

Financial Statements of

**YORK REGION RAPID TRANSIT
CORPORATION**

Year ended December 31, 2012



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of York Region Rapid Transit Corporation

We have audited the accompanying financial statements of York Region Rapid Transit Corporation, which comprise the balance sheet as at December 31, 2012 and the statement of operations and deficit for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management in accordance with the basis of accounting in note 1 to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting in note 1 to the financial statements; this includes determining that basis of accounting is an acceptable basis for the preparation of these financial statements in the circumstances, 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 the 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 the auditor's 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, the auditor considers 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.



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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of York Region Rapid Transit Corporation as at December 31, 2012, and the result of its financial performance for the year then ended in accordance with the basis of accounting in note 1 to the financial statements.

Basis of Accounting and Restriction on Use

Without modifying our opinion, we draw attention to note 1 to the financial statements, which describes the basis of accounting. The financial statements are prepared for payments in lieu of taxes and corporate purposes. As a result, the financial statements may not be suitable for other purposes. Our report is intended solely for York Region Rapid Transit Corporation, The Regional Municipality of York, and for federal and provincial income tax authorities and should not be used by parties other than York Region Rapid Transit Corporation, The Regional Municipality of York or the federal and provincial income tax authorities.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

May 10, 2013

Toronto, Canada

YORK REGION RAPID TRANSIT CORPORATION

Balance Sheet

December 31, 2012, with comparative figures for 2011

	2012	2011
Assets	\$ -	\$ -
Liabilities and Shareholder's Equity		
Current liabilities:		
Due to Regional Municipality of York	\$ 79,025,590	\$ 64,796,492
Due to others	120,838	361,308
Shareholder's equity:		
Share capital	1	1
Deficit	(79,146,429)	(65,157,801)
	(79,146,428)	(65,157,800)
	\$ -	\$ -

See accompanying notes to financial statements.

On behalf of the Board:

_____ Treasurer

YORK REGION RAPID TRANSIT CORPORATION

Statement of Operations and Deficit

Year ended December 31, 2012, with comparative figures for 2011

	2012	2011
Revenue:		
Fees and services	\$ 25,320,535	\$ 22,545,964
	<u>25,320,535</u>	<u>22,545,964</u>
Expenditures:		
VIVA operating services	35,850,246	31,555,296
Salaries and benefits	4,319,879	2,926,267
Contracted services, net of recoveries	1,035,380	582,918
Regional management services	3,678,313	2,415,011
Administration	2,407,854	635,796
Capital Recoveries (Note 4)	(7,982,510)	(3,580,380)
	<u>39,309,163</u>	<u>34,534,908</u>
Excess of expenditures over revenue	(13,988,628)	(11,988,944)
Deficit, beginning of year	(65,157,801)	(53,168,857)
Deficit, end of year	<u>\$ (79,146,429)</u>	<u>\$ (65,157,801)</u>

See accompanying notes to financial statements.

YORK REGION RAPID TRANSIT CORPORATION

Notes to Financial Statements

Year ended December 31, 2012

York Region Rapid Transit Corporation (“Organization”) was incorporated on July 2, 2003 under the Ontario Business Corporations Act. The Organization’s principal business activity is the design and delivery of the Regional Municipality of York’s rapid transit systems, known as VIVA.

The Organization is exempt from income taxes if certain requirements of the Income Tax Act (Canada) are met.

1. Significant accounting policies:

(a) General:

These financial statements have been prepared in accordance with Part V of the CICA Handbook, which is the accounting framework used in the preparation of the financial statements in the prior year. These financial statements are not prepared in accordance with Canadian Generally Accepted Accounting Principles in that the required accounting framework is Part I of the CICA Handbook, being International Financial Reporting Standards (“IFRS”) (Note 2).

(b) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in the period in which they become known.

(c) Accrual Basis of Accounting:

The financial statements have been prepared on the accrual basis of accounting. Revenue and expenditures are recorded on the accrual basis, whereby they are reflected in the accounts in the period in which they have been earned and incurred respectively, whether or not such transactions have been finally settled by the receipt or payment of money.

(d) Revenue Recognition:

The organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Funding is recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and the collection is reasonably assured.

YORK REGION RAPID TRANSIT CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2012

2. Statement of cash flows:

A statement of cash flows has not been presented as it would not provide any additional meaningful information.

3. Additional Rental Costs:

In March 2012, the organization leased additional Suites 801, 802, 810, 811 and 812 in Level 8 of Liberty Square West Building, Markham. The lease term is three years and the base rent is \$6,673.33 per month. The lease agreement also provides for a two year renewal option with a base rent of \$7,150 per month. The rental costs relating to capital projects have been recovered by the organization.

4. Capital recoveries:

Certain indirect costs and overhead expense relating to capital projects of the Region have been recovered by the Organization.