:

	Post employment and sick leave	Long term disability	WSIB
Expected inflation rate	2.00%	2.00%	2.00%
Expected level of salary increases	3.00%	3.00%	3.00%
Interest discount rate	4.75%	4.25%	4.50%
Future health care cost rate	4.67%	N/A	6.00%

a) **Liability for Vested Sick Leave Benefits**

Regional Operations

Commencing in 2000, the accumulated sick leave plan was replaced by a Short-term Disability plan for employees in Regional Operations. Under the plan, employees with five or more years of service were given the option of receiving a cash payout of fifty percent of the balance in their sick leave bank as at December 31, 1999 or deferring payment until termination of employment with the Region. The estimated actuarial value of the liability of the accumulated days for employees who chose the deferral option is \$599,743 (2014 - \$951,475) at the end of the year. Employees who had less than five years of service at December 31, 1999 were given the option on the fifth anniversary of their hire date to either receive payment for the value of accumulated sick days as at December 31, 1999 or defer payment until termination of their employment with the Region. A reserve has been established for the past service liability and is reported in the Consolidated Statement of Financial Position. The reserve balance at December 31, 2015 is \$5,785,011 (2014 - \$4,715,905).

Police Services

For members hired before July 22, 2014, the sick leave benefit plan provides for an accumulative unused sick leave bank. After five years of service, members are entitled to a cash payment of one-half of the sick bank balance to a maximum of six months salary when they leave the municipality's employ. Members were also provided with an election to opt for a cash settlement of one-half of their sick banks hours up to a maximum of six months' salary, in one of three election windows on September 1, 2013, September 1, 2014 or September 1, 2015. Members hired after July 22, 2013 and members who have elected the cash settlement are enrolled in an accumulative unused sick leave plan without a cash payment.

The actuarial liability for the accumulated days to the extent that they have vested and could be taken in cash by an employee on termination amounted to \$29,254,787 (2014 - \$25,845,028). A reserve was established to provide for a portion of the Police Services past service liability and the balance at the end of the year is -\$4,798,991 (2014 - \$6,577,584) and is included in accumulated surplus in the Consolidated Statement of Financial Position.

According to an independent actuarial valuation report dated April 10, 2015 the total estimated liability for both regional operations and police services is \$29,854,530 (2014 - \$26,644,100).

b) **Pension Agreement**

The Region contributes to the Ontario Municipal Employees Retirement System (OMERS), a multi-employer plan on behalf of approximately 5,663 members of its staff. The plan is a defined benefit plan and specifies the amount of the retirement benefit to be received by the employees based on length of credited service and average earnings.

In 2015, employer contribution amounts to \$52,356,678 (2014 - \$49,829,950) and is included as an expense in the Consolidated Statement of Operations. Employee contributions also amount to \$52,356,678 (2014 - \$49,829,950).

The OMERS pension plan has a deficit of \$7 billion at December 31, 2015 based on an actuarial valuation of plan assets.

c) **Post Employment Benefits**

Employees who retire under the OMERS pension plan at age fifty or greater with a minimum of twenty years of service with the Region, are entitled to continued coverage for extended health and dental benefits. Those retirees from age 65 to age 75 are eligible to a health care spending account of \$2,000 per year.

According to an independent actuarial valuation report dated April 10, 2015 the total future cost associated with these benefits is \$67,125,398 (2014 - \$60,855,827) and is reported in the Consolidated Statement of Financial Position.

d) **Workplace Safety and Insurance Board**

Under the Workplace Safety and Insurance Act, the Region is a self-insured employer (Schedule II) for all of its employees.

According to an independent actuarial valuation dated February 5, 2014 the estimated liability for all claims incurred to December 31, 2015 is \$17,310,659 (2014 - \$15,629,268) and is reported in the Consolidated Statement of Financial Position. The unamortized actuarial loss as at December 31, 2015 is \$2,801,682 (2014 - \$3,287,384).

e) **Long-Term Disability Self Funding Arrangement**

In October 2002, the Region adopted a self-insured arrangement for its long-term disability benefit (LTD). Under this arrangement, the Region funds its own claims through a segregated reserve and contracts with an insurance carrier to adjudicate and administer all claims on an Administrative Services Only (ASO) basis. According to an independent actuarial valuation dated February 5, 2014 the estimated liability for claims incurred is \$29,286,607 (2014 - \$25,736,060) as at December 31, 2015 and is reported in the Consolidated Statement of Financial Position.

8. CONTRACTUAL OBLIGATIONS AND COMMITMENTS

a) **York-Toronto Water Supply Agreements**

Under the terms of agreements with the City of Toronto, the Region is entitled to purchase water at rates established every year. Payments in respect of these agreements amounted to \$22,615,008 (2014 - \$21,750,097). Payments under these agreements are financed by area municipalities based on water consumption.

b) **York-Peel Water Supply Agreement**

In 2001, the Region entered into an inter-regional water servicing agreement with the Regional Municipality of Peel. Under the terms of the agreement, the Region is entitled to purchase water from Peel at a negotiated rate. York Region began purchasing water from the Region of Peel in late 2005. The agreement provides for a buy-in payment of \$52.4 million, payable in three equal instalments of \$17.46 million. The final instalment was paid in 2012. York Region is required to pay operating costs to the Region of Peel for water consumption based on the York Wholesale Rate, commencing in 2005, through to 2031 and beyond. The York Wholesale Rate includes a component to be contributed to a Capital Repair and Replacement Reserve. Payments under this agreement form part of Region's operating expenses and will be financed by the area municipalities based on water consumption.

c) **Operating Leases**

Under the terms of various operating lease agreements, future minimum payments for the next 5 years are approximately as follows:

	\$
2016	8,506,000
2017	8,048,000
2018	7,463,000
2019	6,444,000
2020	4,865,000

d) **York Rapid Transit Plan**

In 2002, the Region entered into a public-private partnership with York Consortium 2002 to implement the York Rapid Transit Plan (YRTP). The YRTP was developed from the Region's Transportation Master Plan, which identified the need to implement a rapid network that would reduce the rate of traffic congestion and support economic and residential growth. The future works for the YRTP has been rebranded as VIVANext and includes the construction of the Yonge and Spadina Subway extensions, and also extension and conversion to Light Rail Transit. Implementation of the YRTP is estimated to cost \$21.2 billion to 2031 and is contingent upon future funding agreements with provincial and federal governments.

e) **Toronto-York Subway Extension Project**

In 2007, the Region signed an agreement with the City of Toronto and the Toronto Transit Commission to design and construct an extension of the Spadina subway line that will extend from Downsview Station in northwest Toronto into York Region. The subway extension is a part of the Region's Transportation Master Plan which will support economic and residential growth.

In 2016, the project cost has been revised to \$3.2 billion and will be funded by contributions from the Federal Government, the Province of Ontario, the City of Toronto and York Region. The Region's estimated contribution is \$606 million of which \$56 million has been paid to the project this year.

f) **York Region Hospitals Capital Funding**

In 2009, Regional Council approved a memorandum of understanding (MOU) between the Region and York regional hospitals which provides direction for capital funding of the four regional hospitals from 2009 to 2031. Under the MOU, the Region provides funding for approved projects and their associated approved eligible costs. Total capital distributions to Markham Stouffville Hospital, Southlake Regional Health Centre, Vaughan Health Campus of Care and Mackenzie Health amount to approximately \$342 million over the period of the MOU.

9. CONTINGENT LIABILITIES

a) **Long-term Liabilities**

The Region is contingently liable for long-term liabilities for which the responsibility for the payment of principal and interest is recoverable from other municipalities.

b) **Public Liability Insurance**

The Region's public liability insurance limits are set at \$50,000,000. Environmental impairment liability is fully self-insured by the Region with the exception of sudden and accidental pollution which is insured with a limit of \$5,000,000. The Region has increased its self-insured retention (SIR) effective July 1, 2014 to \$500,000 per occurrence for liability and automobile claims. Prior to July 1, 2014 the SIR was at the \$100,000 level for several years. The crime policy has a deductible of \$0 while the property and boiler policy each have a deductible of \$50,000 per occurrence.

The Region estimates that the liability as at December 31, 2015 for all outstanding public liability claims is, \$6,137,095 (2014 - \$6,671,467). The total reserve available for public liability and environmental impairment is \$20,506,745 (2014 - \$20,953,377).

c) **Other Contingencies**

The Region, in the course of its operations, is subject to claims, lawsuits and other contingencies. Accruals have been made in specific instances where it is probable that liabilities will be incurred and where such liabilities can be reasonably estimated. Although it is possible that liabilities may arise in other instances for which no accruals have been made, the Region does not believe that such an outcome will significantly impair its operations or have a material adverse effect on its financial position.

10. PROVINCIAL OFFENCES ADMINISTRATION

The Region administers prosecutions and the collection of related fines and fees under the authority of the Provincial Offences Act (“POA”). The POA is a procedural law for administering and prosecuting provincial offences, including those committed under the Highway Traffic Act, Compulsory Automobile Insurance Act, Trespass to Property Act, Liquor Licence Act, Municipal By-laws and minor federal offences. Offenders may pay their fines at any court office in Ontario, at which time their receipt is recorded in the Integrated Courts Offences Network system (“ICON”). The Region recognizes fine revenue when the receipt of funds is recorded by ICON regardless of the location where payment is made.

The gross revenue is comprised primarily of fines levied under Part I, II and III (including delay penalties) for POA charges. The total revenue for 2015 amounts to \$18,646,456 (2014 - \$17,797,480) and the net revenue amounts to \$226,345 (2014 – (\$373,695)). Balances arising from operation of the POA offices are consolidated with these financial statements.

11. LIMITATION ON PROPERTY TAX INCREASES AND FUNDING FOR BUSINESS CLASSES UNDER THE MUNICIPAL ACT, 2001

The Municipal Act, 2001 (the “Act”) has required that municipalities to limit (cap) any annual assessment related property tax increases on the Commercial, Industrial, and Multi-Residential property classes. The Act also enables municipalities to retain assessment related property decreases in order to fund the cost of capping.

Since 2005, York Region Council has approved the application of all municipal capping options available under section 329.1 of the Act to accelerate movement towards current value assessment (CVA) level taxes for affected properties. A summary of these options is presented below:

1. Assessment-related property tax increases for capped properties are limited to an amount that is the greater of 10 per cent of the previous year’s annualized capped taxes, or 5 per cent of the previous year’s annualized full CVA taxes.
2. Capped or clawed back properties that are within \$250 of their full CVA taxes are moved to the CVA tax level in the current taxation year and are kept there for subsequent taxation years.
3. Eligible new construction/new-to-class properties are taxed at 100 per cent of the property tax associated with their CVA for the 2009 and subsequent taxation years.
4. A property that reached its CVA tax level in the previous year is excluded from the capping program in the current and subsequent taxation years.
5. Properties that were in a capped or clawed back position in the previous year that, as a result of reassessment, cross over in the current year (i.e. move from clawed back to capped, or from capped to clawed back) would instead move to CVA tax levels in the current year and remain at CVA tax levels in subsequent taxation years.

The Act requires the Region to ensure that decreases and increases are equalized across the lower tier municipalities through a process called “banking”. The Region will only transfer funds between lower tier municipalities as part of the tax related adjustments and does not incur any direct financial costs to lower tier municipalities. However, if there is a shortfall in the amount of property tax decreases available to fund the cost of capping protection, the Region and the local municipalities share the cost of the shortfall in the same proportion that they receive taxes for the property class(es) in which the shortfall occurs.

12. ACCUMULATED SURPLUS

Accumulated surplus consists of individual fund surplus and reserves and reserve funds as follows:

	2015	2014
	\$	\$
Surplus		
Invested in tangible capital assets	3,476,884,943	3,112,888,174
Other	45,087,716	37,700,368
	<u>3,521,972,659</u>	<u>3,150,588,542</u>
Reserves		
Equipment/vehicle replacement	63,246,572	57,310,331
Working capital	44,106,688	43,304,809
Group benefits	2,549,373	2,351,952
Vacation pay	-	869,824
OMERS (Type 3)	-	94,604
Total Reserves	<u>109,902,633</u>	<u>103,931,520</u>

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	2015	2014
	\$	\$
Reserve Funds		
Sinking fund	562,314,181	456,586,696
Roads infrastructure	391,755,197	333,929,782
Debt reduction	210,658,949	169,070,783
Capital reserve-water and sewer	140,352,814	85,177,595
Social housing development	92,976,218	91,061,893
Facilities rehabilitation and replacement	91,801,063	78,607,414
Regionally owned housing	65,333,682	52,684,261
Solid waste management	63,986,671	56,546,973
Capital reserve fund	51,644,552	50,546,126
Tax stabilization	51,519,492	49,319,515
Hospital financing	44,691,771	34,745,157
Fiscal stabilization	38,142,496	38,446,187
Transit vehicle replacement	34,341,028	22,930,031
Non-profit housing capital	31,575,748	24,721,073
Long-term disability	28,159,848	28,950,658
Move Ontario	27,922,989	17,798,462
Social assistance	23,362,282	22,079,099
Insurance	20,506,745	20,953,377
Workers' compensation schedule II	20,368,836	17,783,592
Roads capital	16,013,535	19,579,085
IT development	15,106,508	11,953,783
Land bank	11,245,484	10,627,338
Transit	7,532,857	7,550,505
Fuel cost stabilization	5,644,167	3,753,050
Innovation	4,897,954	4,572,528
Rates stabilization	4,300,000	-
University campus	1,000,000	-
Court services	1,000,000	-
Sick leave	986,020	11,293,489
Land securement	807,663	1,656,964
Alternative community living	256,060	241,985
Seized funds	248,610	259,734
Insurance claims and certificate system	12,260	11,586
Total Reserve Funds	<u>2,060,465,680</u>	<u>1,723,438,721</u>
Total	<u><u>5,692,340,972</u></u>	<u><u>4,977,958,783</u></u>

13. SEGMENT DISCLOSURE

The Region is a municipal government which provides a wide range of services to its residents that include general government, protection to persons and property, transportation, environmental, health and emergency services, community services, and planning and development services.

General Government

General government comprises of the Council, the Chair's Office, Office of the Chief Administrative Officer, Corporate Services and Finance Departments. These divisions and branches supply administrative and financial leadership for the Regional Corporation.

Protection to persons and property

Protection to persons and property consists of the activities of Police Services Board and York Regional Police. Their mandate is to ensure the safety of the lives and property of citizens; prevent crime from occurring; detect offenders; and enforce the law.

Transportation services

This division operates and delivers regional infrastructure involving roadways, public transit, traffic systems, and bridges and culverts.

York Region Rapid Transit Corporation's principal activity is the design and delivery of York Region's rapid transit systems.

Environmental services

The department is responsible for water treatment and distribution, wastewater collection and treatment, and solid waste disposal and diversion. It also delivers infrastructure projects, both for new and expanded assets and major rehabilitation of existing assets.

Health and emergency services

It provides a variety of health related programs and services that contribute to healthy communities through partnerships, promotion, prevention, protection and enforcement. Staff members render programs such as land ambulance service, immunization, nutrition, mental health and health inspection.

Community services

Children's Services plans, manages and coordinates a Region-wide child care services. Long Term Care operates long-term care facilities for seniors. The Ontario Works and Ontario Disability Support Programs deliver a range of programs providing employment and financial assistance to residents in need.

Social housing

Social housing is responsible for administrating social housing providers, the rent supplement programs and managing a social housing waiting list.

Housing York Inc. is a non-profit housing corporation providing affordable rental units for its residents.

Planning and development services

This unit provides a long-term comprehensive approach to planning and development processes to ensure the efficient use of land and community infrastructure. Services include long-range capital planning, development review, building permits and inspection services.

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	General government	Protection to persons and property	Transportation services	Environmental services	Health and emergency services
Revenues					
Net taxation/user charges	956,736,989	-	-	257,657,691	-
Transfer payments	(124,835)	9,998,986	342,521,547	(766,013)	84,922,557
Development contributions	-	4,705,559	75,199,391	200,117,887	866,022
Fees and services	17,043,430	16,146,292	69,724,623	14,370,870	815,614
Interest	49,160,335	419,282	24,527,903	8,960,666	459,828
Other	548,812	1,791,755	27,327,954	64,426,204	-
	<u>1,023,364,731</u>	<u>33,061,874</u>	<u>539,301,418</u>	<u>544,767,305</u>	<u>87,064,021</u>
Expenses					
Salaries and benefits	67,112,833	288,598,359	60,829,414	46,513,933	102,688,330
Interest payments	338,455	3,240,159	15,207,800	106,630,777	215,922
Operating expenses	65,844,572	27,149,719	202,890,969	201,148,439	17,721,882
Government transfers	5,903,133	-	41	3,465,161	4,980,666
Amortization	15,598,383	12,316,614	92,660,612	74,202,152	4,658,100
	<u>154,797,376</u>	<u>331,304,851</u>	<u>371,588,836</u>	<u>431,960,462</u>	<u>130,264,900</u>
Annual Surplus (Deficit)	<u>868,567,355</u>	<u>(298,242,977)</u>	<u>167,712,582</u>	<u>112,806,843</u>	<u>(43,200,879)</u>

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	Community services	Social housing	Planning and development services	Total 2015	Total 2014
Revenues					
Net taxation/user charges	-	-	-	1,214,394,680	1,137,490,448
Transfer payments	173,389,654	40,826,814	716,544	651,485,254	521,667,972
Development contributions	-	-	144,383	281,033,242	361,870,502
Fees and services	5,437,637	21,037,783	119,444	144,695,693	134,292,830
Interest	1,297,258	9,979,493	-	94,804,765	80,961,800
Other	1,013,566	1,365,263	-	96,473,554	80,366,412
	<u>181,138,115</u>	<u>73,209,353</u>	<u>980,371</u>	<u>2,482,887,188</u>	<u>2,316,649,964</u>
Expenses					
Salaries and benefits	73,821,231	10,685,487	6,485,440	656,735,027	615,470,616
Interest payments	2,322	3,916,326	-	129,551,761	122,136,458
Operating expenses	102,418,439	81,619,672	2,079,532	700,873,224	1,004,966,712
Government transfers	59,305,942	-	-	73,654,943	73,797,428
Amortization	1,603,438	6,643,319	7,426	207,690,044	183,305,618
	<u>237,151,372</u>	<u>102,864,804</u>	<u>8,572,398</u>	<u>1,768,504,999</u>	<u>1,999,676,832</u>
Annual Surplus (Deficit)	<u>(56,013,257)</u>	<u>(29,655,451)</u>	<u>(7,592,027)</u>	<u>714,382,189</u>	<u>316,973,132</u>

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14. TANGIBLE CAPITAL ASSETS

Cost	Balance at			Balance at
	December 31 2014	Additions	Disposals	December 31 2015
	\$	\$	\$	\$
Land	414,735,823	42,514,164	(87,500)	457,162,487
Land improvements	186,975,028	97,925,729	(813,557)	284,087,200
Buildings	1,751,438,623	196,041,193	(2,851,079)	1,944,628,737
Equipment and machinery	634,901,183	108,249,763	(26,847,673)	716,303,273
Vehicles	334,277,930	28,085,839	(12,423,386)	349,940,383
Roads infrastructure	1,407,835,685	275,698,923	(22,512,508)	1,661,022,100
Water/sewer infrastructure	1,214,297,167	459,459,021	(745,494)	1,673,010,694
Assets under construction	2,494,204,727	(399,477,810)	-	2,094,726,917
Total	8,438,666,166	808,496,822	(66,281,197)	9,180,881,791

Accumulated amortization	Balance at			Balance at
	December 31 2014	Disposals	Amortization expenses	December 31 2015
	\$	\$	\$	\$
Land	0	-	-	0
Land improvements	79,164,759	(511,863)	10,723,748	89,376,644
Buildings	516,525,364	(2,147,278)	51,048,712	565,426,798
Equipment and machinery	330,989,040	(20,899,247)	49,280,525	359,370,318
Vehicles	142,064,009	(11,798,798)	28,468,558	158,733,769
Roads infrastructure	698,491,089	(18,919,337)	51,635,216	731,206,968
Water/sewer infrastructure	144,310,402	(126,734)	16,533,285	160,716,953
Total	1,911,544,663	(54,403,257)	207,690,044	2,064,831,450

	Net book value	
	December 31 2014	December 31 2015
	\$	\$
Land	414,735,823	457,162,487
Land improvements	107,810,269	194,710,556
Buildings	1,234,913,259	1,379,201,939
Equipment and machinery	303,912,143	356,932,955
Vehicles	192,213,921	191,206,614
Roads infrastructure	709,344,596	929,815,132
Water/sewer infrastructure	1,069,986,765	1,512,293,741
Assets under construction	2,494,204,727	2,094,726,917
Total	6,527,121,503	7,116,050,341

15. TRANSFER PAYMENT REVENUE

	2015	2014
	\$	\$
Provincial grants		
Transit	284,353,491	199,168,141
Child care	82,541,359	68,364,182
Social assistance	74,779,716	69,014,588
Public health	48,905,162	47,788,449
Ambulance	36,017,395	32,815,178
Housing	31,972,690	27,969,125
Services for seniors	15,768,844	20,489,016
Police	9,998,986	9,457,874
Other	611,203	2,285,327
Roadways	1,000	60,000
	<u>584,949,846</u>	<u>477,411,880</u>
 Federal grants		
Gas tax	31,321,939	24,589,541
Transit	26,845,117	8,998,609
Housing	8,854,124	8,614,508
Other	257,436	278,289
Social assistance	22,805	19,461
Environmental services	(766,013)	1,755,684
	<u>66,535,408</u>	<u>44,256,092</u>
 Total transfer payments	<u>651,485,254</u>	<u>521,667,972</u>

16. METROLINX PROJECT

Under an agreement signed with Metrolinx, the Region receives funds from Metrolinx to build assets that upon completion will be transferred to Metrolinx. The following chart summarizes the amounts spent on the project which are treated as expenses.

The total commitment to this project over the life of the contract is \$1,755,000,000.

	\$
Spent prior to 2015	662,171,390
Spent in 2015	<u>200,584,110</u>
Total spent	<u>862,755,500</u>
Total commitment	<u>1,755,000,000</u>
Balance to be spent	<u>892,244,500</u>

Amounts in the table above are not budgeted.

17. COST-SHARED CAPITAL PROJECTS

The Regional Municipality of York paid the Region of Peel and the City of Toronto \$40.2 million in 2015 (\$47.4 million in 2014) to cover the Region's portion of capital costs incurred to construct additional water and wastewater infrastructure. While the contributions were made under a cost-sharing arrangement, the Region believes that they possess the risks and rewards of ownership of these assets to the level of their contribution. These costs are recorded in Assets under Construction and are amortized over the period that the benefits are realized once the assets are in use.

18. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the financial statements presentation adopted in the current year.

SINKING FUND
STATEMENT OF FINANCIAL POSITION,
FINANCIAL ACTIVITIES
AND
CHANGE IN FUND BALANCE
2015



KPMG LLP
Yonge Corporate Centre
4100 Yonge Street, Suite 200
Toronto ON M2P 2H3
Canada
Tel 416-228-7000
Fax 416-228-7123

INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of The Regional Municipality of York

We have audited the financial statements of the sinking funds of The Regional Municipality of York, which comprise the statement of financial position as at December 31, 2015, the statement of financial activities and change in fund balance for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



Page 2

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the sinking funds of The Regional Municipality of York as at December 31, 2015, the results of its operations and changes in its financial position for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a long, horizontal, slightly curved line that underlines the text.

Chartered Professional Accountants, Licensed Public Accountants

May 11, 2016

Toronto, Canada

THE REGIONAL MUNICIPALITY OF YORK
Sinking Fund Statement of Financial Position
As at December 31, 2015

	2015	2014
	\$	\$
Financial Assets		
Cash	39,301	32,559
Investments – at amortized cost (Note 1)	606,958,817	498,775,992
Interest receivable	3,391,108	1,877,718
Total Assets	610,389,226	500,686,269
Liabilities		
Actuarial requirement for retirement of the Sinking Fund (Note 2)	596,283,299	492,750,641
Fund balance	14,105,927	7,935,628
Total Liabilities and Fund Position	610,389,226	500,686,269

THE REGIONAL MUNICIPALITY OF YORK
Sinking Fund Statement of Financial Activities and Change in Fund Balance
For the year ended December 31, 2015

	Budget	2015	2014
	\$	\$	\$
Revenues			
Contributions from:			
Area Municipalities	7,395,869	7,395,869	7,395,869
Regional Corporation	132,761,611	132,761,611	116,014,543
Total contributions	140,157,480	140,157,480	123,410,412
Interest and capital gains	13,369,055	19,590,872	17,126,856
Total revenues	153,526,535	159,748,352	140,537,268
Expenses			
Actuarial requirement for the year	(153,526,535)	(153,532,658)	(133,639,304)
Payments to Area Municipalities	(4,218)	(4,218)	-
Payments to Regional Corporation	(41,177)	(41,177)	-
Change in Fund Balance	(45,395)	6,170,299	6,897,964
Opening Fund Balance	7,935,628	7,935,628	1,037,664
Closing Fund Balance	7,890,233	14,105,927	7,935,628

The accompanying notes are an integral part of these Financial Statements.

The Regional Municipality of York's sinking fund is a separate fund maintained for the purpose of providing periodic repayments of all debts to be retired by means of sinking funds.

1. INVESTMENTS

All investments are purchased with the intention of holding them until maturity. They are recorded at cost, price adjusted annually for amortization of discount or premium on a present value basis as determined at the time of purchase with the amount of such amortization included in the interest earned on the Statement of Financial Activities and Change in Fund Balance. The investments have a market value of \$623,344,421 (2014 - \$512,257,546).

2. ACTUARIAL REQUIREMENTS

The actuarial requirements of the sinking fund represent the amounts levied during the year as set out in the sinking fund debenture by-law plus interest thereon capitalized at a rate of 2% or 3% per annum compounded annually. Any excess revenue over these requirements is included in the sinking fund balance.

RESIDENTS'
TRUST FUNDS AND DONATION ACCOUNT
STATEMENT OF FINANCIAL POSITION
AND
FINANCIAL ACTIVITIES
2015



KPMG LLP
Yonge Corporate Centre
4100 Yonge Street, Suite 200
Toronto ON M2P 2H3
Canada
Tel 416-228-7000
Fax 416-228-7123

INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of The Regional Municipality of York

We have audited the financial statements of residents' trust funds and donation account of The Regional Municipality of York, which comprise the statement of financial position as at December 31, 2015 and the statement of financial activities for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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



Page 2

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the funds held in trust and its donation account by The Regional Municipality of York as at December 31, 2015, the results of its operations and changes in its financial position for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

May 11, 2016

Toronto, Canada

THE REGIONAL MUNICIPALITY OF YORK
Residents' Trust Funds and Donation Account
Statement of Financial Position
As at December 31, 2015

	Trust \$	Donation \$	2015 \$	2014 \$
Financial Assets				
Cash	171,165	50,862	222,027	209,916
Residents' petty cash	6,500	-	6,500	6,500
Total Assets	<u>177,665</u>	<u>50,862</u>	<u>228,527</u>	<u>216,416</u>
Fund Balances	<u>177,665</u>	<u>50,862</u>	<u>228,527</u>	<u>216,416</u>

THE REGIONAL MUNICIPALITY OF YORK
Residents' Trust Funds and Donation Account
Statement of Financial Activities
For the year ended December 31, 2015

	Trust \$	Donation \$	2015 \$	2014 \$
Fund balances, beginning of year	164,629	51,787	216,416	203,512
Source of funds:				
Deposits on behalf of residents	388,995	14,832	403,827	403,680
Interest earned on deposits	0	608	608	730
	<u>388,995</u>	<u>15,440</u>	<u>404,435</u>	<u>404,410</u>
Use of funds:				
Withdrawals	(375,959)	(16,365)	(392,324)	(391,506)
Net activity	<u>13,036</u>	<u>(925)</u>	<u>12,111</u>	<u>12,904</u>
Fund balances, end of year	<u>177,665</u>	<u>50,862</u>	<u>228,527</u>	<u>216,416</u>

The accompanying notes are an integral part of these Financial Statements.

THE REGIONAL MUNICIPALITY OF YORK
Notes to the Residents' Trust Funds and Donation Account
Statement of Financial Position and Financial Activities
December 31, 2015

1. ACCOUNTING POLICIES

- a) These financial statements reflect the financial activity and financial position of funds held in trust by the Regional Municipality of York (the 'Region') for residents of Newmarket Health Centre and Maple Health Centre, and funds donated to the facilities.
- b) Funds held in trust and monies received by way of donation are invested by the Region on behalf of the residents. Interest is credited to the funds based on the average yield earned by the Region on its investments.

2. BASIS OF ACCOUNTING

- a) Cash and investments are recorded at cost.
- b) Deposits on behalf of residents are reported upon receipt and interest income is reported on the accrual basis of accounting. Withdrawals are reported in the period in which they are made.

2015 Financial Statements

Presentation to
Audit Committee

Warren Marshall

June 8, 2016



Agenda

- Key Reporting Requirements
- 2015 Financial Statement results

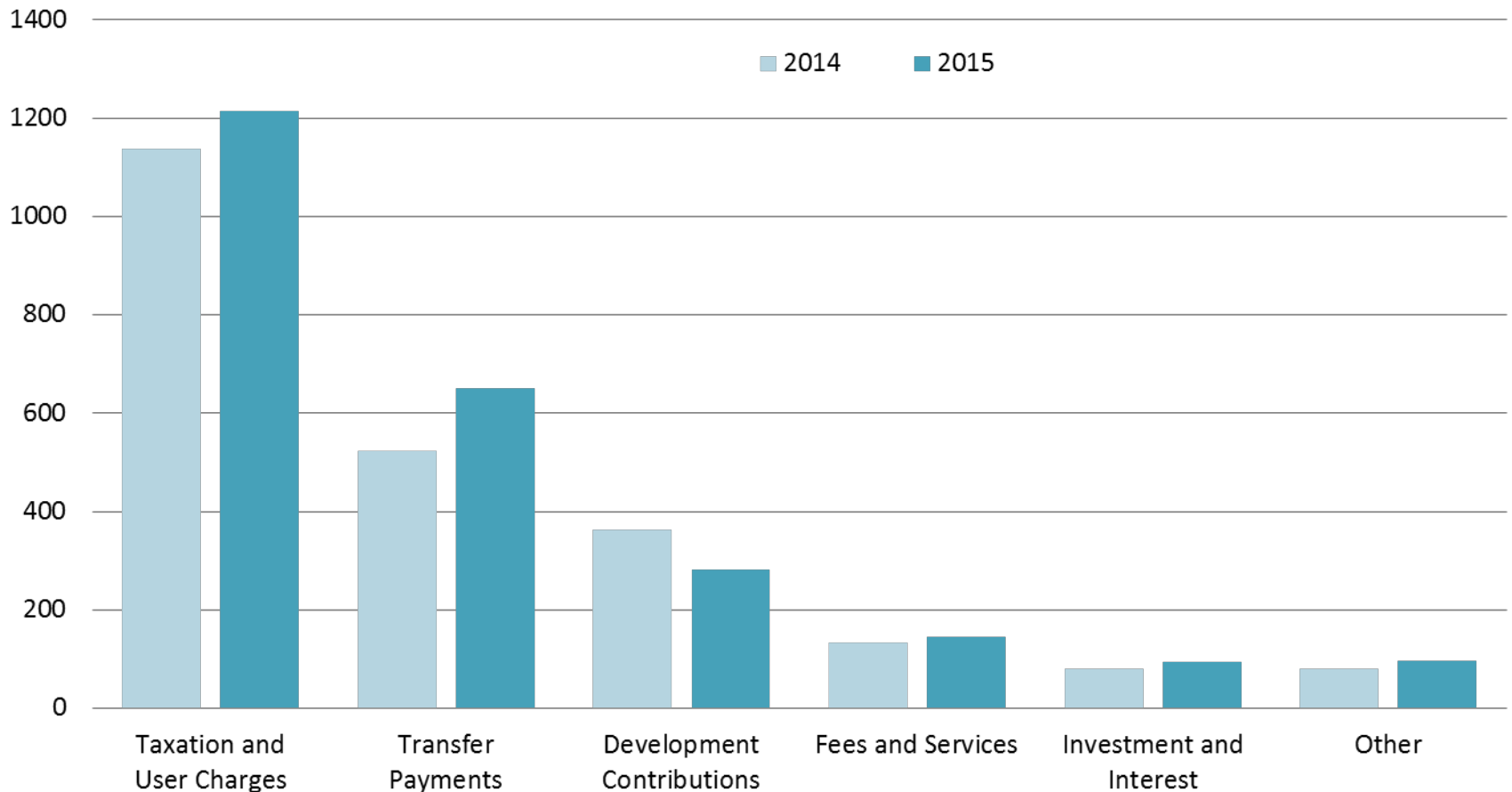
Reporting Requirements

- Four main statements
 1. Statement of Operations (Income Statement)
 2. Statement of Financial Position (Balance Sheet)
 3. Statement of Change in Net Debt
 4. Statement of Cash Flow

Statement of Operations

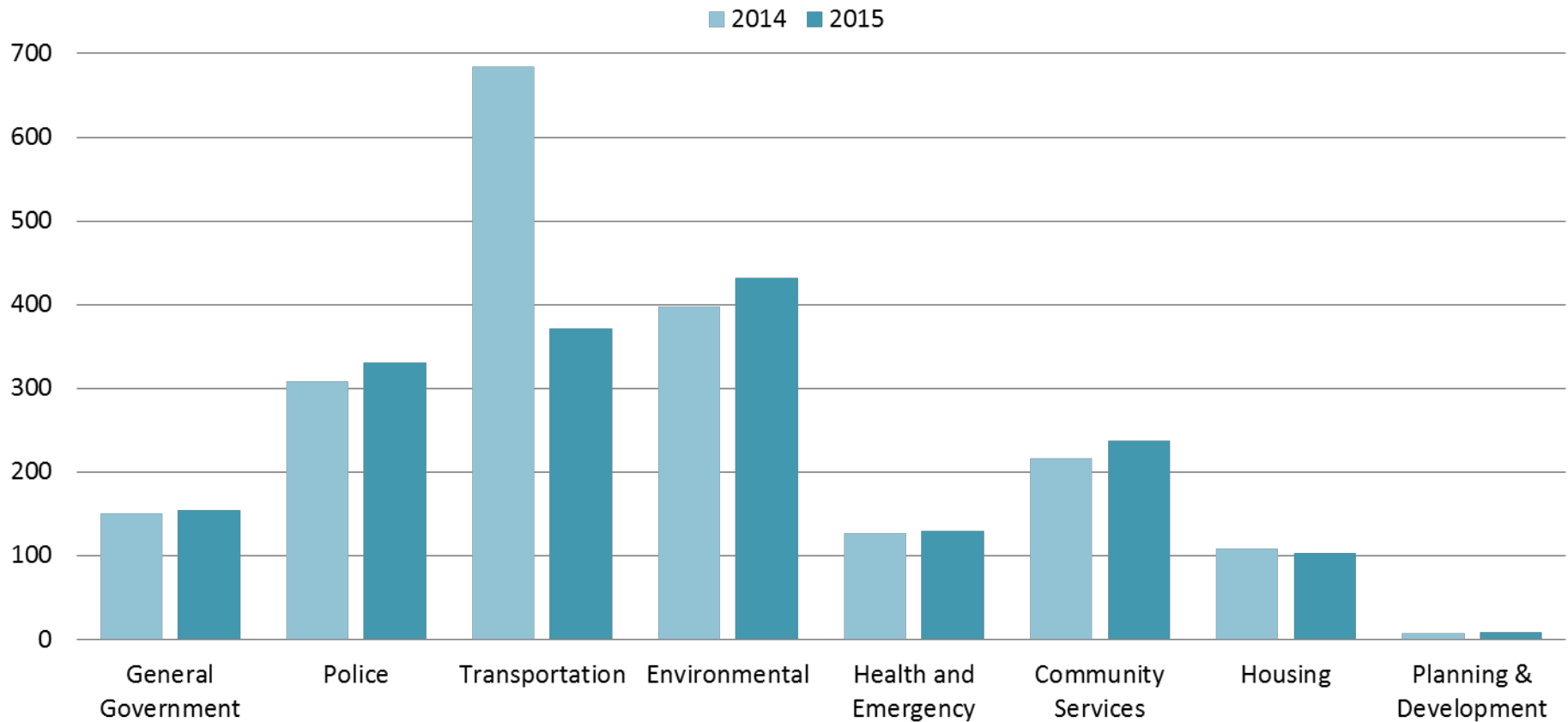
	2015 (\$M)	2014 (\$M)	Change (\$M)	Change %
Revenues	2,483	2,317	166	7%
Expenses (including Amortization)	1,769	2,000	-231	-12%
Annual Surplus	714	317	397	125%
Accumulated Surplus, beginning of year	4,978	4,661	317	7%
Accumulated Surplus, end of year	5,692	4,978	714	14%

Year-over-Year Change in Revenue by Category



- Total revenue increased by \$166M or 7% to \$2,483M.
- Revenue growth reported in all categories except draws from Development Charge reserves.

Year-over-Year Change in Expenses by Department



- Expenses decreased by \$231M or 12% to \$1,769M.
- As expected, increases observed in most departments to serve a larger population, except in Transportation where expenses decreased as two bus rapid transit projects were completed during the year and some capital expenses on these projects were reclassified as tangible capital assets.

Statement of Financial Position

	2015	2014	Change (\$M)	Change %
Financial Assets	3,336	3,178	158	5%
Liabilities	4,774	4,746	28	1%
Net Debt	(1,438)	(1,568)	130	8%
Non-Financial Assets				
• Tangible Capital Assets	7,116	6,527	589	9%
• Inventory and Prepaid Expenses	14	19	(5)	(26%)
Accumulated Surplus	5,692	4,978	714	14%

Net Debt vs. Outstanding Debt

Net Debt

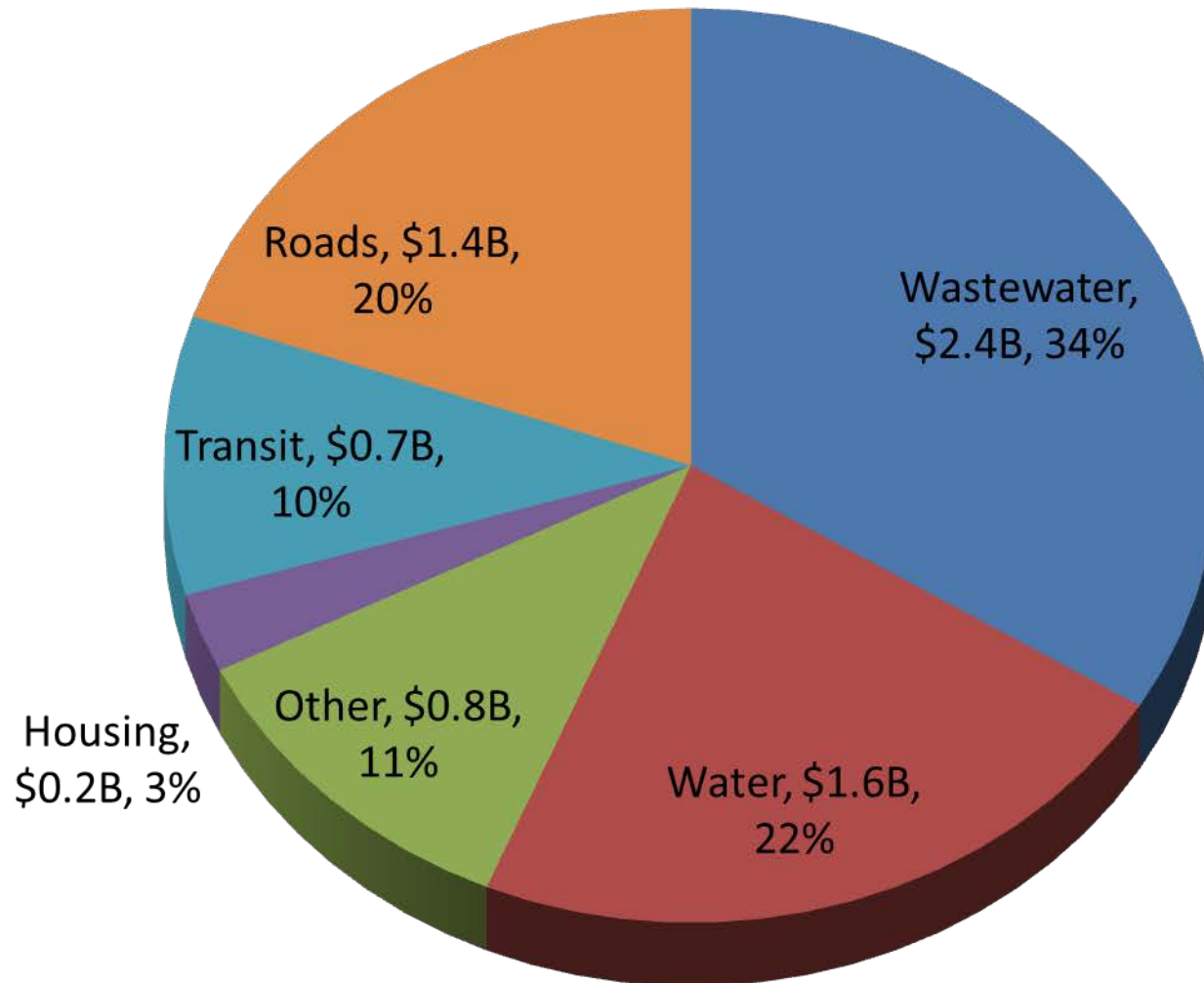
- Common accounting term, it represents difference between the Region's financial assets and its liabilities.
- Net debt decreased by \$130M to \$1.4B at end of 2015.

Outstanding Debt

- Represents gross debt owed by the Region to creditors.
- Total increased by \$200M to \$3.4B at end of 2015.
- Debt growth has slowed in 2015 (2013 to 2014 growth was \$381M).
- Taking into account sinking fund contributions (\$610M) and amounts recoverable from area municipalities (\$211M), debt owed by the Region is \$2.6B.

Tangible Capital Assets by Type

**Total Net Book
Value = \$7.1B**







Accumulated Surplus

- Amount that all assets (financial and non-financial) exceed liabilities.
- Indicates the value of net resources available to provide future services, including tangible capital assets.
- 2015 year-end accumulated surplus was \$5.7B compared to \$5.0B at 2014.

Statement of Cash Flow

- Shows how much cash flowed in and out of the Region.
- Indicates how the Region generated and used cash during the year.
- Cash and cash equivalents increased by \$212M to \$493M.

Financial Performance Summary (\$M)

	2014	2015		14 – 15 change
Net Debt	\$1,568	\$1,438		\$130 8%
Annual Surplus	\$317	\$714		\$397 125%
Revenues	\$2,317	\$2,483		\$166 7%
Expenses	\$2,000	\$1,769		\$231 12%

GFOA Award for Financial Reporting 2014



Questions



Thank you

