THE
REGIONAL MUNICIPALITY
OF YORK

2003
CONSOLIDATED
FINANCIAL
STATEMENTS

2003 Financial Statements

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KPMG

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AUDITORS' REPORT

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

We have audited the consolidated statement of financial position of The Regional Municipality of York (the "Region") as at December 31, 2003 and the consolidated statements of financial activities and changes in financial position for the year then ended. These financial statements are the responsibility of the Region's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Region as at December 31, 2003 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The current year's supplementary information included in the schedules is presented for additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

KPMG LLP

Chartered Accountants

Toronto, Canada

April 19, 2004

THE REGIONAL MUNICIPALITY OF YORK
Consolidated Statement of Financial Position
As at December 31, 2003

	2003	2002
	$	$
ASSETS		
Financial Assets		
Cash and cash equivalents (Note 3)	**718,701,322**	806,450,997
Accounts receivable (Note 4)	**92,318,011**	71,669,732
Investments (Note 3)	**231,260,359**	28,892,991
Debt amounts recoverable from		
Area municipalities (Notes 5 & 9a)	**17,724,888**	22,295,169
School boards (Notes 5 & 9a)	**34,238,600**	52,528,610
Total	**1,094,243,180**	981,837,499
LIABILITIES		
Accounts payable and other liabilities	**168,015,169**	133,451,503
Accrued interest on long-term liabilities	**3,130,965**	2,001,052
	171,146,134	135,452,555
Employee benefit obligations	**41,553,849**	34,726,744
Gross long-term liabilities (Note 5)	**491,678,272**	428,064,921
Retirement and sinking fund debenture (Note 5)	**1,266,527**	1,099,449
	705,644,782	599,343,669
Deferred revenue-obligatory reserve funds	**465,911,637**	387,740,010
Total	**1,171,556,419**	987,083,679
Net Debt	**(77,313,239)**	(5,246,180)
Other Assets		
Prepaid expenses and inventory	**3,787,453**	4,348,647
Total Net Debt	**(73,525,786)**	(897,533)
Municipal Position		
Capital fund (Note 6)	**(20,483,232)**	(8,698,885)
Investment in social housing	**8,454,237**	8,167,911
Reserves and reserve funds	**426,368,307**	392,235,315
Total fund balances	**414,339,312**	391,704,341
Amounts to be recovered (Note 7)	**(487,865,098)**	(392,601,874)
Total Municipal Position	**(73,525,786)**	(897,533)

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

THE REGIONAL MUNICIPALITY OF YORK
Consolidated Statement of Financial Activities
For the year ended December 31, 2003

	Budget (Unaudited) $	**2003** **$**	2002 $
Revenues			
Net taxation/user charges	561,604,536	**573,584,449**	529,460,424
Transfer payments	171,337,735	**126,786,351**	109,571,442
Development contributions	204,733,618	**79,407,470**	73,474,431
Fees and services	55,725,922	**55,602,851**	54,868,677
Interest	-	**12,160,140**	9,070,700
Other	18,365,800	**14,776,295**	26,087,440
Total Revenues	1,011,767,611	**862,317,556**	802,533,114
Expenditures			
Current			
General government	58,266,955	**56,237,178**	55,568,345
Protection to persons and property	118,893,365	**119,431,937**	112,601,250
Transportation services	72,451,629	**75,961,436**	63,177,817
Environmental services	79,594,900	**79,355,588**	67,275,428
Health and emergency services	63,247,005	**61,598,766**	48,696,222
Community services	159,951,036	**157,240,290**	154,749,280
Social housing	105,129,331	**95,387,012**	79,475,233
Planning and development	6,355,201	**6,198,167**	5,547,444
Total Current	663,889,422	**651,410,374**	587,091,019
Capital			
General government	14,139,560	**2,580,243**	2,222,126
Protection to persons and property	15,605,715	**2,272,655**	6,703,290
Transportation services	227,245,590	**135,139,163**	94,628,761
Environmental services	424,395,286	**128,847,118**	88,212,180
Health and emergency services	8,725,985	**1,910,364**	461,601
Community services	17,071,751	**9,101,681**	3,347,252
Planning and development	5,698,158	**3,123,017**	1,425,479
Total Capital	712,882,045	**282,974,241**	197,000,689
Total Expenditures	1,376,771,467	**934,384,615**	784,091,708
(Increase)/Decrease in Net Debt		**(72,067,059)**	18,441,406
Change in Non Financial Assets		**(561,194)**	995,288
Increase in Amounts to be Recovered (Note 7)		**95,263,224**	28,403,419
Increase in Fund Balances		**22,634,971**	47,840,113

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

THE REGIONAL MUNICIPALITY OF YORK
Consolidated Statement of Changes in Financial Position
For the year ended December 31, 2003

	2003	2002
	$	$
Operations		
Change in net debt	**-72,067,059**	18,441,406
Uses:		
Increase in accounts receivable	**-20,648,279**	-
Decrease in accounts payable and other liabilities	**-**	-2,106,417
	-20,648,279	-2,106,417
Sources:		
Decrease in accounts receivable	**-**	6,489,087
Increase in accounts payable and other liabilities	**34,563,666**	-
Increase in accrued interest on long-term liabilities	**1,129,913**	319,076
Increase in employee benefit obligations	**6,827,105**	2,965,579
Increase in deferred revenue-obligatory reserve funds	**78,171,627**	45,054,853
	120,692,311	54,828,595
Net increase in cash and cash equivalents from operations	**27,976,973**	71,163,584
Investing		
Decrease (increase) in investments	**-202,367,368**	38,219,640
Financing		
Long-term debt issued	**112,055,112**	53,236,798
Long-term debt repaid	**-25,414,392**	-48,261,640
Interest earned on own sinking funds	**-**	-113,209
Net increase in cash and cash equivalents from financing	**86,640,720**	4,861,949
Net change in cash and cash equivalents	**-87,749,675**	114,245,173
Opening cash and cash equivalents	**806,450,997**	692,205,824
Closing cash and cash equivalents	**718,701,322**	806,450,997

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, Markham, Newmarket, Richmond Hill, Whitchurch-Stouffville, the Township of King and the City of Vaughan.

1. ACCOUNTING POLICIES

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

The focus of PSAB financial statements is on the financial position of the Region and the changes thereto. The Consolidated Statement of Financial Position reports the financial assets and liabilities, and the non financial assets and liabilities of the Municipality. Financial assets are those assets which could provide resources to discharge existing liabilities or finance future operations. Municipal position represents the financial position and is the difference between assets and liabilities. This provides information about the Municipality's overall future revenue requirements and its ability to finance activities and meet its obligations.

a) Basis of Consolidation

i) These consolidated financial statements reflect the assets, liabilities, sources of financing and expenditures in the Current Fund, Capital Fund, Reserves and Reserve Funds, and include the activities of all committees of Council, the York Region Police Services Board and Housing York Inc. During 2003, York Region Rapid Transit Corporation (Rapidco) was incorporated and is expected to commence executing its mandate in 2004.

The 2002 comparative figures have been reclassified to conform to current presentation.

ii) The financial activities of the sinking fund are not included in these statements.

iii) Funds held in trust by the Region for the residents of Newmarket Health Centre and Maple Health Centre and their related operations are not included in the financial statements. The financial activity and position of the trust funds and donations received on behalf of the Centres are reported separately in the Residents' Trust Funds and Donation Account Statement of Financial Position, and Statement of Financial Activities.

b) Basis of Accounting

i) Accrual Basis of Accounting

Sources of financing and expenditures are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are the cost of goods and services and are recognized when acquired in the period, whether or not payments have been made or invoices received.

ii) Capital Assets

The historical cost and accumulated depreciation for capital assets are not recorded for municipal purposes. Capital assets are reported as an expenditure in the Consolidated Statement of Financial Activities in the year of acquisition.

iii) Use of Estimates

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

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

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

v) **Reserves and Reserve Funds**

Certain amounts, as approved by Regional Council, are set aside in reserves and reserve funds for future operating and capital purposes. Transfer to and/or from reserves and reserve funds are an adjustment to the respective fund when approved.

vi) **Government Transfers**

Government transfers are recognized in the period in which the events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

vii) **Investments**

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

Investments are carried at the lower of cost and market value. Any discount or premium is amortized over the remaining term of the investments.

viii) **Pensions and Employee Benefits**

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

Other post-employment benefits are accrued in accordance with the projected benefit method prorated on service and management’s best estimate of salary escalation and retirement ages of employees. The discount rate used to determine the accrued benefit obligation was determined by reference to market interest rates at the measurement date on high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments. The cost of plan amendments is accounted for in the period they are adopted.

2. BUDGET FIGURES

The Regional Municipality of York's Council completes a review of its operating and capital budgets each year. The approved operating budget for 2003 is reflected on the Consolidated Schedule of Current Fund Operations and is included in the budget figures presented in the Consolidated Statement of Financial Activities. The budget as approved by Regional Council includes those expenditures which are part of current tax levies and user charges. Figures are restated to include accruals for amounts accounted for in these financial statements subject to future funding.

Budgets established for the Capital Fund and Reserves and Reserve Funds are set on a project-oriented basis, spending of which may be carried out over one or more fiscal years. The budgets reflected in the Consolidated Schedule of Capital Fund Operations and the Consolidated Schedule of Reserves and Reserve Funds and included in the Consolidated Statement of Financial Activities is an annual budget only as required by the recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

3. INVESTMENTS

Included in cash and cash equivalents are short-term investments of $682,142,615 (2002 - $788,322,799) with a market value of $682,114,755, (2002 - $789,447,786).

Long-term investments of $231,260,359 (2002 - $28,892,991) have a market value of $231,733,731 (2002 - $29,592,858).

Under legislation, $465,911,637 (2002 - $387,740,010), is comprised of both cash and cash equivalents and investments, is restricted as it is required to fund obligatory reserve funds.

4. ACCOUNTS RECEIVABLE

This amount is comprised of the following receivables:

	2003	2002
	$	$
Government of Canada	**5,749,313**	4,163,821
Government of Ontario	**1,533,191**	410,548
Other Municipalities	**61,961,399**	42,916,907
Others	**24,868,385**	26,065,779
	94,112,288	73,557,055
Less: Allowance for Doubtful Accounts	**1,794,277**	1,887,323
	92,318,011	71,669,732

5. LONG-TERM LIABILITIES

a) The balance for long-term liabilities reported on the Consolidated Statement of Financial Position is made up of the following items. Interest rates for the debts range from 3% to 12%.

	2003 **$**	2002 $
Total long-term liabilities incurred by the Municipality including those incurred on behalf of school boards and area municipalities and outstanding at the end of the year amount to	**405,032,088**	339,668,442
Mortgages payable by Housing York Inc.	**86,646,184**	88,396,479
	491,678,272	428,064,921
Retirement and sinking fund debenture	**1,266,527**	1,099,449
Less: Recoverable from area municipalities	**17,724,888**	22,295,169
Recoverable from school boards	**34,238,600**	52,528,610
Net long-term liabilities at the end of the year	**440,981,311**	354,340,591

b) Long-term liabilities are repayable as follows:

2004	$35,260,195
2005	45,894,019
2006	35,025,457
2007	42,288,558
2008	36,107,500
Thereafter	245,139,055
Net sinking fund debt repayable according to actuarial recommendations	1,266,527
	$440,981,311

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 Financial Activities were $21,781,626, (2002 - $21,768,972).

6. MUNICIPAL POSITION – CAPITAL FUND

Approval of Council has been obtained for the pending issues of long-term liabilities and for those commitments to be financed from revenues beyond the term of Council.

7. AMOUNTS TO BE RECOVERED

Amounts to be recovered represent liabilities established for accrual accounting purposes. 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 amounts to be recovered is $95,263,224, (2002 - $28,403,419).

	2003	2002
	$	$
Long-term liabilities	**439,714,784**	353,241,142
Benefits payable for early retirees (c)	**19,074,511**	16,087,283
Vested sick leave benefits (a)	**11,232,250**	10,537,217
Vacation payable	**7,228,284**	6,644,235
Insurance claims (Note 9b)	**3,465,500**	2,632,936
Accrued interest payable on long-term liabilities	**3,130,965**	2,001,052
Long-term disability claims (e)	**2,091,316**	0
Workers' compensation obligations (d)	**1,927,488**	1,458,009
	487,865,098	392,601,874

Actuarial valuations: The following table sets out the extrapolated results for each of the plans as at December 31, 2003:

	Benefits payable for early retirees	Vested sick leave benefits	Workers' compensation	2003 total	2002 total
	$	$	$	$	$
Accrued benefit liability, beginning of year	16,087,283	10,537,217	1,458,009	28,082,509	26,236,745
Current service cost	1,071,864	824,283	837,121	2,733,268	1,801,595
Plan amendments	1,253,621	0	0	1,253,621	0
Interest cost	1,060,358	634,036	114,282	1,808,676	1,578,622
Benefit payments	(398,615)	(763,286)	(481,924)	(1,643,825)	(1,534,453)
Accrued benefit liability, end of year	19,074,511	11,232,250	1,927,488	32,234,249	28,082,509

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:

	Benefits payable for early retirees	Vested sick leave benefits	Workers' compensation
Expected inflation rate	3%	3%	3%
Expected level of salary increases	4%	4%	N/A
Interest discount rate	6%	6%	7%

a) Liability for Vested Sick Leave Benefits

Regional Operations

Since 2000, the accumulated sick leave plan has been 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 value of the liability of the accumulated days for employees who chose the deferral option is $1,368,946 (2002 - $1,246,070) at the end of the year. Employees who had less than five years of service at December 31, 1999 are 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, 2003 is $4,435,753 (2002 - $4,617,667).

Police Services

Under the sick leave benefit plan, unused sick leave can accumulate and employees may become 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.

The 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 $9,863,304 (2002 - $9,291,147). 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 $9,935,705 (2002 - $9,532,287) and is reported in the Consolidated Statement of Financial Position.

According to an independent actuarial valuation report dated February 20, 2004 the total estimated liability for both regional operations and police services is $11,232,250 (2002 - $10,537,217).

b) Pension Agreement

The Region contributes to the Ontario Municipal Employees Retirement System (OMERS), a multi-employer plan on behalf of approximately 3,147 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.

The latest actuarial valuation as at December 31, 2003 indicates that current member and employer contribution rates are sufficient to fund future benefits. From August 1, 1998 to December 31, 2002 member and employer contribution rates were 0%. In 2003, contribution resumed in the amount of $3,910,242 and is included as an expenditure in the Consolidated Statement of Financial Activities.

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 until they reach age sixty-five.

According to an independent actuarial valuation report dated February 27, 2004 the total future cost associated with these benefits is $19,074,511, (2002 - $16,087,283) and is reported in the Consolidated Statement of Financial Position.

d) Workers' Compensation

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

According to an independent actuarial valuation dated March 2, 2004 the estimated liability for all claims incurred to December 31, 2003 is $1,927,488, (2002 - $1,458,009) and is reported in the Consolidated Statement of Financial Position.

e) Long-Term Disability Self Funding Arrangement

In October 2002, the Region adopted a self-insured arrangement for its long-term disability benefit (LTD). Under this arrangement, the Region funds its own claims through a segregated reserve and contracts with an insurance carrier to adjudicate and administer all claims on an Administrative Services Only (ASO) basis. The estimated liability for claims incurred in 2003 is $2,091,316 as at December 31, 2003 and is reported in the Consolidated Statement of Financial Position.

8. CONTRACTUAL OBLIGATIONS AND COMMITMENTS

a) Water Agreements

Under the terms of agreements with the Ministry of the Environment and the City of Toronto, the Region is entitled to purchase water at rates established every year. Payments in respect of these agreements amounted to $16,824,243 (2002 - $17,028,323). Payments under these agreements are financed by area municipalities based on water consumption.

b) York-Peel Water Supply Agreement

In 2001, the Region entered into an inter-regional water servicing agreement with the Regional Municipality of Peel. Under the terms of the agreement, the Region is entitled to purchase water from Peel at a negotiated rate, beginning in 2004. The agreement provides for a buy-in payment of $52.4 million, payable in three equal instalments of $17.46 million. The first instalment was paid in 2001 and subsequent payments are due in 2004 and 2011. The Region of York will be required to pay operating costs to the Region of Peel for water consumption based on the York Wholesale Rate, commencing in 2004, through to 2031 and beyond. The York Wholesale Rate will include a component to be contributed to a Capital Repair and Replacement Reserve. Payments under this agreement will be financed by the area municipalities based on water consumption.

c) Lease Agreement-Information Technology

The Region has entered into an agreement for the supply, service and lease of information technology for a period of 3 years. The estimated lease payments are $4.2 million for 2003, $4.3 million for 2004 and $4.9 million for 2005.

d) Operating Leases

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

	$
2004	5,116,000
2005	4,485,000
2006	4,485,000
2007	4,581,000
2008	4,672,000

e) York Rapid Transit Plan

In 2002, the Region entered into a public-private partnership with York Consortium 2002 to implement the York Rapid Transit Plan (YRTP). The YRTP was developed from the Region's Transportation Master Plan, which identified the need to implement a rapid network that would reduce the rate of traffic congestion and support economic and residential growth. Implementation of the York Rapid Transit Plan is estimated to cost $1.5 – 2.2 billion over the next 10 years.

Funding agreements with the Province of Ontario and the Government of Canada have not been finalized. Consequently, no transactions were conducted by Rapidco during 2003.

f) Solid Waste Haulage and Disposal Services

Due to the closure of the Keele Valley Landfill Site at the end of 2002, the Region entered into agreements for the haulage and disposal of waste. The agreements, with Green Lane Landfill, Onyx Waste Services Inc. and Republic Services Inc., provide for waste to be hauled from the Region's transfer stations to sites in Southwold Township, Ontario and Michigan, U.S.A. The initial term of the agreements is five years. In subsequent years, the rate change per tonne will be adjusted in accordance with the inflation rate.

Effective January 1, 2003 the Region assumed the responsibility for waste disposal and diversion from the nine area municipalities. The incremental operating costs of $8.4 million associated with this initiative are added to the Region's tax levy in 2003.

Under provisions of the contracts in place with third parties for the disposal of waste, the Region has no obligations relating to the closure or post-closure maintenance of the disposal sites.

9. CONTINGENT LIABILITIES

a) Long-term Liabilities

The Region is contingently liable for long-term liabilities for which the responsibility for the payment of principal and interest is recoverable from other municipalities, school boards and unconsolidated local boards. The total amount outstanding as at December 31, 2003 is $51,963,488, (2002 - $74,823,779) and is recorded on the Consolidated Statement of Financial Position.

b) Public Liability Insurance

During 2003, the Region insured public liability through participation in a reciprocal insurance exchange, Ontario Municipal Insurance Exchange (OMEX).

Public liability insurance limits are at $50,000,000. The Region increased its level of self-insured retention, from the various deductible levels under the independent insurance policies, to $100,000 on January 1, 1998 under the OMEX policies.

Insurance premiums, claims under the deductible provisions of policies and claims in excess of insurance limits are paid from a Self Insurance Reserve Fund established by the Region. The Region makes annual contributions to the reserve on the basis of type of coverage, deductibles and insurance limits. Contributions in 2003 were $1,883,612, (2002 - $1,251,113) and are reported in the Consolidated Statement of Financial Activities.

The Region estimates that the liability as at December 31, 2003 for all outstanding public liability claims is $3,465,500, (2002 - $2,632,936).

Environmental impairment liability is fully self-insured by the Region. Total reserve available for public liability and environmental impairment is $3,458,596, (2002 - $4,556,036).

c) Contingencies

In the normal course of its operations, the Region is subject to various litigation and claims. The ultimate outcome of these claims cannot be determined at this time. However, the Region's management believes that the ultimate disposition of these matters will not have a material adverse effect on its financial position.

10. BILL 140: THE FAIRNESS FOR TAXPAYERS ACT

Bill 140, "The Fairness for Taxpayers Act, 2000" maintained the Province's commitment to limit property tax reform-related increases to 5% per year for the Commercial, Industrial and Multi-residential classes. This legislation, together with the Municipal Act, requires that the Region manage any necessary inter-municipal tax adjustments. The Region will only transfer funds between area municipalities as part of the related tax adjustments and does not incur any direct financial cost.

11. EXPENDITURES BY OBJECT

The consolidated statement of financial activities reports expenditures by function. The Regional Municipality of York's expenditures by object are as follows:

	2003	2002
	$	$
Current Fund Expenditures		
Salaries, wages and benefits	**236,143,885**	200,477,778
Long-term debt charges	**21,781,626**	21,768,972
Materials, services, rents and financial items	**300,237,545**	261,348,715
Asset acquisitions	**22,107,245**	23,836,714
Transfers to other governments and the public	**71,140,073**	79,658,840
	651,410,374	587,091,019
Capital Fund Expenditures		
Materials, services, rents and financial items	**234,096,609**	154,642,273
Asset acquisitions	**41,181,007**	29,268,588
Transfers to other governments and the public	**7,696,625**	13,089,828
	282,974,241	197,000,689

12. LOCAL SERVICE REALIGNMENT COSTS

Current liabilities include a $6,146,720 (2002 - $10,323,572) obligation due to the Province for Local Service Realignment costs for Social Assistance and Social Housing attributed to Greater Toronto Area (GTA) Pooling.

Annual Local Service Realignment costs for 2003 have been included as expenditures in the Consolidated Statement of Financial Activities based on billings from the Province for Social Assistance, an interim agreement with the Province for Social Housing payments, and estimates for unbilled amounts relating to 2003.

The total obligation for 2003 will not be confirmed until the final billings for 2003 GTA Pooling costs are received from the Province.

13. 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 Operation Network system ("ICON"). The Region recognizes fine revenue when the receipt of funds is recorded by ICON regardless of the location where payment is made.

The gross revenues consist of fines levied under Part I, II and III (including delay penalties) for POA charges and amount to $6,236,304 (2002 - $5,592,047). The net loss amounts to $1,833,151 (2002 - $1,832,576). Balances arising from operation of the POA offices are consolidated with these financial statements.

14. SERVICE CONTRACTS WITH THE MINISTRY OF COMMUNITY, FAMILY AND CHILDREN'S SERVICES

The Region has service contracts with the Ministry of Community, Family and Children's Services (MCFCS). One requirement of the service contracts is the production of a report by management, Annual Program Expenditure Reconciliation (APER) which shows a summary by service of all revenues and expenditures and any resulting surpluses and deficits that relate to the service contracts.

A review of these reports shows the following services to be in a surplus position for the year ended December 31, 2003:

	$
Child Care Services	0
Homelessness	99,945

The surplus amounts due back to MCFCS are reflected in the corporate liabilities account. Subsidy revenue has been recognized according to the approved service contract and not based on cash flowed.

THE REGIONAL MUNICIPALITY OF YORK
Schedule of Current Fund Operations
For the year ended December 31, 2003

	Budget (Unaudited)	**2003**	2002
	$	**$**	$
Revenues			
Net taxation/user charges	561,604,536	**573,584,449**	529,460,424
Transfer payments	116,517,942	**116,560,926**	104,252,837
Fees and services	45,907,135	**45,870,265**	45,027,194
Development contributions	13,852,454	**13,076,335**	7,853,687
Other	0	**8,640,718**	4,480,104
Total Revenues	737,882,067	**757,732,693**	691,074,246
Expenditures			
General government	58,266,955	**56,237,178**	55,568,345
Protection to persons and property	118,893,365	**119,431,937**	112,601,250
Transportation services	72,451,629	**75,961,436**	63,177,817
Environmental services	79,594,900	**79,355,588**	67,275,428
Health and emergency services	63,247,005	**61,598,766**	48,696,222
Community services	159,951,036	**157,240,290**	154,749,280
Social housing	91,642,567	**83,240,198**	77,007,580
Planning and development	6,355,201	**6,198,167**	5,547,444
Total Expenditures	650,402,658	**639,263,560**	584,623,366
Net Revenues	87,479,409	**118,469,133**	106,450,880
Financing and Transfers			
Debt principal repayments	(31,253,853)	**(24,681,062)**	(21,695,245)
Accrued interest on long-term liabilities	-	**1,129,913**	319,076
Employee benefits	-	**6,827,105**	2,965,579
Insurance claims	-	**832,564**	322,799
Net transfer to reserves and reserve funds	(11,136,876)	**(60,730,259)**	(50,874,841)
Transfer to capital operations	(45,088,680)	**(41,194,723)**	(38,455,652)
Net Financing and Transfers	(87,479,409)	**(117,816,462)**	(107,418,284)
Change in non financial assets	-	**(652,671)**	967,404
Change in Current Fund	-	-	-
Surplus (deficit) beginning of year	-	-	-
Surplus (deficit) end of year	-	-	-

THE REGIONAL MUNICIPALITY OF YORK
Schedule of Capital Fund Operations
For the year ended December 31, 2003

	Budget (Unaudited) $	**2003 $**	2002 $
Revenues			
Development contributions	190,881,164	**66,331,135**	65,620,744
Transfer payments	51,470,616	**7,012,278**	2,364,283
Other	20,239,000	**5,871,187**	21,373,276
Total Revenues	262,590,780	**79,214,600**	89,358,303
Expenditures			
General government	14,139,560	**2,580,243**	2,222,126
Protection to persons and property	15,605,715	**2,272,655**	6,703,290
Transportation services	227,245,590	**135,139,163**	94,628,761
Environmental services	424,395,286	**128,847,118**	88,212,180
Health and emergency services	8,725,985	**1,910,364**	461,601
Community services	17,071,751	**9,101,681**	3,347,252
Planning and development	5,698,158	**3,123,017**	1,425,479
Total Expenditures	712,882,045	**282,974,241**	197,000,689
Net Expenditures	(450,291,265)	**(203,759,641)**	(107,642,386)
Financing and Transfers			
Proceeds from long-term debt	284,436,085	**112,925,000**	53,705,000
Debt issue costs	-	**(869,888)**	(468,202)
Interest earned on own sinking funds	-	**-**	(113,209)
Transfer from current fund	45,088,680	**41,194,723**	38,455,652
Transfer from reserve fund	120,766,500	**38,725,459**	22,355,792
Net Financing and Transfers	450,291,265	**191,975,294**	113,935,033
Change in non financial assets	-	**0**	0
Change in Capital Fund	-	**(11,784,347)**	6,292,647
Opening Capital Fund Balance	-	**(8,698,885)**	(14,991,532)
Closing Capital Fund Balance	-	**(20,483,232)**	(8,698,885)

THE REGIONAL MUNICIPALITY OF YORK
Schedule of Reserves and Reserve Funds
For the year ended December 31, 2003

	Budget (Unaudited) $	**2003** $	2002 $
Revenue			
Interest	-	**12,128,192**	8,871,838
Transfers from (to) other funds			
Transfer from current fund	34,958,551	**74,306,684**	60,944,545
Transfer to current fund	(23,821,675)	**(13,576,425)**	(10,069,704)
Transfer to capital fund	(120,766,500)	**(38,725,459)**	(22,355,792)
Net Financing and Transfers	(109,629,624)	**22,004,800**	28,519,049
Change in Reserve and Reserve Fund Balance	(109,629,624)	**34,132,992**	37,390,887
Opening Balance	392,235,315	**392,235,315**	354,844,428
Ending Balance	282,605,691	**426,368,307**	392,235,315

	2003	2002
Reserves		
-Working capital	**35,044,531**	33,000,000
-Equipment replacement	**3,640,365**	2,976,968
-Vacation pay	**681,696**	684,841
-OMERS (Type 3)	**94,604**	94,604
-Group benefits	**(89,089)**	(89,854)
Total Reserves	**39,372,107**	36,666,559
Reserve Funds		
-Capital reserve	**77,186,689**	57,473,557
-Capital reserve (water)	**53,049,109**	54,738,233
-Social assistance	**49,582,547**	45,900,000
-Capital reserve (sewer)	**44,623,641**	49,997,752
-Social housing	**44,097,757**	37,251,146
-Solid waste management	**41,427,879**	45,798,326
-Roads capital	**15,924,339**	20,215,646
-Sick leave	**14,371,458**	14,149,954
-Tax stabilization	**7,625,226**	-
-Transit	**7,323,313**	3,436,504
-Workers' compensation schedule II	**7,188,120**	5,977,591
-Capital asset repair and rehabilitation	**5,431,279**	2,826,657
-Long-term disability	**4,374,940**	1,672,133
-Insurance	**3,458,596**	4,556,036
-Tax write-offs	**3,000,000**	3,000,000
-Land securement	**2,531,272**	1,127,353
-Provincial highways	**2,457,890**	2,710,276
-Innovation	**1,596,694**	3,000,000
-Child benefit	**1,072,589**	1,211,357
-Children's centres capital repairs	**224,855**	107,263
-York Reigon Transit mobility vehicle	**146,990**	85,068
-GTA crime abatement	**127,271**	123,147
-Seized funds	**88,330**	106,119
-Alternative Community Living	**85,416**	104,638
Total Reserve Funds	**386,996,200**	355,568,756
Total Reserves and Reserve Funds	**426,368,307**	392,235,315

SINKING FUND

STATEMENT OF FINANCIAL POSITION,

FINANCIAL ACTIVITIES

AND

CHANGE IN FUND BALANCE

2003

KPMG

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AUDITORS' REPORT

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

We have audited the statement of financial position of the Sinking Funds of The Regional Municipality of York (the "Region") as at December 31, 2003 and the statement of financial activities for the year then ended. These financial statements are the responsibility of the Region's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Sinking Funds of the Region as at December 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Toronto, Canada

April 19, 2004

THE REGIONAL MUNICIPALITY OF YORK
Sinking Fund Statement of Financial Position
As at December 31, 2003

	2003 $	2002 $
Financial Assets		
Investments – at amortized cost (Note 1)	**1,266,500**	1,099,387
Due from Region	**27**	62
Total Assets	**1,266,527**	1,099,449
Liabilities		
Actuarial requirement for retirement of the Sinking Fund (Note 2)	**1,235,559**	1,075,052
Due to Region	**0**	2,411
Fund balance	**30,968**	21,986
Total Liabilities and Fund Position	**1,266,527**	1,099,449

THE REGIONAL MUNICIPALITY OF YORK
Sinking Fund Statement of Financial Activities and Change in Fund Balance
For the year ended December 31, 2003

	Budget (Unaudited) $	2003 $	2002 $
Revenues			
Contributions from:			
Area Municipalities	104,968	**104,968**	900,058
District School Board	0	**0**	898,513
Regional Corporation	0	**0**	2,549,731
Total contributions	104,968	**104,968**	4,348,302
Supplementary payments-On behalf of Area Municipalities	0	**0**	21,969
Supplementary payment-Regional Corporation	0	**0**	131,175
Interest earned	72,217	**72,217**	271,892
Total revenues	177,185	**177,185**	4,773,338
Expenditures			
Actuarial requirement for the year	(160,507)	**(160,507)**	(4,847,489)
Payments to Area Municipalities	(531)	**(531)**	(46,000)
Payments to District School Board	(7,165)	**(7,165)**	(795,000)
Change in Fund Balance	8,982	**8,982**	(915,151)
Opening Fund Balance	21,986	**21,986**	937,137
Closing Fund Balance	30,968	**30,968**	21,986

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

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

1. INVESTMENTS

All investments are purchased with the intention of holding them until maturity. They are recorded at cost, price adjusted annually for amortization of discount or premium on a present value basis as determined at the time of purchase with the amount of such amortization included in the interest earned on the Statement of Financial Activities and Change in Fund Balance. The investments have a market value of $1,375,021, (2002 - $1,173,199).

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 5% or 8% 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

2003

York Region

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AUDITORS' REPORT

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

We have audited the residents' trust funds and donation account statement of financial position of The Regional Municipality of York (the "Region") as at December 31, 2003 and the trust funds statement of financial activities for the year then ended. These financial statements are the responsibility of the Region's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the funds held in trust and its donation account by the Region as at December 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Toronto, Canada

April 19, 2004

THE REGIONAL MUNICIPALITY OF YORK
Residents' Trust Funds & Donation Account
Statement of Financial Position
As at December 31, 2003

	Trust $	Donation $	**2003** **$**	2002 $
Financial Assets				
Cash	61,789	16,975	**78,764**	67,467
Investments	380,000	0	**380,000**	380,000
Residents' petty cash	5,000	0	**5,000**	5,000
Total Assets	446,789	16,975	**463,764**	452,467
Equity				
Residents' equity	446,789	16,975	**463,764**	452,467
Fund Balances	446,789	16,975	**463,764**	452,467

THE REGIONAL MUNICIPALITY OF YORK
Residents' Trust Funds & Donation Account
Statement of Financial Activities
For the year ended December 31, 2003

	Trust $	Donation $	**2003** **$**	2002 $
Balance, beginning of year	440,379	12,088	**452,467**	515,871
Source of funds:				
Deposits on behalf of residents	268,972	9,116	**278,088**	213,799
Interest earned on deposits	3,220	503	**3,723**	3,410
	272,192	9,619	**281,811**	217,209
Use of funds:				
Withdrawals	(265,782)	(4,732)	**(270,514)**	(15,000)
Investing				
Matured investments not reinvested	0	0	**0**	(265,613)
Net activity	6,410	4,887	**11,297**	(63,404)
Balance, end of year	446,789	16,975	**463,764**	452,467

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

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 made.

3. INVESTMENTS

The investments have a market value of $380,000 (2002 - $380,000).