THE REGIONAL MUNICIPALITY OF YORK

2006 CONSOLIDATED FINANCIAL STATEMENTS

2006 Financial Statements

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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, 2006 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, 2006 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, Licensed Public Accountants

Toronto, Canada

April 5, 2007

THE REGIONAL MUNICIPALITY OF YORK
Consolidated Statement of Financial Position
As at December 31, 2006

	2006 $	2005 $
ASSETS		
Financial Assets		
Cash and cash equivalents (Note 3)	**172,570,180**	239,470,686
Accounts receivable (Note 4)	**170,020,615**	195,237,481
Investments (Note 3)	**877,829,426**	738,516,896
Debt amounts recoverable from		
Area municipalities (Notes 5 & 9a)	**127,631,097**	71,801,268
School boards (Notes 5 & 9a)	**6,612,000**	14,294,600
Total	**1,354,663,318**	1,259,320,931
LIABILITIES		
Accounts payable and other liabilities	**207,283,447**	231,120,792
Accrued interest on long-term liabilities	**8,736,744**	7,015,236
	216,020,191	238,136,028
Employee benefit obligations (Note 7)	**67,694,247**	55,984,924
OSIFA loans (Note 7f)	**13,236,839**	75,274,298
Gross long-term liabilities (Note 5)	**1,166,708,822**	871,070,515
Retirement and sinking fund debenture (Note 5)	**1,854,748**	1,649,111
	1,465,514,847	1,242,114,876
Deferred revenue-obligatory reserve funds (Note 6)	**516,690,529**	515,056,311
Total	**1,982,205,376**	1,757,171,187
Net Debt	**(627,542,058)**	(497,850,256)
Other Assets		
Prepaid expenses and inventory	**6,620,173**	5,825,263
Total Net Debt	**(620,921,885)**	(492,024,993)
Municipal Position		
Capital fund (Note 1b ix)	**9,892,947**	(45,616,366)
Investments in social housing and rapid transit	**(9,993,258)**	749,620
Reserves and reserve funds	**504,639,326**	479,307,557
Total fund balances	**504,539,015**	434,440,811
Amounts to be recovered (Note 7)	**(1,125,460,900)**	(926,465,804)
Total Municipal Position	**(620,921,885)**	(492,024,993)

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, 2006

	Budget (Unaudited)	**2006**	2005
	$	**$**	$
Revenues			
Net taxation/user charges	729,802,444	**736,367,906**	696,757,703
Transfer payments	206,011,183	**219,296,440**	214,311,528
Development contributions	160,387,007	**132,379,263**	101,070,861
Fees and services	110,998,906	**89,020,678**	85,773,782
Interest	-	**18,402,311**	15,484,852
Other	12,971,597	**52,971,781**	27,072,315
Total Revenues	1,220,171,137	**1,248,438,379**	1,140,471,041
Expenditures			
Current			
General government	64,578,791	**64,513,941**	59,318,237
Protection to persons and property	170,908,939	**169,413,205**	154,182,659
Transportation services	186,841,842	**185,624,723**	122,832,389
Environmental services	132,711,381	**130,826,223**	111,055,507
Health and emergency services	79,229,459	**79,366,410**	74,231,767
Community services	214,188,696	**208,865,550**	188,378,903
Social housing	109,346,453	**109,142,525**	104,565,956
Planning and development	6,203,000	**5,845,353**	8,475,785
Total Current	964,008,561	**953,597,930**	823,041,203
Capital			
General government	14,109,963	**8,870,851**	14,651,404
Protection to persons and property	13,312,211	**9,021,195**	7,754,403
Transportation services	239,591,227	**111,995,417**	235,142,576
Environmental services	228,466,316	**281,351,673**	277,560,217
Health and emergency services	3,758,131	**3,391,134**	2,979,280
Community services and housing	18,869,512	**9,901,981**	4,201,377
Planning and development	191,000	**-**	-
Total Capital	518,298,360	**424,532,251**	542,289,257
Total Expenditures	1,482,306,921	**1,378,130,181**	1,365,330,460
Increase in Net Debt		**(129,691,802)**	(224,859,419)
Change in Non Financial Assets		**794,910**	262,802
Increase in Amounts to be Recovered (Note 7)		**198,995,096**	246,806,829
Increase in Fund Balances		**70,098,204**	22,210,212

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, 2006

	2006	2005
	$	$
Operations		
Increase in net debt	**(129,691,802)**	(224,859,419)
Uses:		
Increase in accounts receivable	**-**	(54,740,890)
Decrease in accounts payable and other liabilities	**(23,837,345)**	(40,440,625)
	(23,837,345)	(95,181,515)
Sources:		
Decrease in accounts receivable	**25,216,866**	-
Increase in accrued interest on long-term liabilities	**1,721,508**	1,270,963
Increase in employee benefit obligations	**11,709,323**	7,099,176
Increase in deferred revenue-obligatory reserve funds	**1,634,218**	66,211,832
	40,281,915	74,581,971
Net increase in cash and cash equivalents from operations	**(113,247,232)**	(245,458,963)
Investing		
Increase in investments	**(139,312,530)**	(477,056,985)
Financing		
Long-term debt issued	**243,608,393**	238,180,744
Long-term debt repaid	**(71,122,071)**	(50,692,760)
OSIFA loans	**13,172,934**	50,829,033
Net increase in cash and cash equivalents from financing	**185,659,256**	238,317,017
Net change in cash and cash equivalents	**(66,900,506)**	(484,198,931)
Opening cash and cash equivalents	**239,470,686**	723,669,617
Closing cash and cash equivalents	**172,570,180**	239,470,686

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 of all entities which are accountable to and controlled by the Region. They include the activities of all committees of Council, York Region Police Services Board, Housing York Inc. and York Region Rapid Transit Corporation (Rapidco).

The 2005 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 expenditures 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.

The Region receives Federal Gas Tax revenues under a municipal funding agreement with the Association of Municipalities of Ontario for the transfer of the revenues. These funds, by their nature, are restricted in their use and until applied to applicable capital works are recorded as deferred revenue. Amounts applied to qualifying capital projects are recorded as revenue in the fiscal period they are expended.

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 System (OMERS), a multi-employer public sector pension fund, as a defined benefit plan. Vacation entitlements are accrued for as entitlements are earned. Sick leave benefits are accrued where they are vested and subject to pay out when an employee leaves the Region's employ.

Other post-employment benefits are accrued in accordance with the projected benefit method prorated on service and management's best estimate of salary escalation and retirement ages of employees. Actuarial valuations, where necessary for accounting purposes, are performed triennially. The discount rate used to determine the accrued benefit obligation was determined by reference to market interest rates at the measurement date on high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments. Unamortized actuarial gains or losses are amortized on a straight-line basis over the expected average remaining service life of the related employee groups. Unamortized actuarial gains/losses for event-triggered liabilities, such as those determined as claims related to 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 CICA PS 3250 Retirement Benefits. Therefore, for the purpose of these financial statements, the plans are considered unfunded.

ix) 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 the Council.

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 2006 is reflected on the 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 Schedule of Capital Fund Operations and the 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 $183,498,486 (2005 - $222,542,140) with a market value of $183,431,882 (2005 - $222,407,604).

Long-term investments of $877,829,426 (2005 - $738,516,896) have a market value of $877,112,507 (2005 - $746,094,561).

Cash and cash equivalents and long-term investments include $516,690,529 (2005 - $515,056,311) of restricted funds as required under legislation to fund obligatory reserve funds.

4. ACCOUNTS RECEIVABLE

This amount is comprised of the following:

	2006	2005
	$	$
Government of Canada	**39,065,063**	50,202,281
Government of Ontario	**13,962,604**	43,393,285
Other Municipalities	**65,964,952**	60,802,055
Others	**55,225,312**	45,128,742
	174,217,931	199,526,363
Less: Allowance for Doubtful Accounts	**4,197,316**	4,288,882
	170,020,615	195,237,481

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 2.4% to 11.5%.

	2006	2005
	$	$
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	**1,070,667,929**	788,295,337
Mortgages payable by Housing York Inc.	**96,040,893**	82,775,178
	1,166,708,822	871,070,515
Retirement and sinking fund debenture	**1,854,748**	1,649,111
Less: Recoverable from area municipalities	**127,631,097**	71,801,268
Recoverable from school boards	**6,612,000**	14,294,600
Net long-term liabilities at the end of the year	**1,034,320,473**	786,623,758

b) Long-term liabilities are repayable as follows:

2007	$105,327,341
2008	102,436,855
2009	97,532,864
2010	111,662,883
2011	101,537,901
Thereafter	513,967,881
Net sinking fund debt repayable according to actuarial recommendations	1,854,748
	$1,034,320,473

Long-term liabilities are financed through a combination of development charges, water and sewer rates, and tax levy.

c) **Charges for Net Long-term Liabilities**

Total interest charges for the year for net long-term liabilities which are included in the Consolidated Statement of Financial Activities are $42,250,405 (2005 - $33,966,086).

6. DEFERRED REVENUE-OBLIGATORY RESERVE FUNDS

Included in deferred revenue are development charges of $508,006,949 (2005 - $507,948,979) and federal gas tax revenues of $8,683,580 (2005 - $7,107,332).

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 $198,995,096 (2005 - $246,806,829).

	2006	2005
	$	$
Long-term liabilities	**1,032,465,725**	784,974,647
Benefits payable for early retirees (c)	**26,841,548**	22,686,110
Vested sick leave benefits (a)	**14,296,356**	13,101,832
OSIFA loans (f)	**13,236,839**	75,274,298
Long-term disability claims (e)	**12,538,901**	8,775,688
Vacation payable	**10,221,121**	8,521,167
Accrued interest payable on long-term liabilities	**8,736,744**	7,015,236
Workers' compensation obligations (d)	**3,796,321**	2,900,127
Insurance claims (Note 9b)	**3,327,345**	3,216,699
	1,125,460,900	926,465,804

Actuarial valuations: The following table sets out the extrapolated results for each of the plans as at December 31, 2006:

	Benefits payable for early retirees	Vested sick leave benefits	Long term disability	Workers' compensation	2006 total
	$	$	$	$	$
Accrued benefit liability, beginning of year	22,686,110	13,101,832	8,775,688	2,900,127	47,463,757
Current service cost	3,338,328	1,128,667	4,345,460	1,484,396	10,296,851
Amortization of gain/loss	(25,396)	172,082	-	45,693	192,379
Interest cost	1,485,112	931,733	620,813	217,667	3,255,325
Benefit payments	(642,606)	(1,037,958)	(1,203,060)	(851,562)	(3,735,186)
Accrued benefit liability, end of year	26,841,548	14,296,356	12,538,901	3,796,321	57,473,126

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%	6%

Total employee benefit obligations amount to $67,694,247 (2005 - $55,984,924).

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 value of the liability of the accumulated days for employees who chose the deferral option is $1,527,383 (2005 - $1,513,780) 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, 2006 is $4,307,364 (2005 - $4,310,184).

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 $12,768,973 (2005 - $11,588,052). 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 $11,032,699 (2005 - $10,648,786) and is reported in the Consolidated Statement of Financial Position.

According to an independent actuarial valuation report dated February 7, 2007 the total estimated liability for both regional operations and police services is $14,296,356 (2005 - $13,101,832).

b) Pension Agreement

The Region contributes to the Ontario Municipal Employees Retirement System (OMERS), a multi-employer plan on behalf of approximately 4,072 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 2006, employer contribution amounts to $19,400,178 (2005 - $16,425,037) and is included as an expenditure in the Consolidated Statement of Financial Activities. Employees contribution also amounts to $19,400,178.

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. Police Services provides post employment benefits to age 65 and then a health spending account of $3,000 per year to age 70 or age 75 for senior officers indexed at CPI.

According to an independent actuarial valuation report dated February 7, 2007 the total future cost associated with these benefits is $26,841,548 (2005 - $22,686,110) 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 all of its employees.

According to an independent actuarial valuation dated February 2, 2007 the estimated liability for all claims incurred to December 31, 2006 is $3,796,321 (2005 - $2,900,127) and is reported in the Consolidated Statement of Financial Position. The unamortized actuarial loss as at December 31, 2006 is $365,548 (2005 - $411,242).

e) Long-Term Disability Self Funding Arrangement

In October 2002, the Region adopted a self-insured arrangement for its long-term disability benefit (LTD). Under this arrangement, the Region funds its own claims through a segregated reserve and contracts with an insurance carrier to adjudicate and administer all claims on an Administrative Services Only (ASO) basis. According to an independent actuarial valuation dated February 5, 2007 the estimated liability for claims incurred is $12,538,901 (2005 - $8,775,688) as at December 31, 2006 and is reported in the Consolidated Statement of Financial Position.

f) OSIFA Loans

On September 24, 2003 and January 6, 2004 the Region entered into two separate financing agreements with the Ontario Municipal Economic Infrastructure Financing Authority (OMEIFA), subsequently renamed the Ontario Strategic Infrastructure Financing Authority (OSIFA), for loan commitments of $50 million each to finance capital projects. Under the terms of the financial agreements, OSIFA is to provide cost effective financing, first in form of short-term loans for costs incurred during the construction and development stage of these projects, and thereafter upon substantial completion of the projects converting to long-term borrowing in the form of debentures issued by the Region to OSIFA. Total short-term loan advances received by the Region and not yet converted to debentures as at December 31, 2006 are $13,236,839 (2005 - $75,274,298). Interest rates for the loans range from 1.45% to 1.70%.

8. CONTRACTUAL OBLIGATIONS AND COMMITMENTS

a) Water Agreements

Under the terms of agreements with the City of Toronto, the Region is entitled to purchase water at rates established every year. Payments in respect of these agreements amounted to $19,181,042 (2005 - $19,946,750). 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. The Region of York began purchasing water from the Region of Peel in late 2005. The agreement provides for a buy-in payment of $52.4 million, payable in three equal instalments of $17.46 million. Two payments have been made to date, with the third and final instalment due in 2011. The Region of York is required to pay operating costs to the Region of Peel for water consumption based on the York Wholesale Rate, commencing in 2005, through to 2031 and beyond. The York Wholesale Rate includes a component to be contributed to a Capital Repair and Replacement Reserve. Payments under this agreement will be financed by the area municipalities based on water consumption.

c) Lease Agreement-Information Technology

The Region entered into an agreement for the supply, service and lease of information technology for a period of three years commencing in 2003. Upon expiration of the lease in 2006, the Region commenced purchasing its information technology.

d) Operating Leases

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

	$
2007	4,891,000
2008	4,482,000
2009	4,250,000
2010	3,594,000
2011	3,213,000

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 and is contingent upon future funding agreements with the provincial and federal governments.

f) Funding Agreement with Lake Simcoe Region Conservation Authority (LSRCA)

On April 11, 2006 the Region entered into a long-term financing agreement with Lake Simcoe Region Conservation Authority (LSRCA) for a total of $2,005,659 required for the completion of the renovation and construction of LSRCA's headquarters located in Newmarket. As per the terms of the agreement, the loan will not exceed 10 years with an interest rate of 4.5% per annum and is comprised of the following 2 components:

- a forgivable loan of $1,770,059 for which the principal and interest will be repaid by the Region as long as LSRCA is not in default of the agreement, and
- a repayable loan of $235,600 for which the principal and interest will be repaid annually by LSRCA.

As at December 31, 2006 the full amount of the loan is recorded in the Region's financial statements as part of accounts receivable. An amount equal to the annual instalment of combined principal and interest based on the basis of a 10-year amortization period will be forgiven, given all the conditions are met on the first anniversary date in April, 2007.

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, 2006 is $134,243,097 (2005 - $86,095,868) and is recorded on the Consolidated Statement of Financial Position.

b) Public Liability Insurance

During 2006, the Region insured public liability through participation in a reciprocal insurance exchange, Ontario Municipal Insurance Exchange (OMEX).

Public liability insurance limits are set 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 2006 are, $8,697,426 (2005 - $1,425,696) and are reported in the Consolidated Statement of Financial Activities.

The Region estimates that the liability as at December 31, 2006 for all outstanding public liability claims is, $3,327,345 (2005 - $3,216,699).

Environmental impairment liability is fully self-insured by the Region. The total reserve available for public liability and environmental impairment is $9,052,523 (2005 - $3,076,213).

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. 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:

	2006	2005
	$	$
Current Fund Expenditures		
Salaries, wages and benefits	**322,176,149**	300,389,479
Long-term debt charges	**42,250,405**	33,966,086
Materials, services, rents and financial items	**480,903,897**	387,964,036
Asset acquisitions	**8,087,845**	8,369,301
Transfers to other governments and the public	**100,179,634**	92,352,301
	953,597,930	823,041,203
Capital Fund Expenditures		
Materials, services, rents and financial items	**393,958,515**	440,249,716
Asset acquisitions	**28,033,326**	99,355,832
Transfers to other governments and the public	**2,540,410**	2,683,709
	424,532,251	542,289,257

11. LOCAL SERVICE REALIGNMENT COSTS

Current liabilities include a $16,883,439 (2005 - $7,074,720) 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 2006 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 2006.

12. PROVINCIAL OFFENCES ADMINISTRATION

The Region administers prosecutions and the collection of related fines and fees under the authority of the Provincial Offences Act ("POA"). The POA is a procedural law for administering and prosecuting provincial offences, including those committed under the Highway Traffic Act, Compulsory Automobile Insurance Act, Trespass to Property Act, Liquor Licence Act, Municipal By-laws and minor federal offences. Offenders may pay their fines at any court office in Ontario, at which time their receipt is recorded in the Integrated Courts Offences Network system ("ICON"). The Region recognizes fine revenue when the receipt of funds is recorded by ICON regardless of the location where payment is made.

The gross revenues consist of fines levied under Part I, II and III (including delay penalties) for POA charges and amount to $8,031,360 (2005 - $7,827,496). The net loss amounts to $1,556,836 (2005 - $1,222,392). Balances arising from operation of the POA offices are consolidated with these financial statements.

13. Service Contracts with the Ministry of Community & Social Services and Ministry of Children & Youth Services

The Region has service contracts with the Ministry of Community and Social Services (MCSS) and Ministry of Children and Youth Services (MCYS). 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 deficit position for the year ended December 31, 2006:

Child Care Services	$8,134,806
Homelessness	$157,736

Subsidy revenue has been recognized according to the cost sharing formula in the approved service contracts and not based on cash flowed. The deficit amounts above are net cash flow owed to the Region of York for these services contracts from MCSS and MCYS and are reflected in the corporate liabilities account.

14. Limitation on Property Tax Increases and Funding for Business Classes under the Municipal Act, 2001

The Municipal Act, 2001 (the "Act") requires that municipalities limit (cap) any annual assessment related property tax increases to 5% on the Commercial, Industrial, and Multi-Residential property classes. The Act also provides that the costs of capping can be funded through retaining assessment related property decreases. Starting in 2005, the Province allowed additional capping options. The Region adopted the following capping options for 2005 and future taxation years:

1. Assessment-related property tax increases be capped at the greater of 10% of the previous year's annualized capped taxes, or 5% of the previous year's annualized full Current Value Assessment (CVA) taxes;
2. Properties for which tax increase have been capped (protected), but are within $250 of their full CVA taxes, be moved to the CVA tax level within the current taxation year;
3. Properties for which tax decreases have been retained (clawed back), but are within $250 of their full CVA taxes, be moved to the CVA tax level within the current taxation year.
4. Capped taxes on eligible new construction/new-to-class properties be phased out by 2008 through annual increments to the minimum property tax payable.

The Region is also required by the Act to perform a "bankering" role for the local municipalities to ensure that they would have neither a surplus nor a shortfall as a result of this process. The Region will only transfer funds between area municipalities as part of the tax related adjustments and does not incur any direct financial costs to area municipalities.

THE REGIONAL MUNICIPALITY OF YORK
Schedule of Current Fund Operations
For the year ended December 31, 2006

	Budget (Unaudited) $	**2006** $	2005 $
Revenues			
Net taxation/user charges	729,802,444	**736,367,906**	696,757,703
Transfer payments	165,552,245	**174,258,610**	134,519,898
Development contributions	63,528,969	**62,670,417**	41,376,371
Fees and services	75,998,412	**61,469,783**	73,170,202
Other	-	**15,527,091**	8,602,652
Total Revenues	1,034,882,070	**1,050,293,807**	954,426,826
Expenditures			
General government	64,578,791	**61,863,941**	59,318,237
Protection to persons and property	170,908,939	**169,413,205**	154,182,659
Transportation services	155,967,839	**149,509,169**	112,221,832
Environmental services	132,711,381	**130,826,223**	111,055,507
Health and emergency services	79,229,459	**79,366,410**	74,231,767
Community services	214,188,696	**208,865,550**	188,378,903
Social housing	90,663,015	**88,620,865**	87,118,967
Planning and development	6,203,000	**5,845,353**	8,475,785
Total Expenditures	914,451,120	**894,310,716**	794,983,657
Net Revenues	120,430,950	**155,983,091**	159,443,169
Financing and Transfers			
Debt principal repayments	(69,956,469)	**(72,501,636)**	(50,548,449)
Accrued interest on long-term liabilities	-	**1,721,508**	1,270,963
Employee benefits	-	**11,709,323**	7,099,176
Insurance claims	-	**110,646**	315,599
Net transfer to reserves and reserve funds	(46,051,555)	**(90,720,197)**	(107,271,532)
Transfer to capital operations	(4,422,926)	**(7,049,694)**	(10,171,520)
Net Financing and Transfers	(120,430,950)	**(156,730,050)**	(159,305,763)
Change in non financial assets	-	**746,959**	(137,406)
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, 2006

	Budget (Unaudited) $	**2006** $	2005 $
Revenues			
Development contributions	96,858,038	**69,708,846**	59,694,490
Transfer payments	32,564,738	**32,518,234**	73,493,789
Other	13,190,000	**36,872,721**	36,581,675
Total Revenues	142,612,776	**139,099,801**	169,769,954
Expenditures			
General government	14,109,963	**8,870,851**	14,651,404
Protection to persons and property	13,312,211	**9,021,195**	7,754,403
Transportation services	239,591,227	**111,995,417**	235,142,576
Environmental services	228,466,316	**281,351,673**	277,560,217
Health and emergency services	3,758,131	**3,391,134**	2,979,280
Community services	2,733,672	**1,823,858**	1,337,081
Social housing	16,135,840	**8,078,123**	2,864,296
Planning and development	191,000	**-**	-
Total Expenditures	518,298,360	**424,532,251**	542,289,257
Net Expenditures	(375,685,584)	**(285,432,450)**	(372,519,303)
Financing and Transfers			
Proceeds from long-term debt	270,061,330	**226,151,869**	220,852,000
Debt issue costs	-	**(1,675,946)**	(1,671,256)
OSIFA loans	-	**13,172,934**	50,829,033
Transfer from current fund	4,422,926	**7,049,694**	10,171,520
Transfer from reserve fund	101,201,328	**96,243,212**	80,331,266
Net Financing and Transfers	375,685,584	**340,941,763**	360,512,563
Change in Capital Fund	-	**55,509,313**	(12,006,740)
Opening Capital Fund Balance	-	**(45,616,366)**	(33,609,626)
Closing Capital Fund Balance	-	**9,892,947**	(45,616,366)

THE REGIONAL MUNICIPALITY OF YORK
Schedule of Reserves and Reserve Funds
For the year ended December 31, 2006

	Budget (Unaudited) $	**2006 $**	2005 $
Revenue			
Interest	-	**18,335,188**	15,381,763
Transfer payments	-	**12,519,596**	-
	-	**30,854,784**	15,381,763
Transfers from/(to) other funds			
Transfer from current fund	104,086,594	**137,439,229**	135,173,947
Transfer to current fund	(58,035,039)	**(46,719,032)**	(27,902,415)
Transfer to capital fund	(67,701,190)	**(96,243,212)**	(80,331,266)
Net Financing and Transfers	(21,649,635)	**(5,523,015)**	26,940,266
Change in Reserve and Reserve Fund Balance	(21,649,635)	**25,331,769**	42,322,029
Opening Balance	479,307,557	**479,307,557**	436,985,528
Ending Balance	457,657,922	**504,639,326**	479,307,557

THE REGIONAL MUNICIPALITY OF YORK
Schedule of Reserves and Reserve Funds
For the year ended December 31, 2006

	2006	2005
Reserves		
-Working capital	**37,004,074**	37,121,935
-Equipment replacement	**4,631,939**	5,265,661
-Vacation pay	**682,673**	655,535
-Group benefits	**117,944**	(2,082,027)
-OMERS (Type 3)	**94,604**	94,604
Total Reserves	**42,531,234**	41,055,708
Reserve Funds		
-Capital reserve	**163,790,818**	136,288,598
-Social assistance	**55,907,119**	53,488,979
-Social housing	**52,926,197**	52,061,750
-Capital reserve (water)	**37,141,061**	39,699,770
-Solid waste management	**23,334,381**	22,524,824
-Tax stabilization	**23,000,000**	20,000,000
-Sick leave	**15,340,063**	14,958,970
-Roads capital	**14,440,492**	10,028,917
-Workers' compensation schedule II	**11,623,657**	9,980,968
-Long-term disability	**11,090,826**	9,122,270
-Facilities Management capital	**10,046,454**	9,122,427
-Transit	**9,588,120**	10,422,340
-Insurance	**9,052,523**	3,076,213
-Capital reserve (sewer)	**6,939,673**	29,399,309
-Provincial gas tax	**4,642,003**	4,781,560
-Land securement	**4,528,998**	4,577,804
-Property tax write-offs	**3,000,000**	3,000,000
-Innovation	**2,211,023**	1,780,126
-Provincial highways	**1,633,462**	1,919,255
-Computer software acquisition	**727,091**	400,000
-York Region Transit mobility vehicle	**502,228**	378,868
-Child benefit	**351,986**	441,881
-Seized funds	**142,810**	95,517
-Alternative Community Living	**135,344**	139,018
-Insurance claims and certificate system	**11,763**	30,579
-Children's centres capital repairs	-	395,430
-GTA crime abatement	-	136,476
Total Reserve Funds	**462,108,092**	438,251,849
Total Reserves and Reserve Funds	**504,639,326**	479,307,557

SINKING FUND

STATEMENT OF FINANCIAL POSITION,

FINANCIAL ACTIVITIES

AND

CHANGE IN FUND BALANCE

2006

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 statement of financial position of the Sinking Funds of The Regional Municipality of York (the "Region") as at December 31, 2006 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, 2006 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, Licensed Public Accountants

Toronto, Canada

April 5, 2007

THE REGIONAL MUNICIPALITY OF YORK
Sinking Fund Statement of Financial Position
As at December 31, 2006

	2006	2005
	$	$
Financial Assets		
Investments – at amortized cost (Note 1)	**1,854,748**	1,649,056
Due from Region	-	55
Total Assets	**1,854,748**	1,649,111
Liabilities		
Actuarial requirement for retirement of the Sinking Fund (Note 2)	**1,764,125**	1,579,818
Fund balance	**90,623**	69,293
Total Liabilities and Fund Position	**1,854,748**	1,649,111

THE REGIONAL MUNICIPALITY OF YORK
Sinking Fund Statement of Financial Activities and Change in Fund Balance
For the year ended December 31, 2006

	Budget (Unaudited)	2006	2005
	$	$	$
Revenues			
Contributions from:			
Area Municipalities	104,968	**104,968**	104,968
Total contributions	104,968	**104,968**	104,968
Interest earned	100,662	**100,669**	90,958
Total revenues	205,630	**205,637**	195,926
Expenditures			
Actuarial requirement for the year	(184,306)	**(184,307)**	(176,007)
Change in Fund Balance	21,324	**21,330**	19,919
Opening Fund Balance	69,293	**69,293**	49,374
Closing Fund Balance	90,617	**90,623**	69,293

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 $1,970,785, (2005 - $1,797,304).

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 4%, 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

2006

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, 2006 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, 2006 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, Licensed Public Accountants

Toronto, Canada

April 5, 2007

THE REGIONAL MUNICIPALITY OF YORK
Residents' Trust Funds & Donation Account
Statement of Financial Position
As at December 31, 2006

	Trust	Donation	**2006**	2005
	$	$	**$**	$
Financial Assets				
Cash	146,046	34,838	**180,884**	56,498
Investments	276,299	-	**276,299**	373,122
Residents' petty cash	5,000	-	**5,000**	4,739
Total Assets	427,345	34,838	**462,183**	434,359
Fund Balances	427,345	34,838	**462,183**	434,359

THE REGIONAL MUNICIPALITY OF YORK
Residents' Trust Funds & Donation Account
Statement of Financial Activities
For the year ended December 31, 2006

	Trust	Donation	**2006**	2005
	$	$	**$**	$
Fund balances, beginning of year	405,841	28,518	**434,359**	475,461
Source of funds:				
Deposits on behalf of residents	309,562	19,193	**328,755**	217,153
Increase in investments	-	-	**-**	3,122
Interest earned on deposits	3,353	1,212	**4,565**	3,670
	312,915	20,405	**333,320**	223,945
Use of funds:				
Withdrawals	(194,588)	(14,085)	**(208,673)**	(255,047)
Investing				
Matured investments not reinvested	(96,823)	-	**(96,823)**	(10,000)
Net activity	21,504	6,320	**27,824**	(41,102)
Fund balances, end of year	427,345	34,838	**462,183**	434,359

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 $279,271 (2005 - $373,723).