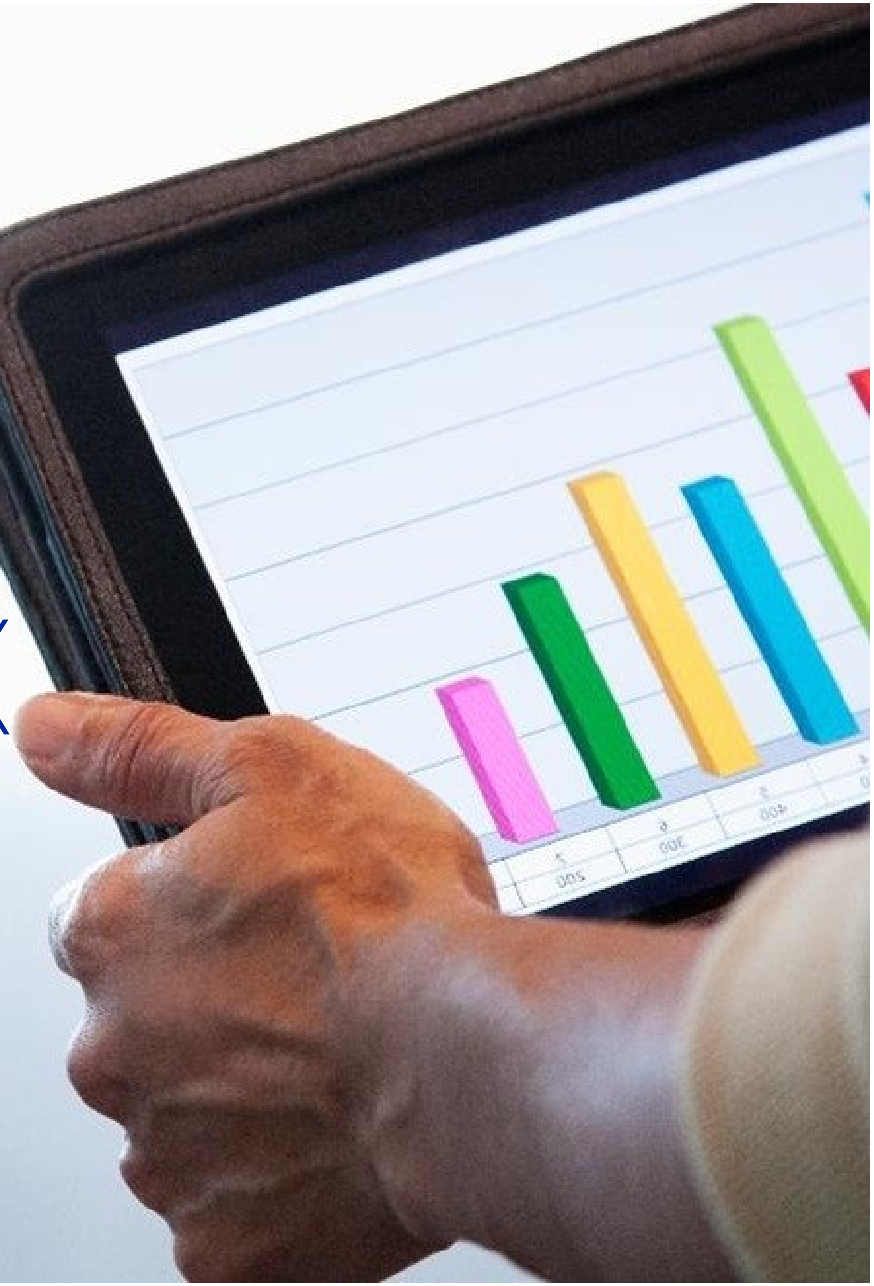
The Regional Municipality of York

Audit Findings Report
For the year ended December 31, 2017

April 2018

kpmg.ca/audit



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Executive summary

Purpose of this report

The purpose of this Audit Findings Report is to assist you, as a member of the Audit Committee, in your review of the results of our audit of the consolidated financial statements (the “financial statements”) of the Regional Municipality of York (“the Region”) as at and for the year ended December 31, 2017.

Changes from the Audit Plan

The preliminary audit materiality in the Audit Planning Report was re-assessed to reflect the Region’s actual operating expenditures. The materiality for the year-end audit was $60M (2016 - $56M), which was decreased from the Audit Planning Report materiality of $63M. There have been no other significant changes regarding our audit from the Audit Planning Report previously presented to you.

Adjustments and differences

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

Finalizing the audit

As of April 27, 2018, we have completed the audit of the consolidated financial statements and received evidence of approval of the consolidated financial statements from the Region’s Commissioner of Finance (individual delegated authority to approve the financial statements). We have also extended our subsequent event procedures up to our auditor’s report date.

Our audit report is dated the same as the date of approval of the consolidated financial statements by the Region’s Commissioner of Finance on April 27, 2018.

Control and other observations

We did not identify any control deficiencies that we determined to be significant deficiencies.

Critical accounting estimates

The critical areas of estimates relate to the depreciation of capital assets, employee future benefits and contingent liabilities. We are satisfied with the reasonability of accounting estimates.

Independence

We are independent with respect to the Regional Municipality of York (and its related entities), within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any other standards or applicable legislation or regulation.

Significant accounting policies and practices

There have been no initial selections of, or changes to, significant accounting policies and practices to bring to your attention.

Audit risks and results

Inherent risk of material misstatement is the susceptibility of a balance or assertion to misstatement which could be material, individually or when aggregated with other misstatements, assuming that there are no related controls. We highlight our significant findings in respect of significant financial reporting risks as identified in our discussion with you in the Audit Plan, as well as any additional significant risks identified.

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

Audit risks and results (continued)

We identified other areas of focus for our audit in our discussion with you in the Audit Plan.

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

Other areas of focus	Our response and significant findings
Development charges	• During the audit, we noted the development charge collections were $391.0M (2016 – $338.5M) and the amounts recognized as revenue were $284.5M (2016 - $283.4M). • We reviewed on a sample basis both development charge collections and transfers into income. We also agreed the total development charge transfers to the amount recognized into revenue. We noted that the development charge collections and transfers were appropriate, and the transfers had appropriately been recognized into revenue.
Deferred Metrolinx revenue	• During our substantive testing, we noted that the Region recognized $322.1M (2016 - $227.6M) of deferred revenue earned for the Metrolinx projects. The Region also received cash advances from Metrolinx of $47.8M (2016 - $255.9M). • We obtained the deferred revenue continuity schedule and selected samples for testing to determine if the selected amounts had been recognized appropriately as revenue in the current period. We also tested the cash advances by agreeing to cash payments. • Based on our testing, we concluded that the Metrolinx deferred revenue was recognized appropriately.
Expropriation accruals	• During our substantive audit of accruals we noted the expropriation accruals balance for non-Metrolinx projects was $11.3M (2016 – $10.9M) and the amount accrued for the expropriation related to Metrolinx projects was $43.0M (2016 - $47.8M). • We obtained a listing of non-Metrolinx expropriation accruals and selected significant additions and disposals for testing to determine if the year-end balance was appropriate. We also obtained detailed schedules of the Metrolinx related expropriation accruals by project, and selected samples for testing to ensure the liability existed as of year-end and the amount accrued was appropriate. • We noted that expropriation accruals were recognized appropriately.

Other areas of focus	Our response and significant findings
Investments	• As at year-end, the Region held $2,809.1M (2016 - $2,572.9M) in investments. The cash balances also includes $230M (2016 - $120M) of short-term investments with maturity dates less than 3 months from year-end. • We performed test of details over the additions and disposals of investments, compared the investment listing to third party confirmations, and reviewed the investments for compliance with the investment policy. • We noted the recognition of additions and de-recognition of disposals were properly executed. The accounting records were compared to third party confirmations without issue. Also the investment activity and balances were consistent with the Region's policies.
Tangible capital assets	• During our substantive testing of tangible capital asset additions, we noted that the Region recognized $658.0M (2016 - $648.1M) in total additions, which is comprised of $643.1M (2016 - $590.8M) of additions to the Region's work in progress ("WIP"), and $14.9M (2016 - $57.3M) of additions to HYI. The Region also capitalized $542M (2016 - $1,041M) from WIP into tangible capital assets. • The Region disposed of assets with a cost base of $110.2M (2016 - $53.1M) and accumulated amortization of $99.8M (2016 - $49.6M). The proceeds on the disposals of capital assets were $ 6.9M (2016 - $0.8M), which resulted in a loss on disposal of $3.5M (2016 - $2.6M). • We reviewed on a sample basis the additions to both WIP and tangible capital assets. We noted that the capital additions were appropriate and management has correctly capitalized the additions from work in progress to capital assets. We also reviewed on a sample basis the disposals of tangible capital assets, and recalculated the overall loss on disposal. We noted that the disposals were recorded appropriately.
Contributed assets	• At the end of 2016 the Region capitalized a contributed asset from City of Markham being the Woodbine Bypass totalling $27.3M. During our substantive testing of revenue, we noted the related recognition of revenue was recorded in fiscal 2017. The timing difference in the recognition of the related revenue is not considered material to the financial statements. • During fiscal 2017 the Region capitalized a contributed asset from City of Markham for the Box Grove Bypass totalling $13.6M. The related revenue was also recognized in 2017 appropriately.

Critical accounting estimates

Under IFRS (IAS 1.125), management is required to disclose information in the consolidated financial statements about the assumptions it makes about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to carrying amounts of assets and liabilities within the next financial year. Generally, these are considered to be “critical accounting estimates.”

We have summarized our assessment of the subjective areas:

Asset / liability	KPMG comment
Contingent liabilities	• The CPA Handbook PS 3300 Contingent Liabilities requires that the Region recognize a liability when *“…it is likely that a future event will confirm that a liability has been incurred at the date of the financial statements; and the amount can be reasonably estimated.”* • At any point in time, the Region is subject to a number of matters which could potentially result in the determination of a contingent liability as defined above, including, but not limited to matters such as legal claims, contract settlement accruals etc. • We reviewed the Region’s assessments of contingent liabilities and the process employed to develop and record the estimated liabilities. Where applicable, we met with the individuals responsible for the process and are satisfied that the methodology used is consistent with the approach taken in prior years and has been appropriately reviewed. • As these items are resolved, it is possible that the final amounts recorded for these liabilities may change, however the amounts currently recorded represent management’s best estimates of exposure given the information presently available.
Amortization expense	• We have also reviewed the estimated useful lives of the various additions from work in progress to tangible capital assets and conclude that they are reasonable. • Fiscal 2017 amortization expense was recalculated and it was determined that management’s calculation of the amortization expense was appropriate.
Employee future benefits	• We reviewed actuarial reports regarding estimates related to Employee Future Benefits, and conducted tests of detail to assess the reliability of the information used within the reports. • We recalculated the accruals based on the information noted above, and did not identify any discrepancies.

Asset / liability	KPMG comment
Metrolinx betterments	• During the audit, we noted an entry of $35.8M was recorded to reflect a change in estimate for expenditures that were initially allocated to the Metrolinx project. • In 2017 detailed analysis was performed on the YR00H2V Metrolinx rapidway construction costs to finalize the portion allocated as Region-owned vs. Metrolinx-owned. At the beginning of the project the estimate based on the Master Agreement was the majority of “projects assets” would be Metrolinx owned and thus expensed through the consolidated statement of operations by the Region. Upon this project being put into service, the Owner’s Engineer provided a detailed analysis of the completed assets, which included a cost allocation of the value of the betterment to the Region-owed assets. It was determined the original estimate of the Region owed assets required an increase of $35.8M. • Management analysed the change in estimate and applied the adjustment prospectively. We determined management’s assessment is appropriate based on the CPA Handbook PSAS 2120 – Accounting Changes. • The analysis above suggests that the Region should consider performing more detailed analyses of actual construction expenses for Metrolinx projects before the in-service period in order to better allocate capital costs and expenditures at each reporting date. In 2017 the Region started to estimate and budget for the Region-owned portion of any new Metrolinx project. The YR00H2V adjustment represents amounts for a project prior to 2017. Management expects the adjustments to be minimal for new Metrolinx projects.
Accounting treatment with Housing York Inc. (“HYI”)	• HYI owns several buildings under the Affordable Housing Program (“AHP”). In prior years, HYI recorded the amortization expense for the buildings based on the terms of the mortgages secured to finance such assets and the annual charges of the mortgage as an amortization expense. This practice is in compliance with the Contribution Agreement between HYI and the Region and Section 80(2) of the Housing Services Act, 2011 (the “Act”). The treatment resulted in a non-cash deficiency of revenue over expenditures and ultimately a deficit, which was disallowed under the AHP rules. In 2012 the Contribution Agreement was amended to allow for cessation of amortization on AHP buildings. The amendment was applied in 2012 and future years. • Although amortization has not been recorded on the AHP projects since 2012 in HYI financial statements, the Region continues to record amortization in the consolidated financial statements. We performed a reasonability test to ensure that the amortization expense on the HYI buildings is adequately recorded within the Region’s consolidated financial statements.

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

Financial statement presentation and disclosure

The presentation and disclosure of the consolidated financial statements are, in all material respects, in accordance with the Region's relevant financial reporting framework. Misstatements, including omissions, if any, related to disclosure or presentation items are in the management representation letter included in the Appendices.

We also highlight the following:

Form, arrangement, and content of the financial statements	KPMG did not note any presentation or disclosure misstatements that have a material impact on the consolidated financial statements.
Application of accounting pronouncements issued but not yet effective	No concerns at this time regarding future implementation.

Adjustments and differences

Adjustments and differences identified during the audit have been categorized as “Corrected adjustments” or “Uncorrected differences”. These include disclosure adjustments and differences. Professional standards require that we request of management and the audit committee that all identified differences be corrected. We have already made this request of management.

Corrected adjustments

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

Uncorrected differences

We did not identify differences that remain uncorrected.

Appendices

Appendix 1: Required communications

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

– **Auditors' report** – the conclusion of our audit is set out in our draft auditors' report.

– **Management representation letter** – In accordance with professional standards, copies of the management representation letter are provided to the Audit Committee.

Appendix 2: Audit Quality and Risk Management

KPMG maintains a system of quality control designed to reflect our drive and determination to deliver independent, unbiased advice and opinions, and also meet the requirements of Canadian professional standards. Quality control is fundamental to our business and is the responsibility of every partner and employee. The following diagram summarises the six key elements of our quality control systems.

Visit our Audit Quality Resources page for more information including access to our audit quality report, Audit quality: Our hands-on process.

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

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

Appendix 3: Background and professional standards

Internal control over financial reporting

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

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

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

Documents containing or referring to the audited financial statements

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

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

Appendix 4: Management representation letter

York Region

Finance
Controllership Office

April 27, 2018

Mr. Kevin Travers, Partner
KPMG LLP
Vaughan Metropolitan Centre
100 New Park Place, Suite 1400
Vaughan, ON L4K 0J3

Dear Mr. Travers,

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the consolidated financial statements (hereinafter referred to as "financial statements") of the Regional Municipality of York ("the Entity") as at and for the period ended December 31, 2017.

GENERAL:

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

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

RESPONSIBILITIES:

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

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

   b) providing you with all information of which we are aware that is relevant to the preparation of the financial statements, such as all financial records and documentation and other matters, including (i) the names of all related parties and information regarding all relationships and transactions with related parties;

and (ii) the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of shareholders, board of directors and committees of the board of directors that may affect the financial statements, and providing you with access to such relevant information. All significant board and committee actions are included in the summaries.

c) providing you with additional information that you may request from us for the purpose of the engagement
d) providing you with unrestricted access to persons within the Entity from whom you determined it necessary to obtain audit evidence

e) such internal controls as we determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We also acknowledge and understand that we are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.

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

g) providing you with written representations that you are required to obtain under your professional standards and written representations that you determined necessary.

h) ensuring that internal auditors providing direct assistance to you, if any, were instructed to follow your instructions and that management, and others within the entity, did not intervene in the work the internal auditors performed for you.

INTERNAL CONTROL OVER FINANCIAL REPORTING:

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

FRAUD & NON-COMPLIANCE WITH LAWS AND REGULATIONS:

3) We have disclosed to you:

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

   b) all information in relation to fraud or suspected fraud that we are aware of and that affects the Entity and involves: management, employees who have significant roles in internal control, or others, where the fraud could have a material effect on the financial statements

c) all information in relation to allegations of fraud, or suspected fraud, affecting the Entity's financial statements, communicated by employees, former employees, analysts, regulators, or others

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

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

SUBSEQUENT EVENTS:

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

RELATED PARTIES:

5) We have disclosed to you the identity of the Entity's related parties.

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

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

ESTIMATES:

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

NON-SEC REGISTRANTS OR NON-REPORTING ISSUERS:

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

OTHER:

10) There are no:

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

    b) guarantees, whether written or oral, under which the Region is contingently liable

    c) other environment matters that may have impact on the financial statements.

Sincerely,

Bill Hughes
Commissioner of Finance and Treasurer

Jason Li
Acting Director, Controllership Office and Deputy Treasurer

Attachment I – Definitions

MATERIALITY

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

FRAUD & ERROR

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

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

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

RELATED PARTIES

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

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

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

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

Appendix 5: New Auditor Reporting

In response to investors demanding more than a binary pass/fail opinion from the auditors' report, the new and revised auditor reporting standards have introduced significant changes to the traditional auditors' report we provide.

In April 2017, the Auditing and Assurance Standards Board (AASB) in Canada approved the new and revised auditor reporting standards as Canadian Auditing Standards (CASs).

What's new?

Highlights of the new auditors' report include:

Change	Applicability
Re-ordering of the auditors' report including moving opinion to the first section	Listed and non-listed entities
Expanded descriptions of management's, those charged with governance and auditors' responsibilities	Listed and non-listed entities
Disclosure of name of the engagement partner	Listed entities
Description of key audit matters (KAMs)	Applicable only when required by law or regulation or when the auditors is engaged to do so

When are the new requirements effective?

The new and revised standards in Canada will be effective for audits of financial statements for periods ending on or after December 15, 2018 with early application permitted.

U.S. developments

In June 2017, the Public Company Accounting Oversight Board (PCAOB) adopted their enhanced auditor reporting standards which includes, among other requirements, discussion of critical audit matters (CAMs) (similar to KAMs) and tenure of the auditor. Highlights and effective dates of the new U.S. standards are:

- New auditors' report format, tenure and other information: audits for fiscal years ending on or after December 15, 2017
- Communication of CAMs for audits of large accelerated filers: audits for fiscal years ending on or after June 30, 2019
- Communication of CAMs for audits of all other companies: audits for fiscal years ending on or after December 15, 2020.

Impact to Foreign Private Issuers in Canada

Auditors of foreign private issuers ("FPIs") will still be able to issue a "combined" report (which many FPIs in Canada issue today) that meets both the CAS and enhanced PCAOB standards for 2017 year-end engagements.

Discussions are still underway whether a "combined report" for 2018 year-end engagements will be allowable.

The way forward in Canada

The AASB, working alongside the regulatory bodies, continue to deliberate how the disclosure of KAMs will be required to listed entities in Canada given the recent developments in the U.S.

Appendix 6: Current developments

Please visit the Audit Committee Institute / Current Developments page for recent developments in IFRS, Canadian securities matters, Canadian auditing and other professional standards and US accounting, auditing and regulatory matters.

The following is a summary of the current developments that are relevant to the Company:

Standard	Summary and implications
PS 3210 Assets	This standard provides a definition of assets and further expands that definition as it relates to control. Assets are defined as follows: • They embody future economic benefits that involve a capacity, singly or in combination with other assets, to provide goods and services, to provide future cash inflows, or to reduce cash outflows. • The public sector entity can control the economic resource and access to the future economic benefits. • The transaction or event giving rise to the public sector entity's control has already occurred. The standard also includes some disclosure requirements related to economic resources that are not recorded as assets to provide the user with better information about the types of resources available to the public sector entity. This standard is effective for fiscal periods beginning on or after April 1, 2017 (the Region's December 31, 2018 year-end).
PS 3380 Contractual Rights	This standard defines contractual rights to future assets and revenue. Information about a public sector entity's contractual rights should be disclosed in notes or schedules to the financial statements and should include descriptions about their nature and extent and the timing. The standard also indicates that the exercise of professional judgment would be required when determining contractual rights that would be disclosed. Factors to consider include, but are not limited to: (a) contractual rights to revenue that are abnormal in relation to the financial position or usual business operations; and (b) contractual rights that will govern the level of certain type of revenue for a considerable period into the future. This standard is effective for fiscal periods beginning on or after April 1, 2017 (the Region's December 31, 2018 year end.)
PS 2200 Related Party Disclosures	This standard relates to related party disclosures and defines related parties. Related parties could be either an entity or an individual. Related parties exist when one party has the ability to control or has shared control over another party. Individuals that are key management personnel or close family members may also be related parties. Disclosure is only required when the transactions or events between related parties occur at a value different from what would have been recorded if they were not related and the transactions could have a material financial impact on the financial statements. Material financial impact would be based on an assessment of the terms and conditions underlying the transaction,

	the financial materiality of the transaction, the relevance of the information and the need for the information to enable the users to understand the financial statements and make comparisons. This standard also specifies the information required to be disclosed including the type of transactions, amounts classified by financial statement category, the basis of measurement, and the amounts of any outstanding items, any contractual obligations and any contingent liabilities. The standard also requires disclosure of related party transactions that have occurred where no amounts has been recognized. This standard is effective for fiscal periods beginning on or after April 1, 2017 (the Region's December 31, 2018 year end.)
PS 3430 Restructuring Transactions	A restructuring transaction in the public sector differs from an acquisition as they generally include either no or nominal payment. It also differs from a government transfer as the recipient would be required to assume the related program or operating responsibility. The standard requires that assets and liabilities are to be measured at their carrying amount. It also prescribes financial statement presentation and disclosure requirements. This standard is effective for fiscal periods beginning on or after April 1, 2018 (the Region's December 31, 2018 year end.)
PS 3420 Inter-entity Transactions	This standard relates to the measurement of related party transactions and includes a decision tree to support the standard. Transactions are recorded a carrying amounts with the exception of the following: • In the normal course of business – use exchange amount • Fair value consideration – use exchange amount • No or nominal amount – provider to use carrying amount; recipient choice of either carrying amount or value fair. • Cost allocation – use exchange amount This standard is effective for fiscal periods beginning on or after April 1, 2017 (the Region's December 31, 2018 year end.)
PS 3450 Financial Instruments	A standard has been issued, establishing a standard on accounting for and reporting all types of financial instruments including derivatives. The effective date of this standard has recently been deferred and it is now effective for fiscal periods beginning on or after April 1, 2019 (the Region's December 31, 2019 year end.) This standard will require the Region to identify any contracts that have embedded derivatives and recognize these on the consolidated statement of financial position at fair value. Portfolio investments in equity instruments are required to be recorded at fair value. Changes in fair value will be reported in a new financial statement – statement of remeasurement gains and losses. This standard sets out a number of disclosures in the financial statements designed to give the user an understanding of the significance of financial instruments to the Region. These disclosures include classes of financial instruments and qualitative and quantitative risk disclosures describing the nature and extent of risk by type. The risks to be considered include credit, currency, interest rate, liquidity, and market risk.

Revised Standard PS 2601 Foreign Currency Translation	A revised standard has been issued establishing standards on accounting for and reporting transactions that are denominated in a foreign currency. The effective date of this standard has been deferred and is effective for fiscal periods beginning on or after April 1, 2019 (The Region's December 31, 2020 year-end). Earlier adoption is permitted. An entity early adopting this standard must also adopt the new financial instruments standard. This standard will require exchange gains and losses arising prior to settlement are recognized in a new statement of remeasurement gains and losses.