

Clause 2 in Report No. 2 of Committee of the Whole was adopted, without amendment, by the Council of The Regional Municipality of York at its meeting held on June 28, 2018.

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2017 Financial Statements and Auditor's Report

Audit Committee recommends:

1. Receipt of the presentation by Jason Li, Acting Director, Controllership Office.
 2. Adoption of the following recommendation in the report dated May 28, 2018 from the Commissioner of Finance:
 1. Council receive this report for information.
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Report dated May 28, 2018 from the Commissioner of Finance now follows:

1. Recommendations

It is recommended that Council receive this report for information.

2. Purpose

This report provides information to Council on the 2017 financial activities of the Region, as required by the *Municipal Act, 2001*.

3. Background

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

Under the *Municipal Act, 2001*, municipalities must:

1. Prepare financial statements in accordance with generally accepted accounting principles
2. Report the financial affairs of the municipality to Council

3. 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

4. Analysis and Implications

The auditor's opinion on the 2017 financial statements is free of any qualifications or conditions

The consolidated financial statements were prepared in accordance with generally accepted accounting principles established by the Public Sector Accounting Board (PSAB). The statements include financial activities of the Region and all entities that are accountable to and controlled by the Region, including Housing York Inc. and the York Region Rapid Transit Corporation.

KPMG LLP conducted the annual audit in accordance with generally accepted auditing standards. The 2017 Auditor's Report reflects KPMG's opinion that the financial statements present fairly, in all material respects, the financial position of the Region in accordance with generally accepted accounting principles. The audit opinion was issued without reservation or condition.

Key financial results for 2017 are highlighted below.

Financial assets increased by \$194 million from 2016

Financial assets are the Region's resources available to settle liabilities to external parties. Cash on hand, investments and accounts receivable are examples of financial assets. Tangible capital assets are not classified as financial assets.

Total Financial Assets increased by \$194 million or 5 per cent from 2016, as summarized in Table 1.

Table 1
Summary of Financial Assets Increase

	\$ (millions)
Cash and cash equivalents	-70
Investments	236
Accounts receivable	61
Amounts recoverable from local municipalities	<u>-33</u>
	194

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. A smaller proportion of financial assets were held in cash and cash equivalents to align with the Region's operational needs and investment strategy.

The increase in accounts receivable reflects larger amounts outstanding for amounts recoverable for growth-related capital projects and HST recoveries at the end of 2017. There are also increases in property tax receivables outstanding from local municipalities.

In 2017, the Region collected \$33 million (net) from local municipalities to repay debt on their behalf, resulting in a decrease in the balance recoverable by the Region.

Liabilities increased by \$102 million from 2017

Liabilities include accounts payable and accrued liabilities, employee benefit obligations, deferred revenue and long-term debt. Total liabilities increased by \$102 million or 2 per cent from 2016, as summarized in Table 2.

Table 2
Summary of Liabilities increase

	\$ (millions)
Accounts payable and accrued liabilities	44
Employee benefit obligations	21
Long-term liabilities	102
Sinking fund debenture debt	-59
Deferred revenue	<u>-6</u>
	<u>102</u>

Accounts payable and accrued liabilities increased by \$44 million or 6 per cent from 2016. Amounts outstanding to vendors increased from the prior year in alignment with the Region's budgeted capital spending.

Employee benefit obligations increased by \$21 million or 12 per cent from 2016 due to increases in actuarial valuations and an anticipated rise in health care costs. 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.

Long-term liabilities increased by \$102 million or 3 per cent from 2016, which represents net new debt issued in 2017. These amounts include debt issued and repaid on behalf of local municipalities.

Sinking fund debenture debt decreased by \$59 million or 9 per cent from 2016. This represents a decrease in debt that is backed by sinking fund contributions to settle amounts as they become due.

Deferred revenue decreased by \$6 million or 1 per cent from 2016, as detailed in Table 3. Deferred revenue represents funds received that are set aside for specific purposes at a later date.

Table 3
Summary of Deferred Revenue accounts decrease

	\$ (millions)
Development charges	107
Amounts from Metrolinx for future rapid transit development	-96
Other provincial funding	<u>-17</u>
	<u>-6</u>

The increase in development charge deferred revenue is mainly attributable to collections exceeding amounts spent in 2017.

Net debt decreased by \$92 million from 2016

Net debt presented in the financial statements does not represent the amount of debt owed by the Region. Rather, net debt is a commonly accepted accounting term used in the financial statements to define the amount by which the Region's financial liabilities exceed financial assets. Net debt provides a measure of the future revenues required by the Region to pay for past transactions and events.

The Region's net debt decreased in 2017 by \$92 million or 7 percent, as the growth in financial assets (\$194 million) exceeded the growth in liabilities (\$102 million).

Non-financial assets increased by \$407 million from 2016

Non-financial assets consist of the Region's tangible capital assets, inventory and prepaid expenses. The Region's non-financial assets increased by \$407 million or 5 per cent from 2016, primarily due to the acquisition and construction of new tangible capital assets during 2017.

The net book value of the tangible capital assets reported in the 2017 financial statements is \$7.9 billion. Net book value is the original cost of the assets less amortization, or estimated usage, since the assets were put into service.

The accumulated surplus increased by \$498 million from 2016

The accumulated surplus is the total of past annual surpluses, and indicates the value of the Region's net resources, including tangible capital assets, that can be used to provide future services.

The annual surplus is calculated based on generally accepted accounting principles, which differs from the operating surplus. The latter represents unspent amounts from the operating budget.

The Region's accumulated surplus increased by \$498 million or 8 per cent from 2016 to a total of \$6.7 billion at the end of 2017.

The increase in accumulated surplus has been invested in tangible capital assets (\$338 million) and contributed to reserves and reserve funds such as the sinking fund, capital asset replacement and debt reduction reserves (\$160 million).

The Region did not adopt any new accounting standards in 2017

The Finance Department reviewed the Public Sector Accounting Standards updates and determined that no changes to the Region's accounting policies were required in 2017.

For the 20th consecutive year, the Region received the Canadian Award for Financial Reporting from the Government Finance Officers Association (GFOA) for its 2016 Financial Statements. The award was given for the Region's high quality financial reporting documents that promote accessibility and understandability of financial information. The 2017 Financial Statements will be submitted for consideration for this award.

5. Financial Considerations

The Region allocated surplus funds totalling \$33.8 million to specific reserves

In accordance with the Council-approved reserve and surplus management policy, the Region allocated \$33.8 million from the operating surplus to the reserves and reserve fund accounts. Table 4 shows how the surplus funds were allocated.

Table 4
Summary of operating surplus allocation

	\$ (millions)
Workers' compensation reserve fund	17.9
Long term disability reserve fund	11.5
Social housing reserve fund	3.5
Working capital reserve	<u>0.9</u>
	<u>33.8</u>

6. Local Municipal Impact

There are no local municipal impacts associated with this report.

7. Conclusion

The 2017 financial statements reflect the financial results and position of the Region, and are presented in accordance with the *Municipal Act*, 2001 and Public Sector Accounting Board reporting requirements.

For more information on this report, please contact Jason Li, Acting Director, Controllership Office, at 1-877-464-9675 ext. 71683.

The Senior Management Group has reviewed this report.

May 28, 2018

Attachment (1)

#8581160

Accessible formats or communication supports are available upon request

***THE
REGIONAL MUNICIPALITY
OF YORK***

2017

***CONSOLIDATED
FINANCIAL
STATEMENTS***

2017 Financial Statements

Table of Contents

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

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

 - Residents' Trust Fund and Donation Account Statements of Financial Position, Financial Activities and Notes to the Financial Statements
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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, 2017, 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 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 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, 2017, the results of its operations and accumulated surplus, change in net debt and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

April 27, 2018
Vaughan, Canada

THE REGIONAL MUNICIPALITY OF YORK
Consolidated Statement of Financial Position
As at December 31, 2017

	2017	2016
	\$	\$
ASSETS		
Financial Assets		
Cash and cash equivalents (Note 4)	584,959,230	655,267,351
Accounts receivable (Note 5)	302,932,786	241,548,015
Investments (Note 4)	2,809,142,444	2,572,851,809
Debt amounts recoverable from Area municipalities (Notes 8)	150,717,094	184,140,047
Total	3,847,751,554	3,653,807,222
LIABILITIES		
Accounts payable and accrued liabilities	766,551,251	722,102,674
Employee benefit obligations (Note 6)	201,538,476	180,271,324
Deferred revenue (Note 7)	87,130,056	182,159,653
Deferred revenue-obligatory reserve funds (Note 7)	432,524,557	343,595,086
Gross long-term liabilities (Note 8)	3,610,101,326	3,567,262,114
Total	5,097,845,666	4,995,390,851
Net Debt	(1,250,094,112)	(1,341,583,629)
Non-Financial Assets		
Tangible capital assets (Note 12)	7,933,241,565	7,527,109,186
Inventory	5,099,652	4,993,349
Prepaid expenses	11,362,213	10,899,088
Accumulated Surplus (Note 13)	6,699,609,318	6,201,417,994

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, 2017

	Budget (Note 2) \$	2017 \$	2016 \$
Revenues			
Net taxation	1,046,167,755	1,042,649,817	997,439,330
User charges	307,693,278	278,893,236	280,429,617
Transfer payments (Note 15)	577,293,403	550,678,180	489,374,822
Development charges	348,520,676	283,713,949	283,350,272
Fees and services	167,116,068	198,528,964	169,046,677
Investment income	63,869,604	71,288,620	87,903,802
Other	112,952,212	95,242,118	46,815,647
Total Revenues	<u>2,623,612,996</u>	<u>2,520,994,884</u>	<u>2,354,360,167</u>
Expenses			
General government	203,826,952	186,487,358	173,142,398
Protection to persons and property	356,804,034	360,160,874	338,689,482
Transportation services	547,025,370	426,928,151	445,386,414
Environmental services	456,994,159	512,689,529	456,153,002
Health and emergency services	187,778,817	153,294,902	134,538,640
Community services	250,791,008	277,556,364	258,452,173
Social housing	110,899,993	91,017,269	29,629,613
Planning and economic development	13,605,460	14,669,113	9,291,423
Total Expenses	<u>2,127,725,793</u>	<u>2,022,803,560</u>	<u>1,845,283,145</u>
Annual Surplus	495,887,203	498,191,324	509,077,022
Accumulated Surplus, Beginning of Year	6,201,417,994	6,201,417,994	5,692,340,972
Accumulated Surplus, End of Year	<u>6,697,305,197</u>	<u>6,699,609,318</u>	<u>6,201,417,994</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, 2017

	Budget	2017	2016
	\$	\$	\$
Annual surplus	495,887,204	498,191,324	509,077,022
Amortization of tangible capital assets	236,927,674	241,457,738	233,638,361
Proceeds on disposal of tangible capital assets	-	6,859,085	776,362
Acquisition of tangible capital assets	(792,448,705)	(643,378,191)	(620,787,701)
Contributed assets	-	(14,605,811)	(27,331,311)
Loss on disposal of tangible capital assets	-	3,534,800	2,645,444
Change in inventory	-	(106,303)	(1,056,225)
Change in prepaid expenses	-	(463,125)	(422,611)
Decrease/(Increase) in net debt	<u>(59,633,827)</u>	<u>91,489,517</u>	<u>96,539,341</u>
Net debt, Beginning of year	<u>(1,341,583,629)</u>	<u>(1,341,583,629)</u>	<u>(1,438,122,970)</u>
Net debt, End of year	<u><u>(1,401,217,456)</u></u>	<u><u>(1,250,094,112)</u></u>	<u><u>(1,341,583,629)</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, 2017

	2017	2016
	\$	\$
Operating		
Annual surplus	498,191,324	509,077,022
Items not involving cash:		
Amortization	241,457,738	233,638,361
Loss on disposal of tangible capital assets	3,534,800	2,645,444
Contributed assets	(14,605,811)	(27,331,311)
Changes in non-cash assets and liabilities:		
Accounts receivable	(27,961,818)	71,586,852
Accounts payable and accrued liabilities	44,448,577	(99,866,708)
Employee benefit obligations	21,267,152	18,908,277
Deferred revenue	(95,029,597)	117,383,030
Deferred revenue-obligatory reserve funds	88,929,471	62,034,770
Inventory	(106,303)	(1,056,225)
Prepaid expenses	(463,125)	(422,611)
Net change in cash and cash equivalents from operations	<u>759,662,408</u>	<u>886,596,901</u>
Capital		
Acquisition of tangible capital assets	(643,378,191)	(620,787,701)
Proceeds on disposal of tangible capital assets	6,859,085	776,362
Net change in cash and cash equivalents from capital	<u>(636,519,106)</u>	<u>(620,011,339)</u>
Investing		
Net change in investments	<u>(236,290,635)</u>	<u>(254,440,670)</u>
Financing		
Long-term debt issued	300,000,000	316,295,700
Long-term debt repaid	(257,160,788)	(166,110,801)
Net change in cash and cash equivalents from financing	<u>42,839,212</u>	<u>150,184,899</u>
Net change in cash and cash equivalents	(70,308,121)	162,329,791
Opening cash and cash equivalents	<u>655,267,351</u>	<u>492,937,560</u>
Closing cash and cash equivalents	<u>584,959,230</u>	<u>655,267,351</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 Region were prepared in accordance with generally accepted accounting principles (GAAP) established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA Canada).

a) Basis of Consolidation

- i) The consolidated financial statements reflect the assets, liabilities, revenues and expenses in the operating fund, capital fund, reserves and reserve funds of the Region and all entities which are accountable to and controlled by the Region. Consolidated entities include all committees of Council, York Region Police Services Board, Housing York Inc. and York Region Rapid Transit Corporation (YRRTC). All governmental balances and transactions were eliminated from the consolidated financial statements. York Telecom Network was established late in 2017, with no financial activity to report.
- ii) The financial activities of the Sinking Fund are disclosed separately in the Sinking Fund Statement of Financial Position, and Statement of Financial Activities and Change in Fund Balance.
- 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 activities 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) Accrual Basis of Accounting

The consolidated financial statements are prepared using the accrual basis of accounting. Property tax revenue is recognized on an accrual basis using the approved tax rates and the anticipated assessment in the current year. Other revenues are recognized as they are earned and measurable. Expenses are recognized as they are incurred and measurable based upon the receipt of goods or services or the creation of a legal obligation to pay.

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 funds and reserve funds are recognized as revenue in the period earned. Investment income earned on obligatory reserve funds are credited to the funds 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 a temporary decline in value, the respective investment is written down to recognize the loss.

There are no write downs in 2017 (2016 - nil).

iv) **Tangible Capital Assets**

Tangible capital assets are non-financial assets recorded at cost which includes all amounts that are directly attributable to the acquisition, construction, development or betterment of assets, and may include payments made under cost-sharing arrangements. The cost of the tangible capital assets, less estimated residual value, is amortized on a straight line basis over their estimated useful lives in number of years as follows:

Asset	Useful life (in years)
Land	Infinite
Land Improvements	20
Buildings	15-60
Water and Wastewater Infrastructure	15-100 by materials
Transit Infrastructure	5-50
Equipment and Machinery	3-30
Vehicles	3-18
Road Infrastructure	15-45

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

v) **Government transfers**

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

The Region also provides transfers to individuals or organizations. These transfers are recognized as expenses once they are authorized and eligibility criteria, if any, are met.

vi) **Deferred Revenue**

Funds received in advance to conduct certain programs, or in the completion of specific work pursuant to legislation, regulation or agreement are recorded as deferred revenue. Deferred revenue also includes user charges and fees collected for services not yet rendered.

Revenue is recognized in the fiscal period in which the related expenses are incurred or services are performed.

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

Development charges, collected under the authority of Sections 33 to 37 of the Development Charges Act 1997, and gas tax revenues received under municipal funding agreements, are recorded as Deferred Revenue – Obligatory Reserve Funds.

Revenue is recognized in the fiscal period in which the related expenses are incurred or services are performed.

viii) Employee benefit liabilities

The costs of employee benefits are recognized when entitlements are earned or the event that obligates the Region occurs. Costs include projected future payments, health care continuation costs and fees paid to independent administrators of these plans, calculated on a present value basis.

Employee benefit liabilities are based on actuarial valuations using the projected benefit method, prorated on service and management's best estimate of salary escalation, retirement ages of employees and expected health costs. 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 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 PS3250 Retirement Benefits. Therefore, for the purpose of these financial statements, the plans are considered unfunded.

ix) Liabilities for Contaminated Sites

PS3260 Liability for Contaminated Sites requires the recognition of a liability for the remediation of contaminated sites in the financial statements when the recognition criteria outlined in the standard are met.

As at December 31, 2017, there are no sites that meet the recognition criteria and no liability is recorded (2016 – nil).

x) Reserves and Reserve Funds

Reserves are appropriation from net revenue at the discretion of Council. Reserve funds are set aside by legislation, regulation or agreement. For financial reporting purposes, some reserve funds are reported as deferred revenue on the Consolidated Statement of Financial Position. Other reserve funds and reserves are balances within the accumulated surplus.

xi) 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 PS2700. For additional information, see Note 14.

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

THE REGIONAL MUNICIPALITY OF YORK
Notes to the Consolidated Financial Statements
December 31, 2017

xii) **Use of Estimates**

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as well as disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the year. Items requiring the use of estimates include the useful life of capital assets, future employee benefits, liability for contaminated sites, and claims provisions.

Estimates are based on the best information available to management at the time of preparation of the consolidated financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these consolidated financial statements. Actual results could differ from these estimates.

2) BUDGET FIGURES

Budget figures presented in these consolidated financial statements are based on the Council-approved 2017 budget. The following table reconciles the approved budget with the budget figures as presented in these consolidated financial statements using the accrual basis of accounting.

	<u>\$ ('000s)</u>
Revenues	
Approved budget	3,038,782
Transfer from reserve funds	(354,281)
Proceeds of debt issued for Regional purpose	(292,298)
Reclassification of investment income	63,870
Metrolinx projects	152,409
Consolidated entities	<u>15,131</u>
Total revenues	2,623,613
Expenses	
Approved budget	3,038,782
Transfer to reserve funds	(388,430)
Acquisition of tangible capital assets	(792,448)
Debt principal repayments	(155,454)
Reclassification of revenue	63,870
Amortization	236,928
Post employment benefits	7,755
Metrolinx projects	108,387
Consolidated entities	<u>8,336</u>
Total expenses	<u>2,127,726</u>
Annual surplus	<u>495,887</u>

3) TAX REVENUE

Tax revenue of \$1,043 million (2016 - \$997 million) is comprised of \$1,023 million (2016 - \$978 million) in general tax levy and \$20 million (2016 - \$19 million) of other tax amounts.

THE REGIONAL MUNICIPALITY OF YORK
Notes to the Consolidated Financial Statements
December 31, 2017

4) INVESTMENTS

Included in cash and cash equivalents are short-term investments of \$230,000,000 (2016 - \$120,000,000) with a market value of \$230,000,000 (2016 - \$120,000,000).

Long-term investments of \$2,809,142,444 (2016 - \$2,572,851,809) have a market value of \$2,820,566,682 (2016 - \$2,813,622,906).

Cash and cash equivalents and long-term investments include \$432,524,557 (2016 - \$343,595,086) of restricted funds as required under legislation to fund obligatory reserve funds.

The yields on investments held range from 1.21% to 4.17% (1.06% to 4.63% in 2016).

5) ACCOUNTS RECEIVABLE

Accounts receivable is comprised of the following:

	2017	2016
	\$	\$
Government of Canada	40,033,597	25,688,030
Government of Ontario	20,689,203	28,470,535
Other Municipalities	151,235,541	145,419,209
Others	90,974,445	44,116,515
	<u>302,932,786</u>	<u>243,694,289</u>
Less: Allowance for Doubtful Accounts	-	2,146,274
	<u>302,932,786</u>	<u>241,548,015</u>

6) EMPLOYEE BENEFIT LIABILITIES

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 \$21,267,152.

	2017	2016
	\$	\$
Post employment benefits (c)	81,367,969	73,807,880
Vested sick leave benefits (a)	35,859,794	33,275,815
Long-term disability claims (e)	36,442,733	32,939,289
Workplace Safety and Insurance Board (WSIB) (d)	26,801,862	21,137,253
Vacation payable	21,066,118	19,111,087
	<u>201,538,476</u>	<u>180,271,324</u>

THE REGIONAL MUNICIPALITY OF YORK
Notes to the Consolidated Financial Statements
December 31, 2017

Actuarial valuations:

The following table sets out the accrued benefit liability for each plan as at December 31, 2017.

	Post employment benefits \$	Vested sick leave benefits \$	Long term disability \$	WSIB \$	2017 total \$
Accrued benefit liability, beginning of year	73,807,880	33,275,815	32,939,289	21,137,253	161,160,237
Current service cost	5,271,324	3,478,630	6,871,267	6,067,389	21,688,610
Amortization of loss	901,197	1,895,696	1,405,712	2,743,569	6,946,174
Interest cost	4,000,986	2,399,218	1,493,118	1,797,922	9,691,244
Benefit payments	(2,613,418)	(5,189,565)	(6,266,653)	(4,944,271)	(19,013,907)
Accrued benefit liability, end of year	81,367,969	35,859,794	36,442,733	26,801,862	180,472,358

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	1.75%	1.75%	1.75%
Expected level of salary increases	2.75%	2.75%	2.75%
Interest discount rate	3.75%	3.50%	3.75%
Future health care cost rate	5.25%	N/A	4.50%

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 \$412,129 (2016 - \$495,230) 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, 2017 is \$6,051,490 (2016 - \$5,929,913).

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 also provided with an election to opt for a cash settlement of one-half of their sick banks hours up to a maximum of six months' salary on February 17, 2017. 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 REGIONAL MUNICIPALITY OF YORK
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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 \$35,447,665 (2016 - \$32,780,585). A reserve was established to provide for a portion of the Police Services past service liability and the balance at the end of the year is -\$4,338,704 (2016 - (\$3,479,946)) and is included in accumulated surplus in the Consolidated Statement of Financial Position.

An independent actuarial valuation report dated November 17, 2017 estimates the liability for both Regional operations and police services at \$35,859,794 (2016 - \$33,275,815).

b) Pension Agreement

The Region contributes to the Ontario Municipal Employees Retirement System (OMERS), a multi-employer plan on behalf of approximately 5,969 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 2017, employer contribution amounts to \$59,315,711 (2016 - \$54,857,900) and is recorded as an expense in the Consolidated Statement of Operations. Employee contributions also amount to \$59,315,711 (2016 - \$54,857,900).

Because OMERS is a multi-employer plan, the Region does not recognize any share of the pension deficit of \$5.4 billion at December 31, 2017.

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.

An independent actuarial valuation dated November 17, 2017 estimates the liability of these benefits to be \$81,367,969 (2016 - \$73,807,880), which 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.

An independent actuarial valuation dated January 31, 2017 estimates the liability for all claims incurred to December 31, 2017 to be \$26,801,862 (2016 - \$21,137,253), which is reported in the Consolidated Statement of Financial Position. The unamortized actuarial loss as at December 31, 2017 is \$23,502,213 (2016 - \$2,315,980).

e) Long-Term Disability Self-Funding Arrangement

In October 2002, the Region adopted a self-insured arrangement for its long-term disability benefit program (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. An independent actuarial valuation dated January 31, 2017 estimates the liability for claims incurred to be \$36,442,733 (2016 - \$32,939,289) as at December 31, 2017, which is reported in the Consolidated Statement of Financial Position.

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7) DEFERRED REVENUE

Deferred revenue set aside for specific purposes by legislation, regulation, or agreement is comprised of:

	Balance at Dec 31, 2016 \$	Inflows \$	Transferred out \$	Balance at Dec 31, 2017 \$
Deferred capital grants	152,692,427	302,968,770	(399,250,219)	56,410,978
Security deposits and agreements	16,528,082	8,609,108	(5,896,572)	19,240,618
Other	<u>12,939,144</u>	<u>39,329,947</u>	<u>(40,790,631)</u>	<u>11,478,460</u>
Total deferred revenue-general	<u>182,159,653</u>	<u>350,907,825</u>	<u>(445,937,422)</u>	<u>87,130,056</u>
Development charges	265,703,708	391,052,034	(284,444,163)	372,311,579
Gas tax	<u>77,891,378</u>	<u>49,145,402</u>	<u>(66,823,802)</u>	<u>60,212,978</u>
Total obligatory reserve funds	<u>343,595,086</u>	<u>440,197,436</u>	<u>(351,267,965)</u>	<u>432,524,557</u>

8) LONG-TERM LIABILITIES

Long-term liabilities are comprised of the following items.

	2017 \$	2016 \$
Long-term liabilities incurred by the Region including those incurred on behalf of local municipalities and outstanding at the end of the year	2,987,290,725	2,880,456,153
Sinking fund debenture debt	565,658,041	624,408,506
Mortgages payable by Housing York Inc.	<u>57,152,560</u>	<u>62,397,455</u>
Gross long-term liabilities	3,610,101,326	3,567,262,114
Less: Recoverable from area municipalities	<u>150,717,094</u>	<u>184,140,047</u>
Net long-term liabilities at the end of the year	<u>3,459,384,232</u>	<u>3,383,122,067</u>

The total gross amount of the long-term liabilities to be retired by sinking funds is \$2,784,341,927 (2016 - \$2,653,144,918). The amount of sinking fund assets is \$565,658,041 (2016 - \$624,408,506). Long-term liabilities are financed through a combination of development charges, water and sewer rates, and tax levy.

Interest rates and maturity dates for the debts range from 2.0% to 6.52% and from July 2, 2018 to December 1, 2051.

THE REGIONAL MUNICIPALITY OF YORK
Notes to the Consolidated Financial Statements
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b) Net long-term liabilities are repayable as follows:

2018	\$151,716,067
2019	150,480,247
2020	160,839,083
2021	153,163,637
2022	163,514,567
Thereafter	2,151,820,755
Net sinking fund debt repayable according to actuarial recommendations	<u>527,849,876</u>
	<u>\$3,459,384,232</u>

c) Charges for Net Long-term Liabilities

Total interest charges for the year for net long-term liabilities which are included in the Consolidated Statement of Operations are \$129,392,487 (2016 - \$133,613,010).

9) CONTRACTUAL OBLIGATIONS AND COMMITMENTS

a) **Water Supply Agreements with City of Toronto and Region of Peel**

The Region has agreements to purchase water from the City of Toronto and the Region of Peel under two separate long term water supply agreements. Payments in respect of these agreements amounted to \$24,689,868 (2016 - \$24,223,799) for purchased water from the City of Toronto and \$17,876,707 (2016 - \$19,068,925) for the Region of Peel. Payments under these agreements are financed by user rates charged to area municipalities based on consumption.

b) **Operating Leases**

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

2018	9,828,000
2019	9,327,000
2020	8,765,353
2021	6,617,000
2022	5,612,000

c) **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 transit network that would reduce the level of traffic congestion and support economic and residential growth. The current rapid transit plan, vivaNext, includes the construction of the Yonge and Spadina subway extensions and 36 kilometres of bus rapid transit corridors. Future segments of the bus rapid transit system and the Yonge subway extension are contingent on funding agreements with provincial and federal governments.

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

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

In 2016, the project cost has been revised to \$3.2 billion and will be funded by contributions from the Federal Government, the Province of Ontario, the City of Toronto and York Region. The Region's estimated contribution is \$604 million of which \$155 million has been paid to the project this year. New subway stations are operational commencing December 17, 2017.

e) **York Region Hospitals Capital Funding**

In 2009, 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.

10) CONTINGENT LIABILITIES

a) **Public Liability Insurance**

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

The Region estimates that the liability as at December 31, 2017 for all outstanding public liability claims is \$7,130,990 (2016 - \$7,152,941). The total reserve available for public liability and environmental impairment is \$20,332,066 (2016 - \$24,043,615).

b) **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.

11) 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.

Gross revenue is comprised primarily of fines levied under Part I, II and III (including delay penalties) for POA charges. The total revenue for 2017 amounts to \$21,942,116 (2016 - \$20,645,959) and the net revenue amounts to \$2,183,364 (2016 – \$513,631). Balances arising from operation of the POA offices are consolidated with these financial statements.

THE REGIONAL MUNICIPALITY OF YORK
Notes to the Consolidated Financial Statements
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12) TANGIBLE CAPITAL ASSETS

Cost	Balance at			Balance at
	December 31	Additions	Disposals	December 31
	2016			2017
	\$	\$	\$	\$
Land	489,784,639	14,029,456	(5,306,507)	498,507,588
Land improvements	342,629,163	23,474,250	(291,783)	365,811,630
Buildings	2,368,260,111	142,846,276	(5,844,406)	2,505,261,981
Equipment and machinery	777,535,021	92,231,194	(77,299,877)	792,466,338
Vehicles	372,317,083	33,488,356	(9,945,266)	395,860,173
Transit infrastructure	-	471,405,128	-	471,405,128
Roads infrastructure	1,756,786,998	215,242,304	(11,955,049)	1,960,074,253
Water/sewer infrastructure	1,966,883,364	20,907,885	-	1,987,791,249
Assets under construction	1,701,742,637	(355,640,847)	-	1,346,101,790
Total	9,775,939,016	657,984,002	(110,642,888)	10,323,280,130

Accumulated amortization	Balance at			Balance at
	December 31	Disposals	Amortization expenses	December 31
	2016			2017
	\$	\$	\$	\$
Land improvements	104,970,460	(291,783)	14,965,806	119,644,483
Buildings	627,010,996	(2,802,846)	66,680,359	690,888,509
Equipment and machinery	371,067,801	(77,214,830)	45,130,642	338,983,613
Vehicles	183,069,566	(8,689,072)	32,980,993	207,361,487
Roads infrastructure	780,883,351	(11,250,472)	60,326,662	829,959,541
Water/sewer infrastructure	181,827,656	-	21,373,276	203,200,932
Total	2,248,829,830	(100,249,003)	241,457,738	2,390,038,565

	Net book value	
	December 31	December 31
	2016	2017
	\$	\$
Land	489,784,639	498,507,588
Land improvements	237,658,703	246,167,147
Buildings	1,741,249,115	1,814,373,472
Equipment and machinery	406,467,220	453,482,725
Vehicles	189,247,517	188,498,686
Transit infrastructure	-	471,405,128
Roads infrastructure	975,903,647	1,130,114,712
Water/sewer infrastructure	1,785,055,708	1,784,590,317
Assets under construction	1,701,742,637	1,346,101,790
Total	7,527,109,186	7,933,241,565

THE REGIONAL MUNICIPALITY OF YORK
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In 2017, the Region received contributed assets at fair market value of \$15 million (2016 - \$27 million) from external parties.

There were no write-downs of tangible capital assets in 2017 (2016 – nil).

13) ACCUMULATED SURPLUS

Accumulated surplus is comprised of individual fund surpluses and reserves and reserve funds as follows:

	2017	2016
	\$	\$
Surplus		
Invested in tangible capital assets	3,913,780,394	3,696,020,670
Investments in related entities	219,977,153	99,583,600
	<u>4,133,757,547</u>	<u>3,795,604,270</u>
Reserves and Reserve Funds		
Sinking fund	557,518,906	600,120,809
Roads infrastructure	527,534,992	454,046,650
Capital replacement-water and sewer	220,009,283	153,071,387
Debt reduction	185,700,852	222,783,063
Facilities rehabilitation and replacement	122,233,559	105,433,376
Regionally owned housing	112,606,917	79,560,647
Social housing development	104,625,391	106,855,530
Solid waste management	77,352,077	74,459,335
Equipment/vehicle replacement	75,299,988	68,615,497
Transit vehicle replacement	67,177,408	50,688,988
Tax stabilization	59,751,562	53,211,005
Capital reserve fund	59,367,624	50,981,211
Hospital financing	54,734,988	54,816,829
Non-profit housing capital	50,826,433	41,998,273
Fiscal stabilization	46,042,019	44,067,763
Working capital	45,052,211	44,666,384
Long-term disability	44,645,347	33,389,173
Workers' compensation schedule II	36,812,115	21,220,438
Rates stabilization	22,334,004	31,029,816
IT development	20,741,514	18,755,990
Insurance	20,332,066	24,043,615

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December 31, 2017

	2017	2016
	\$	\$
Fuel cost stabilization	13,407,137	7,749,471
Land bank	11,943,749	11,722,045
Roads capital	7,625,996	(916,565)
Innovation	5,192,783	5,096,393
University campus	3,092,794	2,038,351
Court services	2,814,954	2,011,184
Land securement	2,441,054	1,416,422
Group benefits	2,279,024	2,097,166
Move Ontario	2,139,010	5,988,816
Sick leave	1,712,786	2,449,967
IT licensing and software development	1,110,846	303,037
Transit	628,231	7,120,570
Green energy	462,964	28,540
Seized funds	301,187	297,114
Social assistance	-	24,315,743
Alternative community living	-	266,912
Insurance claims and certificate system	-	12,779
Total Reserves and Reserve Funds	<u>2,565,851,771</u>	<u>2,405,813,724</u>
Total	<u>6,699,609,318</u>	<u>6,201,417,994</u>

14) SEGMENT DISCLOSURE

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

General Government

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

Protection to persons and property

Protection to persons and property consists of the activities of Police Services Board and York Regional Police. Their mandates are to ensure the safety of the lives and property of citizens, prevent crime from occurring, detect offenders, and enforce the law. It also includes the activities of Court Administration and Conservation Authorities.

Transportation services

The department 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, solid waste disposal and diversion, corporate energy, and natural heritage and forestry. It also delivers infrastructure projects, both for new and expanded assets and major rehabilitation of existing assets.

Health and emergency services

The Region 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 economic development

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, road occupancy permits and inspection services.

THE REGIONAL MUNICIPALITY OF YORK
Notes to the Consolidated Financial Statements
December 31, 2017

	General government	Protection to persons and property	Transportation services	Environmental services	Health and emergency services
Revenues					
Net taxation	1,042,649,817	-	-	-	-
User charges	-	-	-	278,893,236	-
Transfer payments	262,653	13,444,651	210,201,952	-	88,282,025
Development charges	2,532,609	5,127,950	87,049,944	187,761,360	412,290
Fees and services	18,153,661	31,837,065	96,090,624	16,207,326	898,425
Interest and investment	71,288,620	-	-	-	-
Other	543,605	1,883,426	47,650,319	42,679,762	37,275
	<u>1,135,430,965</u>	<u>52,293,092</u>	<u>440,992,839</u>	<u>525,541,684</u>	<u>89,630,015</u>
Expenses					
Salaries and benefits	103,260,882	302,794,685	59,385,907	51,712,601	113,433,961
Interest payments	316,488	3,708,748	19,125,055	102,693,192	176,137
Operating expenses	67,128,133	35,009,825	240,727,272	253,823,109	20,820,197
Government transfers	311,350	5,948,000	2,004,875	10,289,277	14,826,120
Amortization	15,470,505	12,699,616	105,685,042	94,171,350	4,038,487
	<u>186,487,358</u>	<u>360,160,874</u>	<u>426,928,151</u>	<u>512,689,529</u>	<u>153,294,902</u>
Annual Surplus (Deficit)	<u>948,943,607</u>	<u>(307,867,782)</u>	<u>14,064,688</u>	<u>12,852,155</u>	<u>(63,664,887)</u>

THE REGIONAL MUNICIPALITY OF YORK
Notes to the Consolidated Financial Statements
December 31, 2017

	Community services	Social housing	Planning and economic development	Total 2017	Total 2016
Revenues					
Net taxation	-	-	-	1,042,649,817	997,439,330
User charges	-	-	-	278,893,236	280,429,617
Transfer payments	203,846,638	33,862,069	778,192	550,678,180	489,374,822
Development charges	-	316,101	513,695	283,713,949	283,350,272
Fees and services	5,697,510	25,610,884	4,033,469	198,528,964	169,046,677
Interest and investment	-	-	-	71,288,620	87,903,802
Other	1,055,463	1,392,268	-	95,242,118	46,815,647
	<u>210,599,611</u>	<u>61,181,322</u>	<u>5,325,356</u>	<u>2,520,994,884</u>	<u>2,354,360,167</u>
Expenses					
Salaries and benefits	79,902,014	11,652,633	11,576,164	733,718,847	711,010,789
Interest payments	-	3,372,866	-	129,392,486	133,613,010
Operating expenses	136,140,790	68,224,784	3,007,109	824,881,219	689,627,294
Government transfers	59,890,648	-	83,000	93,353,270	77,393,692
Amortization	1,622,912	7,766,986	2,840	241,457,738	233,638,361
	<u>277,556,364</u>	<u>91,017,269</u>	<u>14,669,113</u>	<u>2,022,803,560</u>	<u>1,845,283,146</u>
Annual Surplus (Deficit)	<u>(66,956,753)</u>	<u>(29,835,947)</u>	<u>(9,343,757)</u>	<u>498,191,324</u>	<u>509,077,021</u>

THE REGIONAL MUNICIPALITY OF YORK
Notes to the Consolidated Financial Statements
December 31, 2017

15) TRANSFER PAYMENT REVENUE

	2017	2016
	\$	\$
Provincial grants		
Transit	158,588,383	149,625,532
Child care	113,326,502	95,779,949
Social assistance	81,384,321	73,820,783
Public health	41,472,516	48,994,717
Ambulance	39,702,410	37,456,909
Housing	24,316,553	19,354,270
Services for seniors	16,479,099	15,532,718
Police	13,405,750	10,575,378
Roadways	60,000	60,000
Other	508,327	(134,773)
	489,243,861	451,065,483
Federal grants		
Gas tax	51,500,925	28,467,125
Housing	9,545,516	9,207,460
Social assistance	314,060	214,279
Transit	52,644	420,475
Other	21,174	-
	61,434,319	38,309,339
Total transfer payments	550,678,180	489,374,822

16) COMPARATIVE FIGURES

Certain 2016 comparative figures have been reclassified to conform to the current presentation.

SINKING FUND

STATEMENT OF FINANCIAL POSITION,

FINANCIAL ACTIVITIES

AND

CHANGE IN FUND BALANCE

2017





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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 the sinking funds of The Regional Municipality of York, which comprise the statement of financial position as at December 31, 2017, 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 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 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.



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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, 2017, the results of its operations and changes in its financial position for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

April 27, 2018
Vaughan, Canada

THE REGIONAL MUNICIPALITY OF YORK
Sinking Fund Statement of Financial Position

As at December 31, 2017

	2017	2016
	\$	\$
Financial Assets		
Cash	27,597,470	14,421,152
Investments – at amortized cost (Note 1)	538,007,772	608,482,116
Interest receivable	699,938	1,505,238
Total Assets	566,305,180	624,408,506
Liabilities		
Actuarial requirement for retirement of the Sinking Fund (Note 2)	543,066,355	606,352,389
Fund balance	23,238,825	18,056,117
Total Liabilities and Fund Position	566,305,180	624,408,506

THE REGIONAL MUNICIPALITY OF YORK
Sinking Fund Statement of Financial Activities and Change in Fund Balance

For the year ended December 31, 2017

	Budget	2017	2016
	\$	\$	\$
Revenues			
Contributions from:			
Area Municipalities	3,950,360	3,950,360	6,811,164
Regional Corporation	142,490,197	142,490,197	136,586,674
Total contributions	146,440,557	146,440,557	143,397,838
Interest and capital gains	15,681,190	20,253,978	20,865,026
Total revenues	162,121,747	166,694,535	164,262,864
Expenses			
Actuarial requirement for the year	(162,121,748)	(161,487,973)	(159,638,277)
Payments to Area Municipalities	(31,992)	(23,854)	(674,397)
Payments to Regional Corporation	(861,442)	-	-
Change in Fund Balance	(893,435)	5,182,708	3,950,190
Opening Fund Balance	18,056,117	18,056,117	14,105,927
Closing Fund Balance	17,162,682	23,238,825	18,056,117

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

THE REGIONAL MUNICIPALITY OF YORK
Notes to the Sinking Fund Financial Statements
December 31, 2017

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 \$541,294,059 (2016 - \$610,224,197).

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 1.6%, 2.0% or 3.0% 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
2017





KPMG LLP
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Vaughan ON L4K 0J3
Canada
Tel 905-265-5900
Fax 905-265-6390

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, 2017 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 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 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.



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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the funds held in residents' trust funds and its donation account by The Regional Municipality of York as at December 31, 2017, the results of its operations and changes in its financial position for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

April 27, 2018
Vaughan, Canada

THE REGIONAL MUNICIPALITY OF YORK
Residents' Trust Funds and Donation Account
Statement of Financial Position
As at December 31, 2017

	Trust	Donation	2017	2016
	\$	\$	\$	\$
Financial Assets				
Cash	209,229	37,524	246,753	239,903
Residents' petty cash	6,500	-	6,500	6,500
Total Assets	<u>215,729</u>	<u>37,524</u>	<u>253,253</u>	<u>246,403</u>
Fund Balances	<u>215,729</u>	<u>37,524</u>	<u>253,253</u>	<u>246,403</u>

THE REGIONAL MUNICIPALITY OF YORK
Residents' Trust Funds and Donation Account
Statement of Financial Activities
For the year ended December 31, 2017

	Trust	Donation	2017	2016
	\$	\$	\$	\$
Fund balances, beginning of year	205,430	40,973	246,403	228,529
Source of funds:				
Deposits on behalf of residents	381,537	555	382,092	393,610
Interest earned on deposits	-	519	519	582
	381,537	1,074	382,611	394,192
Use of funds:				
Withdrawals	(371,238)	(4,523)	(375,761)	(376,318)
Net activity	<u>10,299</u>	<u>(3,449)</u>	<u>6,850</u>	<u>17,874</u>
Fund balances, end of year	<u>215,729</u>	<u>37,524</u>	<u>253,253</u>	<u>246,403</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, 2017

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.

2017 FINANCIAL STATEMENTS

PRESENTATION TO THE AUDIT COMMITTEE

Jason Li
Acting Director, Controllershship Office
June 6, 2018



- Key components of the financial statements
- 2017 key financial results

KEY COMPONENTS OF FINANCIAL STATEMENTS

WHAT ENTITIES ARE REPORTED ON?



Regional
Departments



York Region Rapid
Transit Corporation



Housing York Inc.



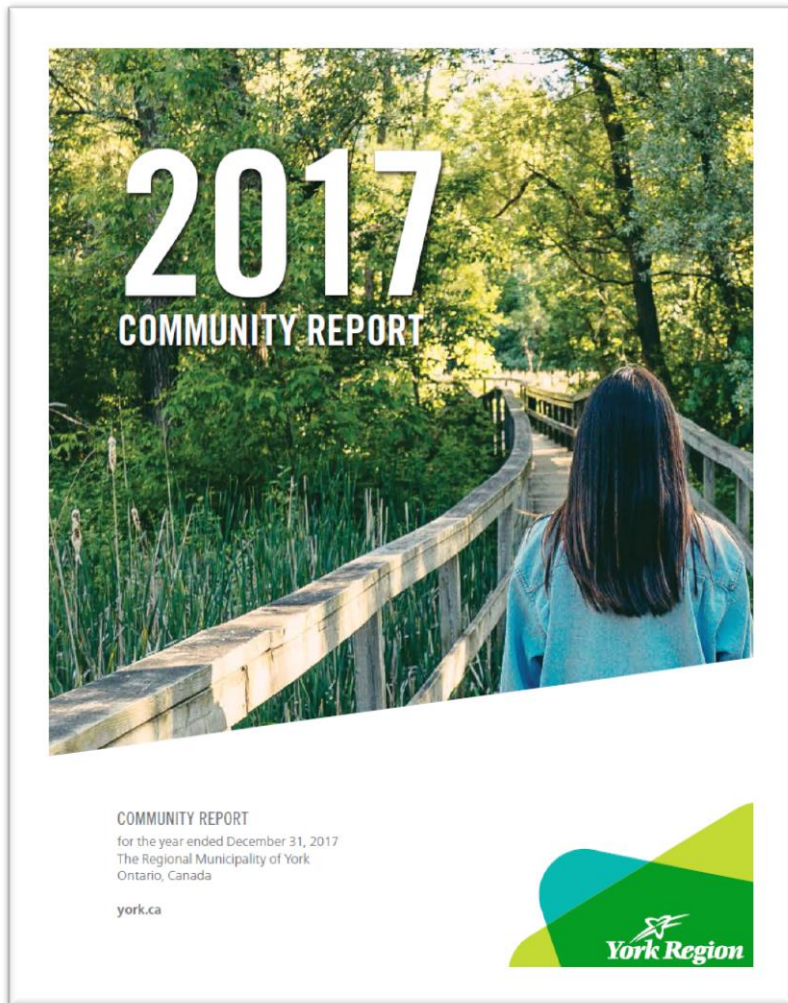
York Regional Police



YorkNet (2018)

Consolidated Regional Entity

KEY FINANCIAL STATEMENTS COMPONENTS



Statement of Operations



Statement of Financial Position



Statement of Cash Flows



Statement of Change in Net Debt



Notes

2017 FINANCIAL STATEMENT RESULTS

STATEMENT OF OPERATIONS

STATEMENT OF OPERATIONS – KEY DEFINITIONS

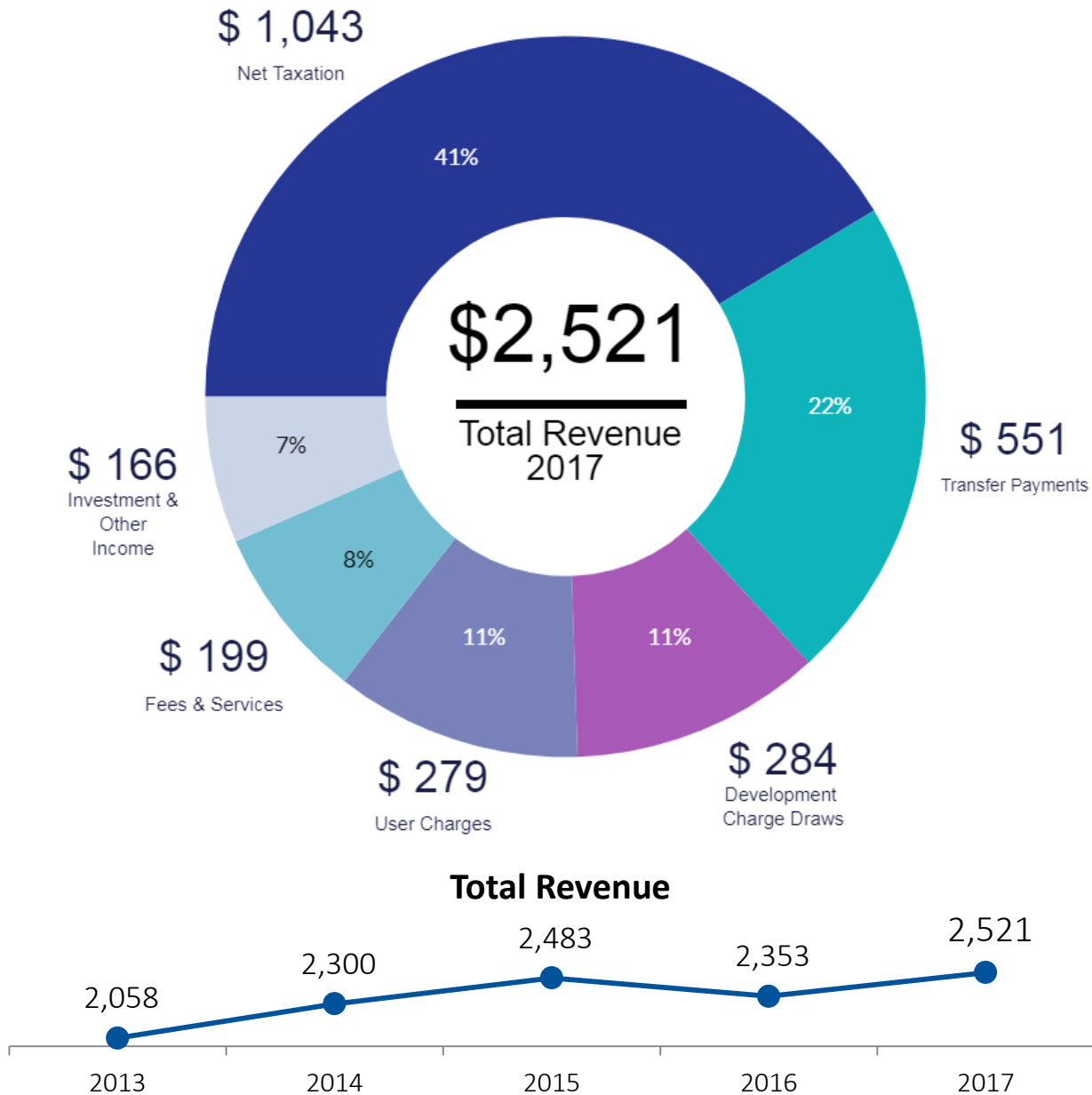
- This statement is often called the income statement.
- Prepared using the accrual basis of accounting as required by the Public Sector Accounting Board.
- It reports the **revenues** earned by the Region and **expenses** incurred to deliver services during the year.
- The key indicator is the **annual surplus**, or the difference between total revenues and total expenses.

STATEMENT OF OPERATIONS (SUMMARIZED)

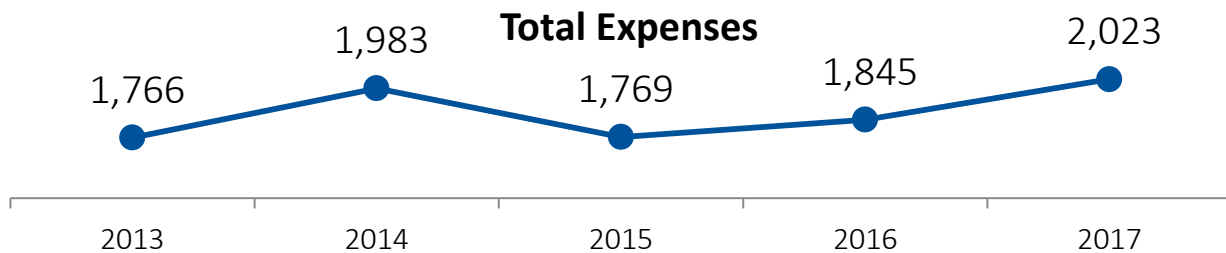
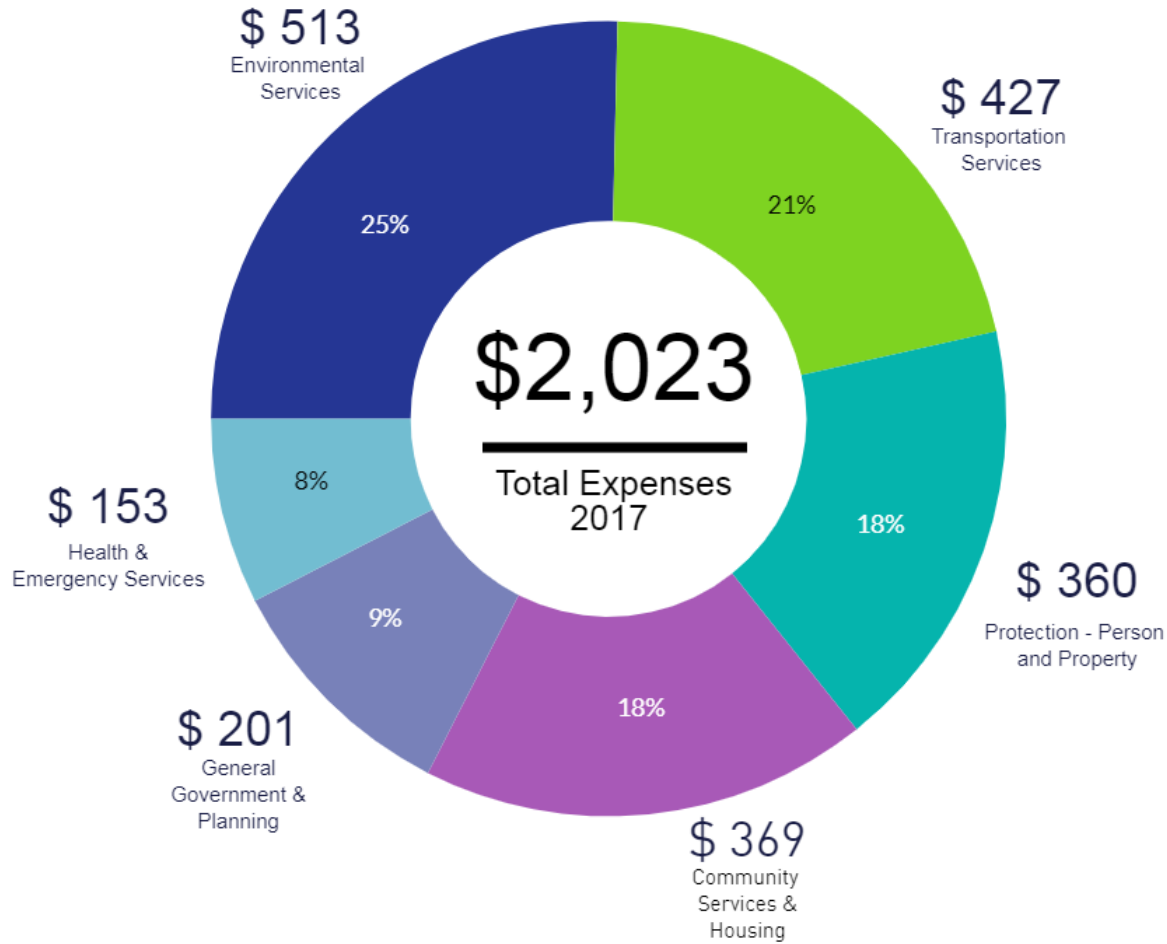
	2016 (\$M)	2017 (\$M)	Change (\$M)	Change %
Revenues	2,354	2,521	167	7%
Expenses	1,845	2,023	178	10%
Annual Surplus	509	498	(11)	(2%)
Accumulated Surplus, beginning	5,692	6,201	509	9%
Accumulated Surplus, end of year	6,201	6,700	498	8%

* numbers may not add due to rounding

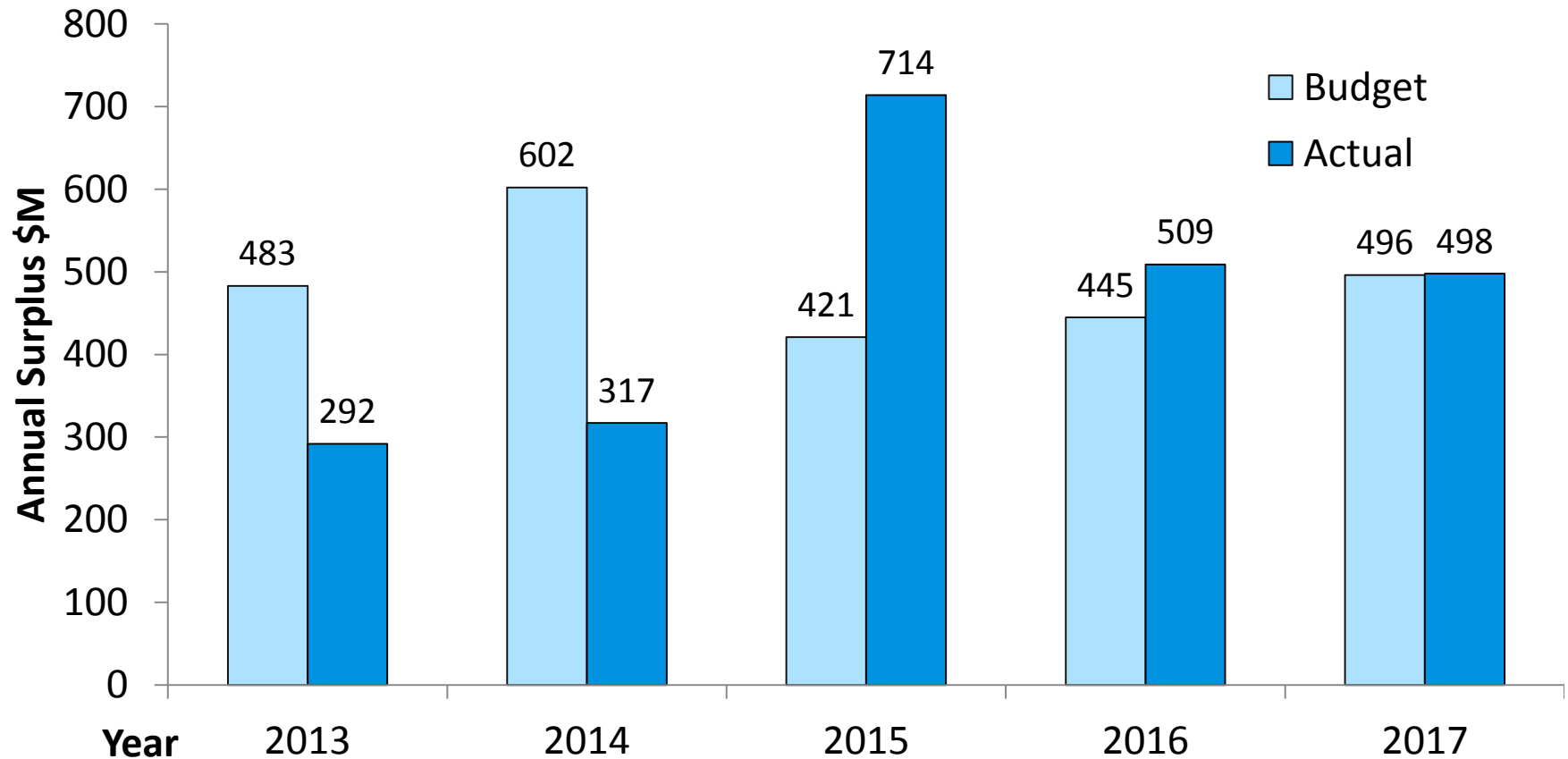
COMPOSITION OF REVENUE AND YEAR-OVER-YEAR CHANGE (\$M)



COMPOSITION OF EXPENSES AND YEAR-OVER-YEAR CHANGE (\$M)



ANNUAL SURPLUS TREND



- The annual surplus decreased by \$11M or 2% from 2016, to \$498 million. This is in line with the budgeted amount of \$496 million.

STATEMENT OF FINANCIAL POSITION

STATEMENT OF FINANCIAL POSITION – KEY DEFINITIONS

- This statement focuses on the Region's assets and liabilities at December 31, 2017.
- **Financial assets** are of a more liquid nature, such as cash, investments, and accounts receivable.
- **Non-financial assets** are mostly fixed assets.
- **Liabilities** are amounts owed, mainly debt, accounts payable and deferred revenue.
- The key indicator is **net debt**, or the difference between **financial assets** and **liabilities**.

STATEMENT OF FINANCIAL POSITION

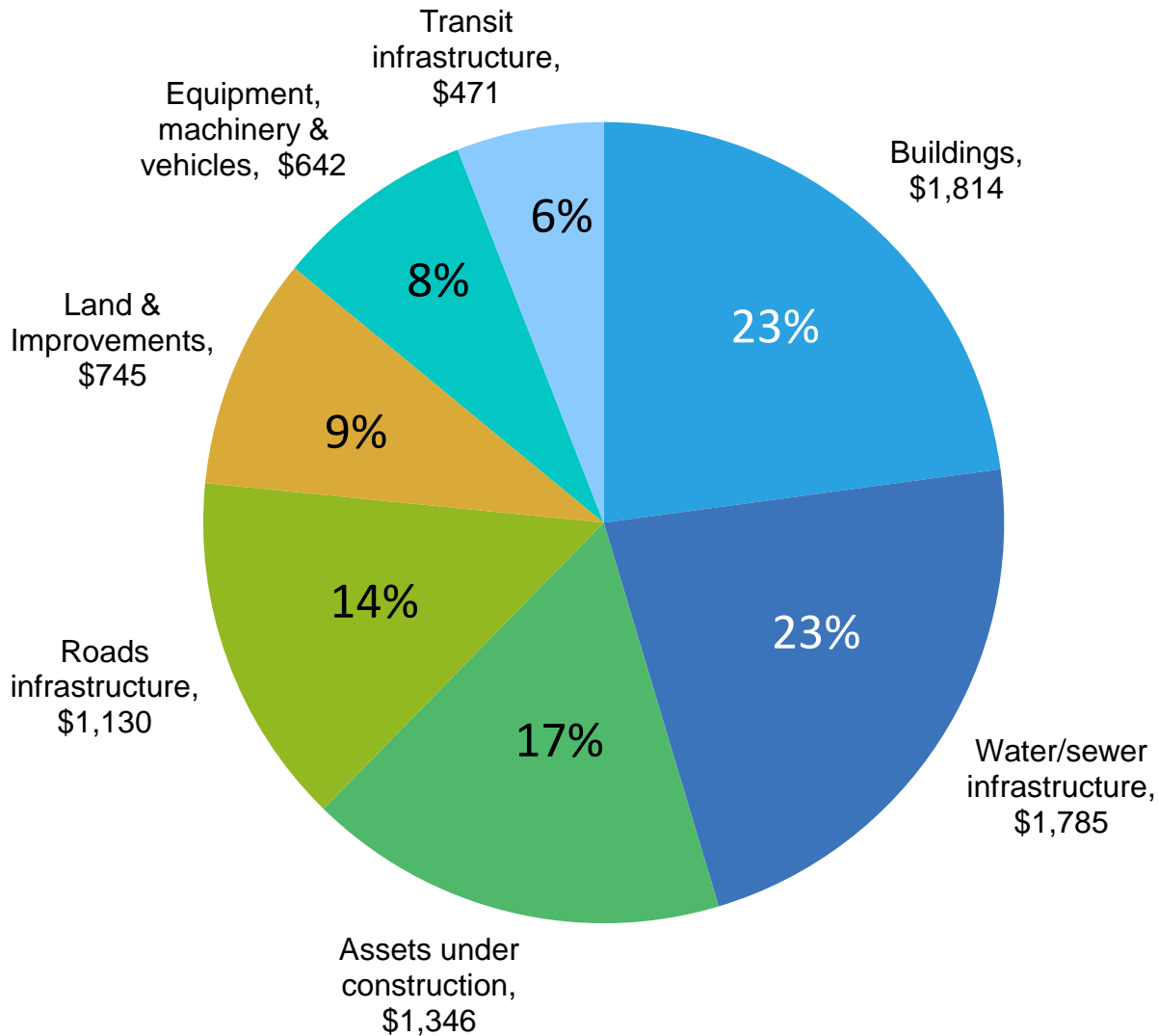
	2016 (\$M)	2017 (\$M)	Change (\$M)	Change %
Financial Assets	3,654	3,848	195	5%
Liabilities	4,995	5,098	103	2%
Net Debt	(1,341)	(1,250)	92	7%
Tangible Capital Assets	7,543	7,950	407	5%
Accumulated Surplus*	6,201	6,700	499	8%

* numbers may not add due to rounding

NET DEBT VS. OUTSTANDING DEBT

- **Net debt** indicates future revenues required to pay for past transactions and events, without selling fixed assets.
- **Net debt** is different than **outstanding debt**, which are amounts owed by the Region to creditors.
- **Outstanding debt** increased by \$135 million to \$2.9 billion at the end of 2017.
- This is the peak debt level and **outstanding debt** is projected to decrease starting in 2018.

TANGIBLE CAPITAL ASSETS BY TYPE (\$M)



Total Net Book Value of Assets

\$7.9B

Top 5 Assets Under Construction by Service Area (\$M)

Service Area	2017 WIP
Wastewater	436
Roads	350
Rapid Transit	268
Water	138
Property Services	85
Other	69
Total	1,346

ACCUMULATED SURPLUS

- Amount that all assets (financial and non-financial) exceed liabilities.
- Indicates the value of net resources, including tangible capital assets, available to provide future service.
- 2017 year-end accumulated surplus was \$6.7 billion compared to \$6.2 billion at December 2016, which reflects:
 - Net investments in capital assets (\$4.1B); and
 - Reserves and reserve funds balances (\$2.6B).

GFOA AWARD



Government Finance Officers Association
**Canadian Award for
Financial Reporting
2016**

KEY MESSAGES

1. 2017 financial results were in line with expected results and continue to support a sustainable fiscal plan.
2. The Region produces high quality financial statements, as evidenced by the unqualified audit opinion and receipt of the GFOA Award for Financial Reporting.
3. It is recommended that Committee and Council receive the report for information.