

Clause 3 in Report No. 2 of Audit Committee was adopted, without amendment, by the Council of The Regional Municipality of York at its meeting held on June 25, 2015.

**3**

2014 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 April 14, 2015 from the Commissioner of Finance:

1. Recommendation

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 2014.

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 2014 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 2014, 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 2014.

Financial assets increased by \$285M from 2013

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” have increased by \$285M from 2013. Table 1 summarizes the changes in Financial Assets.

**Table 1**  
**Summary of Financial Assets Increase**

	\$ (millions)
Cash and cash equivalents	-102
Investments	306
Accounts receivable	79
Debt amounts recoverable from local municipalities	<u>2</u>
	<u>285</u>

The increase in Financial Assets is attributable to Investments and Accounts Receivable. The increase in investments comes from cash generated during the year from the proceeds of debentures issued and investing amounts previously held in cash and cash equivalents. The increase in Accounts Receivable is mainly because of water and sewer receivables from local municipalities, HST recoverable and amounts recoverable from developers for growth-related capital

projects. The \$2M increase in local municipal debt is a result of the issuance of new debt on behalf of local municipalities.

Liabilities increased by \$488M from 2013

Liabilities include accounts payable and accrued liabilities, employee benefit obligations, deferred revenue and gross long-term liabilities. Liabilities increased by \$488M. The changes are summarized in Table 2.

**Table 2**  
**Summary of Liabilities increase**

	\$ (millions)
Accounts payable and accrued liabilities	162
Employee benefit obligations	12
Deferred revenue	-68
Gross long-term liabilities	242
Retirement and sinking fund	<u>140</u>
	<u>488</u>

“Accounts Payable and Accrued Liabilities” increased \$162M over 2013, representing a 25% increase over 2013. The major sources of this increase are listed in Table 3, including \$49M for Environmental Services infrastructure projects, \$46M in Provincial billings for GO Transit growth-related capital and \$45M for Rapidco capital projects.

**Table 3**  
**Summary of Accounts Payable and Accrued Liabilities increase**

	\$ (millions)
Environmental Services infrastructure projects	49
Amounts accrued for GO Transit capital	46
Rapid Transit capital projects	45
Roads infrastructure projects	<u>22</u>
	<u>162</u>

“Employee benefit obligations” increased by \$12M 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.

"Deferred Revenue" decreased by \$68M, mainly due to a net decrease in the categories shown in Table 4.

**Table 4**  
**Summary of Deferred Revenue accounts decrease**

	\$ (millions)
Development charges	-94
Gas tax	11
Prepaid development charge agreements	5
Amounts from Metrolinx for future rapid transit development	9
Provincial funding	<u>1</u>
	-68

The decrease in development charges is a result of funding transfers to operating and capital programs for debt servicing and asset acquisition. These transfers exceeded receipts for 2014. Federal and provincial gas tax revenues exceeded expenditures by \$11M for the year. Deposits totalling \$5M were received for prepaid development charge agreements entered into during the year.

"Gross Long-term Liabilities" increased by a net \$242M due to \$450M of new debt issued, partially offset by repayment of existing debt.

"Retirement and sinking fund" increased by \$140M due to additional contributions made and interest earned during the year that are set aside and will be used to pay off future sinking fund debt.

Net Debt increased by \$203M from 2013

Net Debt is the amount that Financial Liabilities exceed Financial Assets. Financial assets and liabilities increased by more than \$285M and \$488M respectively during the year. The larger growth in liabilities increased net debt by \$203M or 15%.

Non-financial assets increased by \$521M in 2014

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 \$521M in 2014 primarily due to the acquisition of tangible capital assets less amortization and disposal of assets during the year.

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 2014 financial statements is \$6.5 billion. Net book value is the original cost of these assets less amortization, or estimated usage, since the assets were put into service.

The accumulated surplus increased by \$317M in 2014

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 is increased by \$317M to a total of \$5.0 billion at the end of 2014.

Reserves and Reserve Funds, which are a part of the Accumulated Surplus total, have increased by approximately \$229M. Included in the increase were contributions to the sinking fund reserve, contributions to capital asset replacement reserves, interest revenues and contributions from the operating surplus.

## 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 following amounts were allocated from operating surplus to the reserves and reserve funds accounts. An operating surplus represents unspent amounts from the operating budget.

**Table 5**  
**Summary of operating surplus allocation**

	\$ (millions)
Debt reduction reserve fund	7.5
General capital reserve fund	19.0
Social housing reserve fund	3.2
Working capital reserve	<u>0.8</u>
	<u>30.5</u>

6. Local Municipal Impact

There are no local municipal impacts associated with this report.

7. Conclusion

The 2014 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.

April 14, 2015

Attachment (1)

eDOCS #6134395

Accessible formats or communication supports are available upon request

***THE  
REGIONAL MUNICIPALITY  
OF YORK***

***2014***

***CONSOLIDATED  
FINANCIAL  
STATEMENTS***

# 2014 Financial Statements

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- 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

Telephone (416) 228-7000  
Fax (416) 228-7123  
Internet [www.kpmg.ca](http://www.kpmg.ca)

## 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, 2014, 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, 2014, 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*

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Chartered Professional Accountants, Licensed Public Accountants

May 13, 2015

Toronto, Canada

**THE REGIONAL MUNICIPALITY OF YORK**  
**Consolidated Statement of Financial Position**  
As at December 31, 2014

	2014	2013
	\$	\$
<b>ASSETS</b>		
<b>Financial Assets</b>		
Cash and cash equivalents (Note 3)	280,975,026	382,744,977
Accounts receivable (Note 4)	257,577,671	178,246,163
Investments (Note 3)	2,419,858,853	2,114,194,067
Debt amounts recoverable from Area municipalities (Notes 5 and 9a)	219,604,937	218,121,565
<b>Total</b>	<b>3,178,016,487</b>	<b>2,893,306,772</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	808,698,725	647,014,261
Employee benefit obligations (Note 7)	146,442,242	134,197,551
Deferred revenue (Note 6)	235,221,334	220,500,698
Gross long-term liabilities (Note 5)	2,750,974,572	2,508,944,941
Retirement and sinking fund (Note 5)	500,686,269	360,149,002
Deferred revenue-obligatory reserve funds (Note 6)	304,130,696	386,770,613
<b>Total</b>	<b>4,746,153,838</b>	<b>4,257,577,066</b>
<b>Net Debt</b>	<b>(1,568,137,351)</b>	<b>(1,364,270,294)</b>
<b>Non-Financial Assets</b>		
Tangible capital assets (Note 14)	6,527,121,503	6,010,907,965
Inventory	3,540,731	2,757,050
Prepaid expenses	15,433,900	11,590,930
<b>Accumulated Surplus (Note 12)</b>	<b>4,977,958,783</b>	<b>4,660,985,651</b>

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, 2014

	Budget	2014	2013
	\$	\$	\$
<b>Revenues</b>			
Net taxation/user charges	1,138,395,692	<b>1,137,490,448</b>	1,089,936,162
Transfer payments (Note 15)	499,674,928	<b>521,667,972</b>	495,374,989
Development contributions	374,507,679	<b>361,870,502</b>	221,157,590
Fees and services	141,942,112	<b>134,292,830</b>	130,161,510
Interest	-	<b>64,161,800</b>	32,860,377
Other	97,183,762	<b>80,366,412</b>	88,271,050
<b>Total Revenues</b>	<u>2,251,704,173</u>	<u><b>2,299,849,964</b></u>	<u>2,057,761,678</u>
<b>Expenses</b>			
General government	136,687,889	<b>133,749,362</b>	117,316,399
Protection to persons and property	310,480,792	<b>308,041,729</b>	298,548,297
Transportation services	705,834,328	<b>683,624,059</b>	541,096,731
Environmental services	420,187,269	<b>397,624,339</b>	384,248,619
Health and emergency services	151,010,440	<b>126,998,106</b>	119,475,823
Community services	218,552,625	<b>215,593,925</b>	205,829,811
Social housing	104,100,929	<b>109,252,817</b>	91,438,603
Planning and development services	7,993,901	<b>7,992,495</b>	7,848,615
<b>Total Expenses</b>	<u>2,054,848,173</u>	<u><b>1,982,876,832</b></u>	<u>1,765,802,898</u>
<b>Annual Surplus</b>	196,856,000	<b>316,973,132</b>	291,958,780
Accumulated Surplus, Beginning of Year	4,660,985,651	<b>4,660,985,651</b>	4,369,026,871
<b>Accumulated Surplus, End of Year</b>	<u>4,857,841,651</u>	<u><b>4,977,958,783</b></u>	<u>4,660,985,651</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, 2014

	Budget	2014	2013
	\$	\$	\$
<b>Annual surplus</b>	196,856,000	<b>316,973,132</b>	291,958,780
Amortization of tangible capital assets	169,628,479	<b>183,305,618</b>	168,019,058
Proceeds on disposal of tangible capital assets	-	<b>675,294</b>	817,393
Change in inventory	-	<b>(783,681)</b>	(25,929)
Change in prepaid expenses	-	<b>(3,842,970)</b>	(4,643,426)
Loss on disposal of tangible capital assets	-	<b>1,084,761</b>	2,576,192
Acquisition of tangible capital assets	(700,740,000)	<b>(701,279,211)</b>	(785,018,923)
Increase in net debt	<u>(334,255,521)</u>	<u><b>(203,867,057)</b></u>	<u>(326,316,855)</u>
Net debt, Beginning of year	<u>(1,364,270,294)</u>	<u><b>(1,364,270,294)</b></u>	<u>(1,037,953,439)</u>
<b>Net debt, End of year</b>	<u><u>(1,698,525,815)</u></u>	<u><u><b>(1,568,137,351)</b></u></u>	<u><u>(1,364,270,294)</u></u>

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, 2014

	2014	2013
	\$	\$
<b>Operating</b>		
Annual surplus	316,973,132	291,958,780
Items not involving cash:		
Amortization	183,305,618	168,019,058
Loss on disposal of tangible capital assets	1,084,761	2,576,192
Changes in non-cash assets and liabilities:		
Accounts receivable	(79,331,508)	2,088,837
Accounts payable and accrued liabilities	161,684,464	120,041,015
Employee benefit obligations	12,244,691	10,365,254
Deferred revenue	14,720,636	98,023,471
Deferred revenue-obligatory reserve funds	(82,639,917)	(43,864,176)
Inventory	(783,681)	(25,929)
Prepaid expenses	(3,842,970)	(4,643,426)
Net change in cash and cash equivalents from operations	<u>523,415,226</u>	<u>644,539,076</u>
<b>Capital</b>		
Acquisition of tangible capital assets	(701,279,211)	(785,018,923)
Proceeds on disposal of tangible capital assets	675,294	817,393
Net change in cash and cash equivalents from capital	<u>(700,603,917)</u>	<u>(784,201,530)</u>
<b>Investing</b>		
Net change in investments	<u>(305,664,786)</u>	<u>(346,102,593)</u>
<b>Financing</b>		
Long-term debt issued	460,542,905	458,209,840
Long-term debt repaid	(68,916,474)	(79,450,635)
Interest earned on own sinking funds	(10,542,905)	(8,209,836)
Net change in cash and cash equivalents from financing	<u>381,083,526</u>	<u>370,549,369</u>
<b>Net change in cash and cash equivalents</b>	<b>(101,769,951)</b>	<b>(115,215,678)</b>
Opening cash and cash equivalents	<u>382,744,977</u>	<u>497,960,655</u>
Closing cash and cash equivalents	<u>280,975,026</u>	<u>382,744,977</u>

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

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.

**THE REGIONAL MUNICIPALITY OF YORK**  
**Notes to the Consolidated Financial Statements**  
December 31, 2014

**xi) Budget Figures**

Regional Municipality of York's Council completes a review of its operating budget each year. The approved budget for 2014 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>
<b>Revenues</b>	
Approved budget	2,987,910
Transfer from other funds	(380,106)
Proceeds of debt issued for Regional purpose	(385,297)
Other units	29,197
Total revenues	2,251,704
<b>Expenses</b>	
Approved budget	2,987,910
Transfer to other funds	(251,631)
Acquisition of tangible capital assets	(700,740)
Debt principal repayments	(178,866)
Amortization	169,628
Other units	28,547
Total expenses	2,054,848
Annual surplus	196,856

**xii) 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 \$888M (2013 - \$857M) general tax levy and \$24M (2013 - \$23M) other tax amounts.

**3. INVESTMENTS**

Included in cash and cash equivalents are short-term investments of \$80,000,000 (2013 - \$221,984,994) with a market value of \$80,000,000 (2013 - \$221,973,229).

Long-term investments of \$2,419,858,853 (2013 - \$2,114,194,067) have a market value of \$2,492,415,532 (2013 - \$2,111,614,965).

Cash and cash equivalents and long-term investments include \$304,130,696 (2013 - \$386,770,613) of restricted funds as required under legislation to fund obligatory reserve funds.

The yields on investments held range from 1.52% to 4.46% (1.10% to 4.63% in 2013).

#### 4. ACCOUNTS RECEIVABLE

This amount is comprised of the following:

	2014	2013
	\$	\$
Government of Canada	30,022,775	18,433,455
Government of Ontario	6,656,400	12,524,717
Other Municipalities	113,494,214	72,627,680
Others	<u>108,649,952</u>	<u>74,660,311</u>
	258,823,341	178,246,163
Less: Allowance for Doubtful Accounts	<u>1,245,670</u>	<u>0</u>
	<u>257,577,671</u>	<u>178,246,163</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, 2015 to December 1, 2051.

The total gross amount of the long-term liabilities to be retired by sinking funds is \$2,374,313,735 (2013 - \$2,064,851,002). The amount of the sinking fund assets available to retire debt is \$500,686,269 (2013 - \$360,149,002).

	2014	2013
	\$	\$
Total long-term liabilities incurred by the Municipality including those incurred on behalf of area municipalities and outstanding at the end of the year	2,677,361,194	2,430,830,433
Mortgages payable by Housing York Inc.	<u>73,613,378</u>	<u>78,114,508</u>
	2,750,974,572	2,508,944,941
Retirement and sinking fund	500,686,269	360,149,002
Less: Recoverable from area municipalities	<u>219,604,937</u>	<u>218,121,565</u>
Net long-term liabilities at the end of the year	<u>3,032,055,904</u>	<u>2,650,972,378</u>

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

2015	\$203,403,389
2016	151,025,967
2017	138,898,142
2018	105,218,785
2019	324,767,234
Thereafter	1,682,384,000
Net sinking fund debt repayable according to actuarial recommendations	<u>426,358,387</u>
	<u>\$3,032,055,904</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 \$122,136,458 (2013 - \$106,567,310).

**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, 2013	Inflows	Transferred out	Balance at December 31, 2014
	\$	\$	\$	\$
Deferred capital grants	194,552,420	322,408,635	(313,481,461)	203,479,594
Security deposits and agreements	18,240,277	66,929,546	(61,995,513)	23,174,310
Other	<u>7,708,001</u>	<u>6,376,910</u>	<u>(5,517,481)</u>	<u>8,567,430</u>
Total deferred revenue-general	<u>220,500,698</u>	<u>395,715,091</u>	<u>(380,994,455)</u>	<u>235,221,334</u>
Development charges	324,561,927	267,910,411	(361,870,502)	230,601,836
Gas tax	<u>62,208,686</u>	<u>50,309,715</u>	<u>(38,989,541)</u>	<u>73,528,860</u>
Total obligatory reserve funds	<u>386,770,613</u>	<u>318,220,126</u>	<u>(400,860,043)</u>	<u>304,130,696</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 \$12,244,691.

	2014	2013
	\$	\$
Post employment benefits (c)	60,855,827	55,621,649
Vested sick leave benefits (a)	26,644,100	25,125,896
Long-term disability claims (e)	25,736,060	22,283,109
Vacation payable	17,576,987	17,257,938
Workplace Safety and Insurance Board (WSIB) (d)	15,629,268	13,908,959
	146,442,242	134,197,551

Actuarial valuations:

The following table sets out the extrapolated results for each of the plans as at December 31, 2014.

	Post employment benefits \$	Vested sick leave benefits \$	Long term disability \$	WSIB \$	2014 total \$
Accrued benefit liability, beginning of year	55,621,649	25,125,896	22,283,109	13,908,959	116,939,613
Current service cost	3,575,318	4,156,546	5,982,928	2,869,045	16,583,837
Amortization of loss	511,408	1,572,689	1,463,876	531,393	4,079,366
Interest cost	2,680,783	1,834,217	1,562,816	806,356	6,884,172
Benefit payments	(1,533,331)	(6,045,248)	(5,556,669)	(2,486,485)	(15,621,733)
Accrued benefit liability, end of year	60,855,827	26,644,100	25,736,060	15,629,268	128,865,255

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%	N/A
Interest discount rate	4.25%	4.25%	4.75%

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 \$799,072 (2013 - \$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, 2014 is \$4,715,905 (2013 - \$4,666,478).

**Police Services**

For members hired before July 22, 2013, 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 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 \$25,845,028 (2013 - \$24,174,421). 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 \$6,577,584 (2013 - \$11,698,751) and is included in accumulated surplus in the Consolidated Statement of Financial Position.

According to an independent actuarial valuation report dated February 22, 2015 the total estimated liability for both regional operations and police services is \$26,644,100 (2013 - \$25,125,896).

b) **Pension Agreement**

The Region contributes to the Ontario Municipal Employees Retirement System (OMERS), a multi-employer plan on behalf of approximately 5,454 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 2014, employer contribution amounts to \$49,829,950 (2013 - \$49,954,145) and is included as an expense in the Consolidated Statement of Operations. Employee contributions also amount to \$49,829,950 (2013 - \$49,954,145).

The OMERS pension plan has a deficit of \$7 billion at December 31, 2014 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 February 22, 2015 the total future cost associated with these benefits is \$60,855,827 (2013 - \$55,621,649) 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, 2014 is \$15,629,268 (2013 - \$13,908,959) and is reported in the Consolidated Statement of Financial Position. The unamortized actuarial loss as at December 31, 2014 is \$3,287,384 (2013 - \$1,825,618).

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 \$25,736,060 (2013 - \$22,283,109) as at December 31, 2014 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 \$21,750,097 (2013 - \$20,186,688). 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:

	\$
2015	9,564,000
2016	8,011,000
2017	7,221,000
2018	6,936,000
2019	6,067,000

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.

The project cost is estimated to be \$2.6 billion over 10 years 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 \$351 million of which \$37.9 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. 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 an SIR of \$0 while the property and boiler policy each have an SIR of \$50,000 per occurrence.

The Region estimates that the liability as at December 31, 2014 for all outstanding public liability claims is, \$6,671,467 (2013 - \$4,650,783). The total reserve available for public liability and environmental impairment is \$20,953,377 (2013 - \$19,019,051).

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 2014 amounts to \$17,797,480 (2013 - \$15,664,208) and the net loss amounts to \$373,695 (2013 - \$1,954,282). 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:

	<b>2014</b>	<b>2013</b>
	\$	\$
<b>Surplus</b>		
-Invested in tangible capital assets	3,112,888,174	3,040,556,854
-Other	37,700,368	21,667,066
	<b>3,150,588,542</b>	<b>3,062,223,920</b>
<b>Reserves</b>		
-Equipment/vehicle replacement	57,310,331	55,599,917
-Working capital	43,304,809	42,494,163
-Group benefits	2,351,952	2,985,451
-Vacation pay	869,824	857,542
-OMERS (Type 3)	94,604	94,604
Total Reserves	<b>103,931,520</b>	<b>102,031,677</b>

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	2014	2013
	\$	\$
<b>Reserve Funds</b>		
-Sinking fund	456,586,696	324,607,427
-Roads infrastructure	333,929,782	289,475,583
-Debt reduction	169,070,783	229,624,260
-Social housing development	91,061,893	111,172,951
-Capital reserve-water and sewer	85,177,595	29,101,424
-Facilities rehabilitation and replacement	78,607,414	67,567,430
-Solid waste management	56,546,973	53,059,269
-Regionally owned housing	52,684,261	43,126,404
-Capital reserve fund	50,546,126	50,828,766
-Tax stabilization	49,319,515	47,447,606
-Fiscal stabilization	38,446,187	8,930,142
-Hospital financing	34,745,157	21,493,947
-Long-term disability	28,950,658	28,316,126
-Non-profit housing capital	24,721,073	18,369,438
-Transit vehicle replacement	22,930,031	-
-Social assistance	22,079,099	26,434,218
-Insurance	20,953,377	19,019,051
-Roads capital	19,579,085	26,640,336
-Move Ontario	17,798,462	29,205,853
-Workers' compensation schedule II	17,783,592	16,333,436
-IT development	11,953,783	11,473,202
-Sick leave	11,293,489	16,365,229
-Land bank	10,627,338	10,000,000
-Transit	7,550,505	8,917,365
-Innovation	4,572,528	4,342,063
-Fuel cost stabilization	3,753,050	2,187,732
-Land securement	1,656,964	2,170,140
-Seized funds	259,734	279,866
-Alternative community living	241,985	229,789
-Insurance claims and certificate system	11,586	11,001
<b>Total Reserve Funds</b>	<b>1,723,438,721</b>	<b>1,496,730,054</b>
<b>Total</b>	<b>4,977,958,783</b>	<b>4,660,985,651</b>

### 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, the 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
<b>Revenues</b>					
Net taxation/user charges	911,832,512	-	-	225,657,936	-
Transfer payments	2,002,619	9,457,874	232,816,290	1,755,685	80,603,627
Development contributions	-	5,016,255	150,048,393	201,663,141	3,868,617
Fees and services	16,611,302	13,614,338	67,627,375	13,529,414	715,551
Interest	28,539,023	666,527	18,922,679	5,231,009	385,858
Other	487,954	2,255,638	6,060,206	68,618,700	-
	<u>959,473,410</u>	<u>31,010,632</u>	<u>475,474,943</u>	<u>516,455,885</u>	<u>85,573,653</u>
<b>Expenses</b>					
Salaries and benefits	60,743,273	267,120,316	59,398,919	41,586,126	101,531,152
Interest payments	363,522	3,295,115	13,839,133	99,899,952	216,951
Operating expenses	51,197,134	26,862,596	527,177,423	185,532,837	16,594,859
Government transfers	7,651,252	-	-2,400	6,954,810	4,553,373
Amortization	13,794,181	10,763,702	83,210,984	63,650,614	4,101,771
	<u>133,749,362</u>	<u>308,041,729</u>	<u>683,624,059</u>	<u>397,624,339</u>	<u>126,998,106</u>
Annual Surplus (Deficit)	<u>825,724,048</u>	<u>(277,031,097)</u>	<u>(208,149,116)</u>	<u>118,831,546</u>	<u>(41,424,453)</u>

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	Community services	Social housing	Planning and development services	Total 2014	Total 2013
<b>Revenues</b>					
Net taxation/user charges	-	-	-	1,137,490,448	1,089,936,162
Transfer payments	158,209,308	36,583,632	238,937	521,667,972	495,374,989
Development contributions	70,301	1,178,795	25,000	361,870,502	221,157,590
Fees and services	1,760,226	20,389,225	45,399	134,292,830	130,161,510
Interest	1,343,838	9,072,866	-	64,161,800	32,860,377
Other	927,254	2,016,660	-	80,366,412	88,271,050
	<u>162,310,927</u>	<u>69,241,178</u>	<u>309,336</u>	<u>2,299,849,964</u>	<u>2,057,761,678</u>
<b>Expenses</b>					
Salaries and benefits	68,524,717	10,753,397	5,812,716	615,470,616	583,518,530
Interest payments	9,440	4,512,345	-	122,136,458	106,567,310
Operating expenses	91,672,589	86,978,908	2,150,366	988,166,712	833,446,602
Government transfers	54,120,157	520,236	-	73,797,428	74,251,398
Amortization	1,267,022	6,487,931	29,413	183,305,618	168,019,058
	<u>215,593,925</u>	<u>109,252,817</u>	<u>7,992,495</u>	<u>1,982,876,832</u>	<u>1,765,802,898</u>
Annual Surplus (Deficit)	<u>(53,282,998)</u>	<u>(40,011,639)</u>	<u>(7,683,159)</u>	<u>316,973,132</u>	<u>291,958,780</u>

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**14. TANGIBLE CAPITAL ASSETS**

Cost	Balance at			Balance at
	December 31			December 31
	2013	Additions	Disposals	2014
	\$	\$	\$	\$
Land	383,938,286	30,797,537	-	414,735,823
Land improvements	163,450,281	25,269,980	(1,745,233)	186,975,028
Buildings	1,589,662,000	168,013,886	(6,237,263)	1,751,438,623
Equipment and machinery	548,442,677	90,127,162	(3,668,656)	634,901,183
Vehicles	278,700,795	61,176,138	(5,599,003)	334,277,930
Roads infrastructure	1,371,416,835	48,642,206	(12,223,356)	1,407,835,685
Water/sewer infrastructure	1,144,553,625	69,744,341	(799)	1,214,297,167
Assets under construction	2,286,696,766	207,507,961	-	2,494,204,727
<b>Total</b>	<b>7,766,861,265</b>	<b>701,279,211</b>	<b>(29,474,310)</b>	<b>8,438,666,166</b>

Accumulated amortization	Balance at			Balance at
	December 31			December 31
	2013	Disposals	Amortization expenses	2014
	\$	\$	\$	\$
Land	0	-	-	0
Land improvements	72,824,040	(1,512,535)	7,853,254	79,164,759
Buildings	476,080,790	(6,013,735)	46,458,309	516,525,364
Equipment and machinery	289,279,483	(3,567,214)	45,276,771	330,989,040
Vehicles	122,451,407	(5,380,437)	24,993,039	142,064,009
Roads infrastructure	662,987,235	(11,240,047)	46,743,901	698,491,089
Water/sewer infrastructure	132,330,345	(287)	11,980,344	144,310,402
<b>Total</b>	<b>1,755,953,300</b>	<b>(27,714,255)</b>	<b>183,305,618</b>	<b>1,911,544,663</b>

	Net book value	
	December 31	
	2013	2014
	\$	\$
Land	383,938,286	414,735,823
Land improvements	90,626,241	107,810,269
Buildings	1,113,581,210	1,234,913,259
Equipment and machinery	259,163,194	303,912,143
Vehicles	156,249,388	192,213,921
Roads infrastructure	708,429,600	709,344,596
Water/sewer infrastructure	1,012,223,280	1,069,986,765
Assets under construction	2,286,696,766	2,494,204,727
<b>Total</b>	<b>6,010,907,965</b>	<b>6,527,121,503</b>

**15. TRANSFER PAYMENT REVENUE**

	2014	2013
	\$	\$
Provincial grants		
Transit	199,168,141	168,262,893
Social assistance	69,014,588	67,990,062
Child care	68,364,182	61,199,528
Public health	47,788,449	46,796,572
Ambulance	32,815,178	30,318,598
Housing	27,969,125	19,251,575
Services for seniors	20,489,016	22,276,713
Police	9,457,874	8,967,738
Other	2,285,327	497,004
Roadways	60,000	3,676,031
	<b>477,411,880</b>	<b>429,236,714</b>
Federal grants		
Gas tax	24,589,541	21,397,730
Transit	8,998,609	25,484,597
Housing	8,614,508	13,382,749
Environmental services	1,755,684	1,965,874
Other	278,289	3,860,258
Social assistance	19,461	27,729
Public health	0	15,487
Roadways	0	3,851
	<b>44,256,092</b>	<b>66,138,275</b>
Total transfer payments	<b>521,667,972</b>	<b>495,374,989</b>



## 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 2014	387,645,197
Spent in 2014	<u>274,526,193</u>
Total spent	<u>662,171,390</u>
Total commitment	<u>1,755,000,000</u>
Balance to be spent	<u>1,092,828,610</u>

## 17. COST-SHARED CAPITAL PROJECTS

The Regional Municipality of York paid the Region of Peel and the City of Toronto \$47.4 million in 2014 (\$86.0 million in 2013) 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.

**SINKING FUND**

**STATEMENT OF FINANCIAL POSITION,**

**FINANCIAL ACTIVITIES**

**AND**

**CHANGE IN FUND BALANCE**

**2014**





KPMG LLP  
Yonge Corporate Centre  
4100 Yonge Street Suite 200  
Toronto ON M2P 2H3  
Canada

Telephone (416) 228-7000  
Fax (416) 228-7123  
Internet [www.kpmg.ca](http://www.kpmg.ca)

## 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, 2014, 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, 2014, 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*

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Chartered Professional Accountants, Licensed Public Accountants

May 13, 2015

Toronto, Canada

**THE REGIONAL MUNICIPALITY OF YORK**  
**Sinking Fund Statement of Financial Position**  
As at December 31, 2014

	2014	2013
	\$	\$
<b>Financial Assets</b>		
Cash	32,559	0
Investments – at amortized cost (Note 1)	498,775,992	358,906,450
Interest receivable	1,877,718	1,242,552
<b>Total Assets</b>	<b>500,686,269</b>	<b>360,149,002</b>
<b>Liabilities</b>		
Actuarial requirement for retirement of the Sinking Fund (Note 2)	492,750,641	359,111,338
Fund balance	7,935,628	1,037,664
<b>Total Liabilities and Fund Position</b>	<b>500,686,269</b>	<b>360,149,002</b>

**THE REGIONAL MUNICIPALITY OF YORK**  
**Sinking Fund Statement of Financial Activities and Change in Fund Balance**  
For the year ended December 31, 2014

	Budget	2014	2013
	\$	\$	\$
<b>Revenues</b>			
Contributions from:			
Area Municipalities	7,395,869	7,395,869	7,395,877
Regional Corporation	116,014,543	116,014,543	100,887,122
Total contributions	123,410,412	123,410,412	108,282,999
Interest and capital gains	10,228,892	17,126,856	14,502,553
Total revenues	133,639,304	140,537,268	122,785,552
<b>Expenses</b>			
Actuarial requirement for the year	(133,639,304)	(133,639,304)	(121,904,569)
<b>Change in Fund Balance</b>	<b>0</b>	<b>6,897,964</b>	<b>880,983</b>
<b>Opening Fund Balance</b>	<b>1,037,664</b>	<b>1,037,664</b>	<b>156,681</b>
<b>Closing Fund Balance</b>	<b>1,037,664</b>	<b>7,935,628</b>	<b>1,037,664</b>

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 \$512,257,546 (2013 - \$357,895,788).

**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**  
**2014**





KPMG LLP  
Yonge Corporate Centre  
4100 Yonge Street Suite 200  
Toronto ON M2P 2H3  
Canada

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## 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, 2014 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, 2014, 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*

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Chartered Professional Accountants, Licensed Public Accountants

May 13, 2015

Toronto, Canada

**THE REGIONAL MUNICIPALITY OF YORK**  
**Residents' Trust Funds and Donation Account**  
**Statement of Financial Position**  
As at December 31, 2014

	Trust \$	Donation \$	<b>2014</b> \$	2013 \$
<b>Financial Assets</b>				
Cash	158,129	51,787	<b>209,916</b>	203,512
Residents' petty cash	6,500	-	<b>6,500</b>	-
<b>Total Assets</b>	<u>164,629</u>	<u>51,787</u>	<b><u>216,416</u></b>	<u>203,512</u>
<b>Fund Balances</b>	<u>164,629</u>	<u>51,787</u>	<b><u>216,416</u></b>	<u>203,512</u>

**THE REGIONAL MUNICIPALITY OF YORK**  
**Residents' Trust Funds and Donation Account**  
**Statement of Financial Activities**  
For the year ended December 31, 2014

	Trust \$	Donation \$	<b>2014</b> \$	2013 \$
Fund balances, beginning of year	152,955	50,557	<b>203,512</b>	221,968
Source of funds:				
Deposits on behalf of residents	403,180	500	<b>403,680</b>	398,245
Interest earned on deposits		730	<b>730</b>	1,453
	403,180	1,230	<b>404,410</b>	399,698
Use of funds:				
Withdrawals	(391,506)	0	<b>(391,506)</b>	(418,154)
Net activity	11,674	1,230	<b>12,904</b>	(18,456)
Fund balances, end of year	<u>164,629</u>	<u>51,787</u>	<b><u>216,416</u></b>	<u>203,512</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, 2014

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**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.

# 2014 Financial Statements

Presentation to  
**Audit Committee**

**Warren Marshall**

June 10, 2015



# Agenda

- Key Reporting Requirements
- 2014 Financial Statement results

# Reporting Requirements

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

# Statement of Operations

Revenues	\$2,300M
Expenses:	
Operations	
(including Amortization)	
Total Expenses	<u>1,983M</u>
Annual Surplus	317M
Accumulated Surplus, beginning of year	<u>4,661M</u>
Accumulated Surplus, end of year	<u>\$4,978M</u>

# Accumulated Surplus

- Amount that all assets exceed liabilities
- Includes financial and non-financial assets
- Financial assets include investments and cash, non-financial assets include TCA
- Indication of net resources available to provide future services
- 2014 year-end accumulated surplus of \$5B

Increased \$317M primarily due to investment in tangible capital assets (TCA)



# Statement of Financial Position

## Assets:

Financial Assets	\$3,178M
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Liabilities:	<u>4,746M</u>
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Net Debt	(1,568M)
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## Non-Financial Assets:

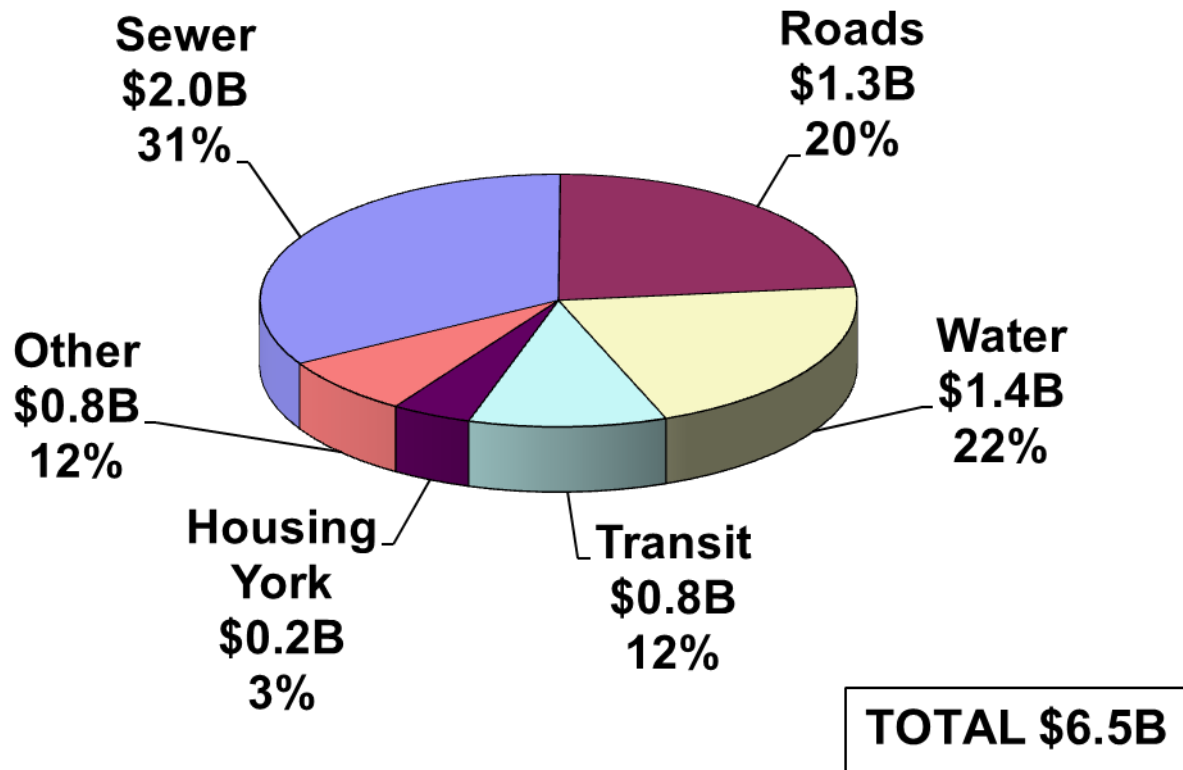
Prepaid Expenses, Inventory	19M
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Tangible Capital Assets	<u>6,527M</u>
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Accumulated Surplus	<u>\$4,978M</u>
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# Tangible Capital Assets by Department

**NET BOOK VALUE  
AS AT DECEMBER 31, 2014**



# Net Debt

- Difference between financial assets and liabilities
- Indication of future revenues required to pay for past investments in TCA
- Net Debt at the end of 2014 - \$1.57B
- Total debt : financial and non-financial assets ratio remains favourable at 33%

Net debt increased by \$204M due to investment in tangible capital assets

# Statement of Cash Flow

- Shows how much cash flowed in and out of the Region
- Indication of how the Region generated and used cash during the year
- Net decrease in cash and cash equivalents of \$102M due to investment of surplus cash

# GFOA Award for Financial Reporting 2013



Thank you

