YORK REGION RAPID TRANSIT CORPORATION

TO: The Board of Directors of York Region Rapid Transit Corporation

---

I, MICHAEL CHEONG, Chief Financial Officer of the Corporation, attach the Financial Statements for the years ended as of December 31, 2009, December 31, 2010, and December 31, 2011 of York Region Rapid Transit Corporation, to be received by the Members of the Board, at the York Region Rapid Transit Corporation Board meeting to be held on Thursday, November 1, 2012.

DATED this 16th day of October, 2012.

Michael Cheong
Chief Financial Officer

4432087

Financial Statements of

THE YORK REGION RAPID TRANSIT CORPORATION

Year ended December 31, 2009

KPMG LLP
Chartered Accountants
Yonge Corporate Centre
4100 Yonge Street, Suite 200
Toronto ON M2P 2H3
Canada

Telephone (416) 228-7000
Fax (416) 228-7123
Internet www.kpmg.ca

AUDITORS' REPORT

To the Board of Directors of the York Region Rapid Transit Corporation

We have audited the balance sheet of The York Region Rapid Transit Corporation as at December 31, 2009 and the statements of operations and deficit for the year then ended. These financial statements are the responsibility of the Organization'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 Organization as at December 31, 2009 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

March 12, 2010

THE YORK REGION RAPID TRANSIT CORPORATION

Balance Sheet

December 31, 2009, with comparative figures for 2008

	2009	2008
Assets	$ –	$ –

Liabilities and Shareholder's Equity

	2009	2008
Current liabilities:		
Due to the Regional Municipality of York	$ 42,685,986	$ 34,396,216
Shareholder's equity:		
Share capital	1	1
Deficit	(42,685,987)	(34,396,217)
	(42,685,987)	(34,396,217)
	$ –	$ –

See accompanying notes to financial statements.

On behalf of the Board:

______________________ Treasurer

THE YORK REGION RAPID TRANSIT CORPORATION

Statement of Operations and Deficit

Year ended December 31, 2009, with comparative figures for 2008

	2009	2008
Revenue:		
Fees and services	$ 22,666,567	$ 21,426,617
Other	13,100	13,104
	22,679,667	21,439,721
Expenditures:		
VIVA operating services	29,488,984	28,608,722
Salaries and benefits	1,625,132	1,190,158
Contracted services, net of recoveries	200,373	87,431
Regional management services	1,286,156	1,082,052
Administration	413,372	244,114
Capital Recoveries (note 4)	(2,044,580)	-
	30,969,437	31,212,477
Excess of expenditures over revenue	(8,289,770)	(9,772,756)
Deficit, beginning of year	(34,396,217)	(24,623,461)
Deficit, end of year	$ (42,685,987)	$ (34,396,217)

See accompanying notes to financial statements.

Financial Statements of

THE YORK REGION RAPID TRANSIT CORPORATION

Year ended December 31, 2010

KPMG

KPMG LLP
Chartered Accountants
Yonge Corporate Centre
4100 Yonge Street Suite 200
Toronto ON M2P 2H3
Canada

Telephone (416) 228-7000
Fax (416) 228-7123
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the York Region Rapid Transit Corporation

We have audited the accompanying financial statements of The York Region Rapid Transit Corporation, which comprise the balance sheet as at December 31, 2010 and the statement of operations and deficit for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The York Region Rapid Transit Corporation as at December 31, 2010, and the result of its financial performance for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

May 13, 2011

Toronto, Canada

THE YORK REGION RAPID TRANSIT CORPORATION

Balance Sheet

December 31, 2010, with comparative figures for 2009

		2010	2009
Assets		$ –	$ –
Liabilities and Shareholder's Equity			
Current liabilities:			
Due to Regional Municipality of York (Note 3)		$ 53,168,856	$ 42,685,986
Shareholder's equity:			
Prior period adjustment (Note 3)		$ (357,807)	
Share capital		1	1
Deficit		(52,811,050)	(42,685,987)
		(53,168,856)	(42,685,986)
		$ –	$ –

See accompanying notes to financial statements.

On behalf of the Board:

______________________ Treasurer

THE YORK REGION RAPID TRANSIT CORPORATION

Statement of Operations and Deficit

Year ended December 31, 2010, with comparative figures for 2009

	2010	2009
Revenue:		
Fees and services	$ 24,290,921	$ 22,666,567
Other	-	13,100
	24,290,921	22,679,667
Expenditures:		
VIVA operating services	32,262,929	29,488,984
Salaries and benefits	2,305,380	1,625,132
Contracted services, net of recoveries	72,856	200,373
Regional management services	1,546,940	1,286,156
Administration	422,065	413,372
Capital Recoveries (Note 4)	(2,194,187)	(2,044,580)
	34,415,983	30,969,437
Excess of expenditures over revenue	(10,125,062)	(8,289,770)
Prior period adjustment (Note 3)	(357,807)	
Deficit, beginning of year	(42,685,987)	(34,396,217)
Deficit, end of year	$ (53,168,856)	$ (42,685,987)

See accompanying notes to financial statements.

The York Region Rapid Transit Corporation ("Organization") is a Non-Profit Organization incorporated on July 2, 2003 under the Ontario Business Corporations Act. The Organization's principal business activity is the design and delivery of the Regional Municipality of York's rapid transit systems, known as VIVA.

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

1. Significant accounting policies:

(a) General:

These financial statements have been prepared in accordance with generally accepted accounting principles, as stated on CICA Handbook – Accounting (Part V – Accounting Standards for Government Not-for-Profit Organization).

(b) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

2. Statement of cash flows:

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

3. Prior period adjustment:

During the year, the Organization, along with the Regional Municipality of York, finalized on allocation method for adjustment for expenditures incurred by the Regional Municipality of York on behalf of the Organization. This resulted in an increase in due to the Regional Municipality of York of $357,807.

4. Capital recoveries:

Certain indirect costs and overhead expense relating to capital projects of the Regional Municipality of York has been recovered by the Organization.

Financial Statements of

YORK REGION RAPID TRANSIT CORPORATION

Year ended December 31, 2011

KPMG LLP
Chartered Accountants
Yonge Corporate Centre
4100 Yonge Street Suite 200
Toronto ON M2P 2H3
Canada

Telephone (416) 228-7000
Fax (416) 228-7123
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of York Region Rapid Transit Corporation

We have audited the accompanying financial statements of York Region Rapid Transit Corporation, which comprise the balance sheet as at December 31, 2011 and the statement of operations and deficit for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management in accordance with the basis of accounting in note 1 to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting in note 1 to the financial statements; this includes determining that basis of accounting is an acceptable basis for the preparation of these financial statements in the circumstances, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of York Region Rapid Transit Corporation as at December 31, 2011, and the result of its financial performance for the year then ended in accordance with the basis of accounting in note 1 to the financial statements.

Basis of Accounting and Restriction on Use

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

KPMG LLP

Chartered Accountants, Licensed Public Accountants

May 31, 2012

Toronto, Canada

YORK REGION RAPID TRANSIT CORPORATION

Balance Sheet

December 31, 2011, with comparative figures for 2010

	2011	2010
Assets	$ –	$ –
Liabilities and Shareholder's Equity		
Current liabilities:		
Due to Regional Municipality of York (note 3)	$ 64,796,492	$ 53,031,203
Due to others	361,308	137,653
Shareholder's equity:		
Prior period adjustment (note 3)	–	(357,807)
Share capital	1	1
Deficit	(65,157,801)	(52,811,050)
	(65,157,800)	(53,168,856)
	$ –	$ –

See accompanying notes to financial statements.

On behalf of the Board:

______________________ Treasurer

YORK REGION RAPID TRANSIT CORPORATION

Statement of Operations and Deficit

Year ended December 31, 2011, with comparative figures for 2010

	2011	2010
Revenue:		
Fees and services	$ 22,545,964	$ 24,290,921
Other	–	–
	22,545,964	22,679,667
Expenditures:		
VIVA operating services	31,555,296	32,262,929
Salaries and benefits	2,926,267	2,305,380
Contracted services, net of recoveries	582,918	72,856
Regional management services	2,415,011	1,546,940
Administration	635,796	422,066
Capital Recoveries (Note 4)	(3,580,380)	(2,194,187)
	34,534,908	34,415,984
Excess of expenditures over revenue	(11,988,944)	(10,125,063)
Prior period adjustment (Note 3)	–	(357,807)
Deficit, beginning of year	(53,168,857)	(42,685,987)
Deficit, end of year	$ (65,157,801)	$ (53,168,857)

See accompanying notes to financial statements.

YORK REGION RAPID TRANSIT CORPORATION

Notes to Financial Statements

Year ended December 31, 2011

York Region Rapid Transit Corporation ("Organization") is a share capital corporation under the Business Corporations Act (Ontario), incorporated on July 2, 2003 by Regional Municipality of York ("Region") as a municipal business corporation pursuant to the Municipal Act, 2001 and the Regulations thereunder, with the intent that the Region devolve to the Organization the responsibility for the delivery of rapid transit services in the Region.

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

1. Significant accounting policies:

(a) General:

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

(b) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

2. Statement of cash flows:

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

3. Prior period adjustment:

During the year, the Organization, along with the Region, finalized on allocation method for adjustment for expenditures incurred by the Region on behalf of the Organization. This resulted in an increase in due to the Region of $357,807.

4. Capital recoveries:

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