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2009 FINANCIAL STATEMENTS AND AUDITORS' REPORT

The Audit Committee recommends:

1. **Receipt of the communication from Kevin M. Travers, KPMG LLP Chartered Accountants, regarding Audit Findings Report;**

2. **Receipt of the presentation by Warren Marshall, Director, Financial Services; and**

3. **Adoption of the recommendation contained in the following report dated April 28, 2010, from the Commissioner of Finance.**

1. RECOMMENDATION

It is recommended that this report be received for information.

2. PURPOSE

The report is to provide Council with a summary of the financial activities of the Corporation for the year 2009.

3. BACKGROUND

This report is prepared in accordance with *Municipal Act* ("*the Act*") requirements. Section 286.1 of *the Act* requires the Treasurer to report financial affairs of the municipality to the Council. Section 294.1 of *the Act* requires a municipality to prepare financial statements for the municipality in accordance with the generally accepted accounting principles. Section 296.1 of *the Act* requires municipality to appoint a licensed auditor who is responsible for auditing the accounts and transactions of the municipality annually and expressing an opinion on the municipality's financial statements.

Municipalities must now report their tangible capital assets

As discussed at the February Audit Committee meeting, commencing with the fiscal 2009 year end financial statements, municipalities are required to present information about the entire stock of their tangible capital assets and amortization in their financial statements to demonstrate stewardship and the costs of using those assets to deliver programs and provide services. The financial statements also require the 2008 results to be restated as if the Region had always capitalized tangible capital assets.

4. ANALYSIS AND OPTIONS

The auditors have issued an unqualified opinion on the 2009 financial statements

The annual audit, performed by KPMG LLP, is conducted in accordance with generally accepted auditing standards. The Auditors' Report, which forms an integral part of the financial statements, is issued by KPMG without reservation and reflects their unqualified opinion that the financial statements present fairly, in all material respects, the financial position of the Region in accordance with generally accepted accounting principles.

Significant changes in year end balances

Financial Assets
"Total Financial Assets" have increased by $170M. The increase in "Cash" ($69M), "Investments" ($115M) and "Debt amounts recoverable from Area Municipalities" ($22M) are partially offset by decreases in "Accounts Receivable" ($36M).

The decrease in "Accounts Receivable" over 2008 ($36M) relates to a decrease in amounts owing on capital projects such as the King City and Duffin Creek Trunk Sewer project, together amounts owing on these projects was reduced by $31M. A further increase in RapidCo payments from the province represented another $6.6M reduction in accounts receivable. Amounts receivable for General Welfare Assistance claims from the province increased from $300K in 2008 to $1.9M in 2009, this represented an increase of $1.6M in accounts receivable.

Liabilities
"Accounts payable and other liabilities" increased approximately $55M over 2008. This increase in spending over 2008 is the result of water/waste water capital projects such as the Duffin Creek project ($21M), and projects with the Region of Peel and City of Toronto ($20M). Other increases in liabilities included accrued Go Transit Capital Growth funding ($9.0M), and retro-active insurance costs as the result of a 2009 reassessment ($5M).

Employee benefits obligations increased by $7M due to increases in actuarial valuations. Employee benefit obligations include extended health and dental coverage for early retirees, vested sick leave benefits, long-term disability claims, vacations payable and Workers' Compensation obligations.

"Gross Long-term Liabilities" increased by a net $316M due to new debt issued. Included in the debt issued in 2009 were $280M for wastewater projects, $59M for water projects, $30M for roads, $30M for police, and $10M for transit and rapid transit.

"Deferred Revenue-Obligatory Reserve Funds" decreased by $56.7M. The 2009 balance consists of development charges of $426M and the federal gas tax rebate $15M.

Net Debt

Net Debt is the amount that Financial Liabilities exceed Financial Assets. Net Debt rose in 2009 by $165.5M primarily due to the increase in the Region's investment in tangible capital assets during the year.

Non Financial Assets

Non Financial Assets is a new section in the Region's 2009 Financial Statements. It includes the net book value (cost less accumulated amortization) of the Region's tangible capital assets plus inventory and prepaid expenses. The Region's non financial assets increased by $410M in 2009 due to the investment in tangible capital assets during the year.

Tangible Capital Assets

In 2009, the Region is reporting its tangible capital assets in the audited financial statements as required by the Public Sector Accounting Board (PSAB) as part of the Region's non financial assets. Figures for 2008 are also shown for comparative purposes.

The net book value of the Region's capital assets reported in our 2009 financial statements is $3,631,543,780 (2008 - $3,220,726,723). Net book value is the original cost of these assets less amortization (or estimated usage) since they were put into service.

Accumulated Surplus

Accumulated surplus represents the amount by which all assets exceed all liabilities. An accumulated surplus indicates that the Region has net resources that can be used to provide future services and meet its obligations.

The net book value of the Region's assets when added to the Region's Net Debt and Prepaid Expenses results in Accumulated Surplus for the Region of $2,987,855,058 (2008 - $2,744,251,849).

Reserves and Reserve Funds

As of 2009, Reserves and Reserves Funds are no longer shown on the Statement of Financial Position. They are now a part of the Accumulated Surplus total. Reserves and Reserve Funds have increased by approximately $71M. Included in the increase were receipts of provincial funding for Dedicated Gas Tax program ($14M) and Move Ontario program ($8M).

5. FINANCIAL IMPLICATIONS

These financial statements are prepared in accordance with generally accepted accounting principles and reflect the sound financial management of the Region. Transfers were made to various reserves, in accordance with Regional Council's approved reserve and surplus management strategy.

In accordance with Regional Council's approved reserve and surplus management strategy, the 2009 operating surplus of $22.7M was transferred to the Capital Reserve Fund ($8.7M), the Insurance Reserve ($6.4M), Social Housing Reserve ($6.1M) and the Working Capital Reserve ($1.5M).

6. LOCAL MUNICIPAL IMPACT

There is no impact on local municipalities associated with this report.

7. CONCLUSION

The 2009 financial statements are presented in accordance with the *Municipal Act*. The financial activities of Housing York Inc. and York Region Rapid Transit Corporation are consolidated with the financial activities of the Region. The format is consistent with the reporting requirements of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants which will qualify the statements for consideration for the CANFR award presented by the Government Finance Officers Association.

For more information on this report, please contact Jim Kelly, Manager, Corporate Accounting Services at Ext. 1683.

The Senior Management Group has reviewed this report.

(The attachment referred to in this clause was included in the agenda for the June 10, 2010 Committee meeting.)

Regional Municipality of York

Audit Findings Report to the Audit Committee

For the year ended December 31, 2009

AUDIT

AUDIT ▪ TAX ▪ ADVISORY

Contents

This Audit Findings Report (the "Report") for the year ended December 31, 2009 and provides an overview of the results of our audit.

This Report is confidential and intended solely for the use of the audit committee in carrying out and discharging its responsibilities, and should not be used for any other purposes. No responsibility for loss or damages, if any, to any third party is accepted as this Report has not been prepared for, and is not intended for, any other purposes.

This Report is a by-product of the audit and is therefore a derivative communication and should not be distributed to others outside the Region without our prior written consent.

KPMG LLP, Chartered Accountants, Licensed Public Accountants

Topics for discussion

Auditors initiating discussion with the Audit Committee

We have issued this Report to assist you in your review of the Region's financial statements.

The matters that we raise within this Report arise from the audit and are matters that we believe need to be brought to your attention.

We propose to highlight the following topics at the upcoming audit committee meeting. We welcome your questions and look forward to discussing our findings with you at this meeting.

Topic	Audit committee action
Audit status	Review and discuss
Significant matters	Review and discuss
Misstatements	Review and discuss

Audit Status

Audit Status: Complete

- We have completed our audit of the Region's financial statements in accordance with professional standards.
- We expect to be in a position to release our audit report dated April 1, 2010, subject to:
  - completing our discussions with the Audit Committee
  - receiving the signed representation letter
  - obtaining the Committee’s approval of the financial statements.

Significant Matters

Accounting policy changes

Tangible capital assets

- As discussed in our audit planning report, the Region adopted the new Public Sector Accounting Standards Board ("PSAB") section 3150 Tangible Capital Assets, which requires the Region to capitalize their tangible capital assets and amortize the assets over their estimated useful life.
- As a result of adopting this new standard as of January 1, 2009 on a retrospective basis, a restatement of the 2008 results was required. This is described in note 2 to financial statements.
- In addition, a breakdown of the cost and accumulated amortization by major category for 2008 and 2009 are provided in note 16 to the consolidated financial statements.
- As at December 31, 2009, the Region has recorded tangible capital assets with a net book value of approximately $3.6 billion.
- The Region also adopted PSAB section 1200, Financial Statement Presentation, which requires financial statements to contain a Statement of Financial Position, a Statement of Operations, a Statement of Changes in Net Financial Assets, and a Statement of Cash Flows. The standard establishes general reporting principles and standards for the disclosure of information within government financial statements.

Actions taken by Management

- As at December 31, 2007, the Region obtained / developed a complete listing of all Land, Building, Linear, Vehicle and Furniture inventories. Work was completed on establishing policies relating to tangible capital asset reporting, including asset classifications, capitalization thresholds, useful lives and amortization methods. These amounts have been "rolled forward" to December 31, 2009, by recording additions, disposals and amortization.
- Tangible capital assets are required to be recorded at historic cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Where historic cost was not available, the Region developed estimation techniques to determine cost.

Effect on the Audit

- We reviewed the process surrounding application of direct overhead costs to qualifying capital projects.
- We performed testing on significant additions/disposal to supporting documentation and recalculated amortization expense.
- We worked with management to ensure that the fiscal 2009 financial statements comply with the requirements of PS1200.

Contingent liabilities

- The Canadian Institute of Chartered Accountants Handbook PS3300 *Contingent Liabilities* requires that the Region recognize a liability when "*…it is likely that a future event will confirm that a liability has been incurred at the date of the financial statements; and the amount can be reasonably estimated*."
- At any point in time, the Region is subject to a number of matters which could potentially result in the determination of a contingent liability as defined above, including, but not limited to matters such as legal claims.

Effects on the audit

- KPMG has reviewed the Region's assessments of contingent liabilities and the process employed to develop and record the related estimated liabilities. Where applicable, KPMG met with the individuals responsible for the process and is satisfied that the methodology used is rational, consistent with the approach taken in prior years and has been appropriately reviewed.
- As these items are resolved, it is possible that the final amounts recorded for these liabilities may change, however the amounts currently recorded represent management's best estimates of exposure given the information presently available.

Other matters

Implementation of Tax Harmonization

- In its 2009 budget, the Ontario Government introduced a plan to harmonize the Provincial Sales Tax (“PST”) with the Federal Goods and Services Tax (“GST”).
- The stated intention of the Harmonized Sales Tax (“HST”) was that it will be cost neutral.
- The 13% HST will essentially apply to all purchases that are currently subject to GST.
- Municipalities currently enjoy a 100% GST rebate. The proposed rebate for the Provincial component of the HST will be 78% (i.e.78% of the 8% of the 13%). The existing 100% GST rebate will continue to apply to the Federal component.
- The rebate structure coupled with taxes will require change to purchasing practice and tax coding in the general ledger.
- A major benefit to the Region will be the ability to claim a rebate for the provincial component of the HST on TCA. Generally, these had been subject to the 8% PST without the ability to claim exemption or rebate.

Other matters

Matters pertaining to the financial statement audit

Matters communicated	Comments
Significant unusual transactions	Other than as discussed previously in this document, we did not identify, in the course of our financial statement audit, any significant unusual transactions.
Accounting policies, judgments and estimates	Management describes their critical accounting policies and key estimates that are subject to uncertainty in the notes to the financial statements. We identified, in the course of our financial statement audit, no material changes in selection or application of accounting policies, other than as previously described.
Related party transactions	We did not identify, in the course of our financial statement audit, any related party transactions outside the normal course of business that involve significant judgments made by management concerning measurement and disclosure.
Material weaknesses in internal control over financial reporting	We did not identify, in the course of our financial statement audit, any material weaknesses in the design, implementation or operating effectiveness of internal control over financial reporting, including anti-fraud controls. Our audit has not been designed to determine the adequacy of internal control over financial reporting for management purposes.
Illegal and fraudulent activities	We did not identify, during our financial statement audit, any illegal acts or possibly illegal acts or any: • matters that pose questions regarding the honesty and integrity of management • fraud or suspected fraud involving management • fraud or suspected fraud involving employees who have significant roles in internal control over financial reporting • fraud or suspected fraud (whether caused by management or other employees) that results, or may result, in a non-trivial misstatement of the financial statements • matters that may cause future financial statements to be materially misstated
Auditors' independence	Our independence letter dated April 1, 2010, in the Appendix, indicates that we have not performed any professional services for the entity or identified any relationships that, in our professional judgment, may reasonably be thought to bear on our independence. We have, since the date of this letter, provided no additional professional services nor identified other relationships that, in our professional judgment, may reasonably be thought to bear on our independence. Accordingly, we confirm that, since the date of this letter, we remain independent.

Matters communicated	Comments
Dealings with Management	We received the full cooperation of Management and employees of the Region and, to our knowledge, had complete access to the accounting records and other documents that we needed in order to carry out our audit. We had no disagreements with Management, and we have resolved all auditing, accounting and presentation issues to our satisfaction.
Consultation with other Accountants	We are not aware of any consultations by Management with other accountants regarding accounting or auditing matters.
Major issues discussed with Management that influence our audit appointment	We did not engage in discussion with Management about any major issues in connection with our appointment as auditors.

Other matters (continued)

Designated public documents

As at the date of this Report, we were unable to perform the procedures required by professional standards since the designated public documents were not yet available. We will perform such procedures when Management finalizes such documents and we will formally notify the Audit Committee if we are unable to satisfactorily resolve any matters.

Definition

Designated public documents include:

- annual financial report

Professional standards

Professional standards require auditors to:

- determine whether the financial statements and the audit report have been accurately reproduced
- read the designated public document and assess whether any of the information appears to be inconsistent with the financial statements or the auditor's knowledge obtained in the course of the audit
- compare the financial statements and our audit report ultimately posted on the Region's Website to the original
- discuss with Management any information that appears to be inconsistent or a material misstatement of fact or a misrepresentation that auditors may become aware of upon reading the designated public document
- report any unresolved matters to the audit committee.

Professional standards do not require auditors to perform any other procedures.

Misstatements

Misstatements

- Management is responsible for the financial statements and, accordingly, evaluates uncorrected misstatements to determine whether individually, and in the aggregate, these misstatements, in their judgement, are material to the financial statements.
- Management has represented to us that the uncorrected misstatements, individually and in the aggregate, are, in their judgement, not material to the financial statements.

Audit Differences

- There was only one corrected audit difference and that pertained to a reclassification of an accounts payable to cash for $3,384,000.

Misstatements (continued)

Summary of uncorrected audit differences

Description	Statement of Financial Position effect, if corrected[1] Assets $'000	Liabilities $'000	Equity $'000	Statement of Operations effect, if corrected[1] Income Statement Method $'000
To record amounts owing to Housing York Inc. regarding SHRP grant.	1,039	(1,039)		
Total				

1 Dr (Cr)

Appendices

Appendix 1 – Independence letter

PRIVATE & CONFIDENTIAL

Members of the Audit Committee
Region of York

April 1, 2010

Dear Members of the Audit Committee:

We have been engaged to express an opinion on the consolidated financial statements of the Region of York (the "Region") as at and for the year ended December 31, 2009.

Professional standards require that we communicate at least annually with you regarding all relationships between the Region (and its related entities) and us that, in our professional judgment, may reasonably be thought to bear on our independence.

A related entity is defined as:

(a) in the case of a client that is a reporting issuer, an entity that has control over a client, or over which the client has control, or that is under common control with a client, including the client's parent company and any subsidiaries.

(b) in the case of a client that is not a reporting issuer, an entity over which the client has control, or that has control over the client provided the client is material to such entity, and an entity that is under common control with the client provided such entity and the client are both material to the controlling entity.

(c) an entity over which a client has significant influence, unless the entity is not material to the client.

(d) an entity that has significant influence over a client, unless the client is not material to the entity.

In determining which relationships to report, these standards require us to consider relevant rules and related interpretations prescribed by the Institute of Chartered Accountants of Ontario and applicable legislation, covering such matters as:

a) provision of services in addition to the audit engagement

b) other relationships such as:

- holding a financial interest, either directly or indirectly, in a client
- holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client
- personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client
- economic dependence on a client.

We have been primarily involved in the audit of the financial statements of the Region of York, and York Housing, but have also provided advisory services relative to fairness monitoring of procurement awards, and also conducted review of the accounts receivable management process.

OTHER RELATIONSHIPS

We are not aware of any relationships between the Region (and its related entities) and us that, in our professional judgment, may reasonably be thought to bear on our independence that has occurred from January 1, 2009 to April 1, 2010.

CONFIRMATION OF INDEPENDENCE

Professional standards require that we confirm our independence to you in the context of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

Accordingly, we hereby confirm that, we are independent with respect to the Region (and its related entities) within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario as of April 1, 2010.

OTHER MATTERS

This letter is confidential and intended solely for use by those with oversight responsibility for the financial reporting process in carrying out and discharging its responsibilities and should not be used for any other purposes. No responsibility for loss or damages, if any, to any third party is accepted as this letter has not been prepared for, and is not intended for, any other purpose. This letter should not be distributed to others outside the entity without our prior written consent.

We look forward to discussing with you the matters addressed in this letter as well as other matters that may be of interest to you. We will be prepared to answer any questions you may have regarding our independence as well as other matters.

Yours very truly,

KPMG LLP

Chartered Accountants, Licensed Public Accountants

Appendix 2 – Management letter on Business Process Recommendations

PRIVATE & CONFIDENTIAL

Mr. Bruce Macgregor
Chief Administrative Officer
Regional Municipality of York
17250 Yonge Street
Newmarket, ON, L3Y 6Z1

April 1, 2010

Dear Mr. Macgregor:

We have audited the consolidated financial statements of The Region of York ("the Region"), as of and for the year ended December 31, 2009 and intend to issue our audit report thereon dated April 1, 2010. In planning and performing our audit of the Region's consolidated financial statements, we considered the Region's internal control over financial reporting in order to determine the nature, extent and timing of our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements. A financial statement audit does not include examining the effectiveness of internal control and does not provide assurance on internal control.

The maintenance of adequate controls designed to fulfill control objectives is the responsibility of management. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, controls found to be functioning at a point in time, may later be found deficient because of the performance of those responsible for applying them, and there can be no assurance that controls currently in existence will prove to be adequate in the future as changes take place in the organization.

Our consideration of internal control over financial reporting in our audit of the financial statements would not necessarily disclose all internal control matters that might be weaknesses under assurance standards established by the Canadian Institute of Chartered Accountants. A weakness in internal control is a deficiency in the design or effective operation of internal control. A weakness in internal control is significant if the deficiency is such that a material misstatement is not likely to be prevented or detected in the financial statements being audited. During our audit of the financial statements upon which we reported on April 1, 2010, we noted certain matters involving the design or operating effectiveness of internal control over financial reporting that we are bringing to your attention and to offer our comments and recommendations.

We believe that our comments, as presented in Appendix A, are, by their nature, business process observations which warrant the attention of management.

These business process observations were considered in determining the nature, extent and timing of the audit tests applied in our audit of the financial statements as at and for the year ended

December 31, 2009, and this letter does not affect our audit report on these financial statements dated April 1, 2010. We have not considered internal control over financial reporting since the date of our audit report.

All the matters identified in Appendix A have been discussed with the appropriate members of management.

This letter is a by-product of the financial statement audit and is therefore a derivative communication. This letter has been prepared solely for the use of management in discharging their responsibilities with respect to the financial statements and is not intended for any other purposes. This letter should not be distributed to others outside the entity without our prior written consent. We disclaim any liability to any third party who may rely upon this letter.

Very truly yours,

KPMG LLP

KPMG LLP
Per Kevin M. Travers, CA
Associate Partner

cc: Mr. Lloyd Russell, Commissioner of Finance and Regional Treasurer

1. Tangible Capital Assets

Observation:

It was noted that the Region of York does not have a formal policy in place to determine when assets should be transferred from the work in process account to the applicable tangible capital asset account.

Implication:

While the error noted did not lead to a material misstatement of the financial statements, the timing of amortization could be affected. This could become material at a later date.

Recommendation:

We recommend that a formal policy be adopted and a formal process be implemented to ensure work in process that is completed and ready for use is transferred to the applicable tangible appropriate tangible capital account appropriately

Management response:

The Region's draft Tangible Capital Assets Policy includes a section on when assets are to be transferred from work in progress (WIP) to the capital asset account. This draft policy is posted on the Region's intranet and all operating department personnel are expected to comply with this policy.

2. Tangible Capital Assets

Observation:

During our testing of the Region's restatement relative to tangible capital assets, we noted that the Region has not implemented a formal process related to the impairment or write down of assets. Given that this was the first year of reporting, the Region went through an extensive exercise to determine what the value should be as at December 31, 2009 and 2008 respectively. On a go forward basis, the Region should be implement a formal process between operations and finance that will ensure that finance is made aware of any write-downs or write-offs as they arise or on a timely basis.

Implication:

If the situation is not monitored formally, then there could be tangible capital assets that in fact are impaired that are not recorded as such. Also, tangible capital assets that are no longer in use may not be removed from the accounts.

Recommendation:

We recommend that management implement a formal process on a quarterly basis to ensure write-downs and write-offs are appropriately captured

Management response:

The procedure for writing down or writing off tangible capital assets on a quarterly basis is included in the Region's draft Tangible Capital Asset Policy. This draft policy is posted on the Region's intranet and all operating department personnel are expected to comply with this policy.

3. Reconciliation of Interdepartmental Accounts

Observation:

During our testing of the Region's interdepartmental accounts, we observed that there were some instances where certain interdepartmental accounts were not reconciled. This was not material for Region of York on a consolidated basis, but for the entities that are within the Region, it can be material for those entities on a stand alone basis.

Implication:

While the error noted did not lead to a material misstatement of the financial statements, this item could become material at a later date.

Recommendation:

We recommend that management implement a formal process on a quarterly basis to ensure all intercompany accounts are reconciled on a regular basis.

Management response:

The Region's intercompany accounts are reconciled on a monthly basis and we will ensure that this procedure continues.

Appendix 3 - Glossary

Audit differences are proposed adjustments of misstatements in the financial statements that, in the auditor's professional judgement, may have not been detected except through the audit procedures performed. Any misstatement identified by Management during the audit and subsequently corrected is not considered an audit different.

Income Statement Method (Rollover Method) is a method of quantifying misstatements. This method considers the impact of misstatements primarily from the income statement perspective. Misstatements are quantified as the amount by which the income statement is misstated. This method considers the reversing or correcting effect of prior year misstatements but ignores the accumulation of immaterial misstatements in the balance sheet over multiple periods.

Material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual financial statements will not be prevented or detected.

Misstatements generally consist of differences between the amount, classification, or presentation of a reported financial statement element, account, or item and the amount, classification, or presentation that would have been reported under the financial reporting framework.

Appendix 4 – KPMG's Audit Committee resources

General

- *Audit Committee Update, Issue 2009-01, Audit Committee Institute* *http://www.kpmg.ca/auditcommittee/update.html*
- *Audit Committee Roundtables held each spring and fall, Audit Committee Institute* *http://www.kpmg.ca/auditcommittee/roundtables.html*
- *Shaping the Canadian Audit Committee Agenda (2006 edition), Audit Committee Institute* *http://www.kpmg.ca/auditcommittee/shaping.html*
- *Accountability e-Lert – periodic electronic newsletter. Subscribe at* *www.kpmg.ca/accountability*
- *Audit Committee Institute Web site –* *www.kpmg.ca/auditcommittee*

IFRS Related

- *IFRS Transition: Questions Audit Committees Should Be Asking*, Audit Committee Institute (06/2008)
- *IFRS compared to Canadian GAAP*, KPMG (11/2007)
- *Managing the Transition to IFRS: Clearing the Path to 2011*, KPMG (04/2008)
- *The Transition to IFRS: The Past Need Not Be the Future*, Audit Committee Institute (12/2007)
- *The Transition to IFRS: Implications for the Audit Committee*, Audit Committee Institute (05/2007)
- *Managing the Transition to IFRS: The Journey to 2011*, KPMG (05/2007)
- *Managing the Transition to IFRS: Special Considerations for SEC registrants*, KPMG (09/2007)
- KPMG IFRS Web site – www.kpmg.ca/ifrs

York Region

2009 Financial Statements and Auditors' Report

Presentation to Audit Committee

June 10, 2010

Agenda

- Key changes to financial statements
- 2009 Financial Statement results

New Reporting Requirements

- Changes effective for 2009 financial statements:
  - Reporting tangible capital assets on Balance Sheet
  - Amortization of assets
  - Not included on Statement of Operations:
    - Transfers to/from reserves
    - Debt principal repayment
  - Two new statements: Statement of Change in Net Debt, Statement of Cash Flow
  - Two statements eliminated: Statement of Reserves and Reserve Funds, Statement of Capital Fund Operations

Statement of Financial Position

OLD		NEW	
Assets:		Assets:	
Financial Assets	xxxx	Financial Assets	xxxx
Liabilities:	xxxx	Liabilities:	xxxx
Net Debt	xxxx	Net Debt	xxxx
Other Assets:		Other Assets:	
Prepaid Expenses, Inventory	xxxx	Prepaid Expenses, Inventory	xxxx
Total Net Debt	xxxx		
Municipal Position:		**Tangible Capital Assets**	**xxxx**
Capital Fund			
Reserves & Reserve funds			
Total Fund Balances	xxxx		
Amounts to be recovered	xxxx		
Total Municipal Position	xxxx	**Accumulated Surplus**	**xxxx**

Statement of Operations

OLD		NEW	
Revenues:	xxxx	Revenues	xxxx
Expenditures:		Expenses:	
Current		Operations	
Capital		**Amortization**	
Total Expenditures	xxxx	Total Expenses	xxxx
Increase in Net Debt	xxxx	**Annual Surplus**	**xxxx**
Change in Non-Financial Assets	xxxx	**Accumulated Surplus, beginning of year**	**xxxx**
Change in Amounts to be Recovered	xxxx	**Accumulated Surplus, end of year**	**xxxx**
Change in Fund Balances	xxxx		

Net Debt

- Difference between financial assets and liabilities
- Indication of future revenues required to pay for past transactions
- Net debt increased $165.5M

Accumulated Surplus

- Amount that all assets exceed liabilities
- Includes financial and non-financial assets
- Indication of ability to provide future services
- 2009 surplus of $2.99 billion (increase of $243 million)
  - Investment in capital assets

Tangible Capital Assets

- Net book value $3.6 billion (historical cost less amortization)
  - Gross Cost $4.9 billion
  - Accumulated amortization $1.3 billion
- Net book value by category (in billions):

Land	$0.3
Land Improvements	0.1
Buildings	0.7
Equipment and Machinery	0.1
Vehicles	0.1
Road Infrastructure	0.6
Water & Sewer Infrastructure	0.9
Assets Under Construction	0.8
	$3.6


Canadian Award for Financial Reporting
Presented to
The Regional Municipality of York, Ontario
For its Annual Financial Report for the Year Ended
December 31, 2008
A Canadian Award for Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units whose annual financial reports achieve the highest program standards for Canadian Government accounting and financial reporting.
President
Executive Director

Attachment 1

THE REGIONAL MUNICIPALITY OF YORK

2009 CONSOLIDATED FINANCIAL STATEMENTS

2009 Financial Statements

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KPMG LLP
Chartered Accountants
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North York, ON M2P 2H3

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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, 2009 and the consolidated statements of operations, change in net debt and cash flows 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, 2009 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.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

Toronto, Canada

April 1, 2010

THE REGIONAL MUNICIPALITY OF YORK

Consolidated Statement of Financial Position

As at December 31, 2009

	2009	2008 (Restated-Note 2)
	$	$
ASSETS		
Financial Assets		
Cash and cash equivalents (Note 3)	**312,450,958**	243,623,918
Accounts receivable (Note 4)	**184,388,889**	220,637,071
Investments (Note 3)	**1,103,519,521**	988,272,085
Debt amounts recoverable from		
Area municipalities (Notes 5 & 9a)	**164,120,371**	142,141,619
Total	**1,764,479,739**	1,594,674,693
LIABILITIES		
Accounts payable and other liabilities	**362,266,179**	307,730,068
Employee benefit obligations (Note 7)	**91,448,524**	84,209,464
Gross long-term liabilities (Note 5)	**1,479,173,020**	1,162,946,704
Retirement and sinking fund debenture (Note 5)	**42,226,449**	28,174,992
	1,975,114,172	1,583,061,228
Deferred revenue-obligatory reserve funds (Note 6)	**440,927,214**	497,648,440
Total	**2,416,041,386**	2,080,709,668
Net Debt	**(651,561,647)**	(486,034,975)
Non Financial Assets		
Tangible capital assets (Note 16)	**3,631,543,780**	3,220,726,723
Prepaid expenses and inventory	**7,872,925**	9,560,101
Accumulated Surplus (Note 14)	**2,987,855,058**	2,744,251,849

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

THE REGIONAL MUNICIPALITY OF YORK
Consolidated Statement of Operations
For the year ended December 31, 2009

	Budget (Unaudited) $	**2009** $	2008 (Restated-Note 2) $
Revenues			
Net taxation/user charges	901,127,800	**904,652,095**	853,119,474
Transfer payments (Note 17)	650,843,172	**263,215,689**	367,118,724
Development contributions	218,315,624	**202,030,928**	226,396,913
Fees and services	99,577,390	**93,435,684**	102,656,559
Interest	-	**39,170,467**	30,080,659
Other	68,084,741	**77,978,291**	85,707,863
Total Revenues	1,937,948,727	**1,580,483,154**	1,665,080,192
Expenses			
General government	84,925,557	**107,980,963**	94,799,733
Protection to persons and property	229,415,147	**221,092,607**	206,893,950
Transportation services	263,374,350	**288,706,268**	279,801,960
Environmental services	277,346,368	**302,177,247**	368,256,821
Health and emergency services	118,260,914	**93,937,039**	86,430,601
Community services	202,138,963	**212,919,148**	198,466,185
Social housing	118,769,506	**98,606,217**	88,207,004
Planning and development	9,254,589	**11,460,456**	9,729,290
Total Expenses	1,303,485.394	**1,336,879,945**	1,332,585,544
Annual Surplus		**243,603,209**	332,494,648
Accumulated Surplus, Beginning of Year		**2,744,251,849**	2,411,757,201
Accumulated Surplus, End of Year		**2,987,855,058**	2,744,251,849

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

THE REGIONAL MUNICIPALITY OF YORK
Consolidated Statement of Change in Net Debt
For the year ended December 31, 2009

	2009 $	2008 $
Annual surplus	**243,603,209**	332,494,648
Amortization of tangible capital assets	**116,574,783**	108,731,005
Proceeds on disposal of tangible capital assets	**561,853**	315,168
Change in inventory and prepaid expenses	**1,687,176**	6,211,370
Loss on sale of tangible capital assets	**2,722,444**	2,725,139
Acquisition of tangible capital assets	**(531,911,774)**	(312,498,591)
Other	**1,235,637**	(7,241,130)
Change in net debt	**(165,526,672)**	130,737.609
Net debt, Beginning of year	**(486,034,975)**	(616,772,584)
Net debt, End of year	**(651,561,647)**	(486,034,975)

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

THE REGIONAL MUNICIPALITY OF YORK
Consolidated Statement of Cash Flows
For the year ended December 31, 2009

	2009	2008 (Restated-Note 2)
	$	$
Operating		
Annual surplus	**243,603,209**	332,494,648
Items not involving cash:		
Amortization	**116,574,783**	108,731,005
Loss on sale of tangible capital assets	**2,722,444**	2,725,139
Changes in non-cash assets and liabilities:		
Accounts receivable	**36,248,182**	(92,453,966)
Accounts payable and other liabilities	**54,536,111**	87,841,413
Employee benefit obligations	**7,239,060**	7,438,641
Deferred revenue-obligatory reserve funds	**(56,721,226)**	(44,290,609)
Prepaid expenses and inventory	**1,687,176**	6,211,370
Net change in cash and cash equivalents from operations	**405,889,739**	408,697,641
Capital		
Acquisition of tangible capital assets	**(531,911,774)**	(312,498,591)
Proceeds on disposal of tangible capital assets	**561,853**	315,168
Net change in cash and cash equivalents from capital	**(531,349,921)**	(312,183,423)
Investing		
Net increase in investments	**(115,247,436)**	(16,376,482)
Financing		
Long-term debt issued	**418,245,512**	-
Long-term debt repaid	**(107,665,236)**	(99,206,214)
Interest earned on own sinking funds	**(1,045,618)**	(585,110)
IO loans repaid	-	(1,356,350)
Net change in cash and cash equivalents from financing	**309,534,658**	(101,147,674)
Net change in cash and cash equivalents	**68,827,040**	(21,009,938)
Opening cash and cash equivalents	**243,623,918**	264,633,856
Closing cash and cash equivalents	**312,450,958**	243,623,918
Cash paid for interest	**63,507,633**	52,000,792
Cash received from interest	**64,332,488**	56,635,391

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 (CICA).

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 Region. Financial assets are those assets which could provide resources to discharge existing liabilities or finance future operations. Accumulated surplus represents the amount by which all assets exceed all liabilities. An accumulated surplus indicates that the Region has net resources that can be used to provide future services and meet its obligations.

a) Basis of Consolidation

i) These consolidated financial statements reflect the assets, liabilities, revenues and expenses in the Operating Fund 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). Inter-unit balances and transactions are eliminated from the consolidated financial statements.

Certain 2008 comparative figures have been reclassified to conform to the 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 consolidated 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) Full Accrual Basis of Accounting

The consolidated financial statements are prepared using the full accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the creation of a legal obligation to pay.

The annual cost of owning and using a capital asset (estimated amortization) is deducted from annual results. That is, a part of the cost of the asset is recognized in annual results in each of the periods of its useful life.

ii) 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.

iii) **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.

iv) **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. They consist of grants and subsidies received for various operating and capital programs.

v) **Investments**

Investment income earned on surplus current fund 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.

vi) **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 Workers Safety and Insurance Board (WSIB) are amortized over the average expected period during which the benefits will be paid. The cost of plan amendments is accounted for in the period they are adopted.

Where applicable, the Region has set aside reserve funds intended to fund these obligations, either in full or in part. These reserve funds were created under municipal by-law and do not meet the definition of a plan asset under PSAB 3250 Retirement Benefits. Therefore, for the purpose of these financial statements, the plans are considered unfunded.

vii) **Segment Disclosure**

A new reporting requirement for municipal governments was established under PSAB 2700 for Segment Disclosure and was effective for fiscal years beginning on or after April 1, 2007. A segment is defined as a distinguishable activity or group of activities of a government for which it is appropriate to separately report financial information to achieve the objectives of the standard.

viii) **Budget Figures**

The Regional Municipality of York's Council completes a review of its operating budget each year. The approved budget for 2009 is included in the budget figures presented in the Consolidated Statement of Operations. The budget as approved by Regional Council includes those expenditures which are part of current tax levies and user charges.

ix) **Tangible Capital Assets**

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight line basis over their estimated useful lives in number of years as follows:

Land	Infinite
Land Improvements	20
Buildings	15-60
Leasehold Improvement	Lease Term
Water and Wastewater-Linear	60-100 by materials
Water and Wastewater-Discrete facilities	15-60 by asset components
Hardware and Software	3-7
Equipment and Machinery	3-30
Vehicles	3-18
Roads (Road surface/Structure)	15/45
Bridges (Deck/Understructure)	25/75
Culverts	60
Level Crossings	40
Intersections	15

2. CHANGE IN ACCOUNTING POLICIES

The Region has implemented Public Sector Accounting Board (PSAB) sections 1200 Financial Statement Presentation and 3150 Tangible Capital Assets. Section 1200 establishes general reporting principles and standards for the disclosure of information in government financial statements. Section 3150 requires government to record and amortize their tangible capital assets in their financial statements. In prior years, tangible capital asset additions were expensed in the year of acquisition or construction.

This change has been applied retroactively and prior periods have been restated. This change in accounting policy has changed amounts reported in the prior period as follow:

	$
Accumulated surplus at January 1, 2008:	
Operating fund balance	-
Capital fund balance	58,806,570
Investments in social housing and rapid transit	(16,687,444)
Reserves and reserve funds	574,404,676
Amounts to be recovered	(1,224,765,745)
	(608,241,943)
Net book value of tangible capital assets recorded	3,019,999,444
Accumulated surplus, as restated	2,411,757,501

	$
Annual surplus for 2008:	
Net revenue, as previously reported	130,737,609
Developer contribution of tangible capital assets	7,241,129
Assets capitalized but previously expensed	312,498,591
Amortization expense not previously recorded	(108,731,005)
Loss on sale of assets	(2,725,138)
Proceeds on disposal reported as revenue	(315,168)
Change in non-financial assets not previously reported as expenses	(6,211,370)
Annual surplus, as restated	332,494,648

3. INVESTMENTS

Included in cash and cash equivalents are short-term investments of $2,963,621 (2008 - $187,520,479) with a market value of $2,992,545 (2008 - $187,740,821).

Long-term investments of $1,103,519,521 (2008 - $988,272,085) have a market value of $1,115,890,350 (2008 - $1,009,099,585).

Cash and cash equivalents and long-term investments include $440,927,214 (2008 - $497,648,440) of restricted funds as required under legislation to fund obligatory reserve funds.

4. ACCOUNTS RECEIVABLE

This amount is comprised of the following:

	2009	2008
	$	$
Government of Canada	**5,892,118**	12,384,870
Government of Ontario	**2,948,786**	8,316,786
Other Municipalities	**89,241,005**	114,110,132
Others	**91,569,680**	90,931,915
	189,651,589	225,743,703
Less: Allowance for Doubtful Accounts	**5,262,700**	5,106,632
	184,388,889	220,637,071

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%.

The total gross amount of the long-term liabilities to be retired by sinking funds is $648,247,928 (2008 - $427,700,000). The amount of the sinking funds assets available to retire debt is $42,226,449 (2008 - $28,174,992).

	2009	2008
	$	$
Total long-term liabilities incurred by the Municipality including those incurred on behalf of area municipalities and outstanding at the end of the year amount to	**1,391,869,357**	1,072,573,593
Mortgages payable by Housing York Inc.	**87,303,663**	90,373,111
	1,479,173,020	1,162,946,704
Retirement and sinking fund debenture	**42,226,449**	28,174,992
Less: Recoverable from area municipalities	**164,120,371**	142,141,619
Net long-term liabilities at the end of the year	**1,357,279,098**	1,048,980,077

b) Long-term liabilities are repayable as follows:

2010	$146,934,707
2011	137,367,838
2012	137,427,211
2013	139,041,149
2014	124,061,389
Thereafter	573,885,733
Net sinking fund debt repayable according to actuarial recommendations	98,561,071
	$1,357,279,098

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 Operations are $64,464,097 (2008 - $52,000,792).

6. Deferred Revenue-Obligatory Reserve Funds

Included in deferred revenue are development charges of $425,616,600 (2008 - $477,436,570) and federal gas tax revenues of $15,310,614 (2008 - $20,211,870).

7. EMPLOYEE BENEFITS AND OTHER LIABILITIES

The amounts represent liabilities established for accrual accounting purposes expected to be settled in future periods. In some cases, reserves have been established to fund these amounts. In other cases, the liabilities are to be funded from future years' budgetary allocations. Net increase in the total amount is $8,856,202.

	2009 $	2008 $
Post employment benefits (c)	**33,548,347**	30,767,699
Long-term disability claims (e)	**19,389,183**	17,600,083
Vested sick leave benefits (a)	**18,228,405**	16,792,351
Vacation payable	**12,846,510**	12,820,787
Workers' compensation obligations (d)	**7,436,079**	6,228,544
Insurance claims (Note 9b)	**6,511,412**	4,894,270
	97,959,936	89,103,734

Actuarial valuations: The following table sets out the extrapolated results for each of the plans as at December 31, 2009.

	Post employment benefits $	Vested sick leave benefits $	Long term disability $	Workers' compensation $	2009 total $
Accrued benefit liability, beginning of year	30,767,699	16,792,351	17,600,083	6,228,544	71,388,677
Current service cost	1,936,854	1,753,419	3,342,261	2,345,395	9,377,929
Amortization of (gain) loss	147,481	268,879	(686,894)	248,667	(21,867)
Interest cost	1,684,158	1,009,432	629,900	429,702	3,753,192
Benefit payments	(987,845)	(1,595,676)	(1,496,167)	(1,816,229)	(5,895,917)
Accrued benefit liability, end of year	33,548,347	18,228,405	19,389,183	7,436,079	78,602,014

The actuarial valuations of the plans were based upon a number of assumptions about future events, which reflect management's best estimate. The following represents the more significant assumptions made:

	Post employment benefits	Vested sick leave benefits	Workers' compensation
Expected inflation rate	2%	2%	2%
Expected level of salary increases	3%	3%	N/A
Interest discount rate	5%	5%	5%

Total employee benefit obligations amount to $91,448,524 (2008 - $84,209,464).

a) Liability for Vested Sick Leave Benefits

Regional Operations

Commencing in 2000, the accumulated sick leave plan was replaced by a Short-term Disability plan for employees in Regional Operations. Under the plan, employees with five or more years of service were given the option of receiving a cash payout of fifty percent of the balance in their sick leave bank as at December 31, 1999 or deferring payment until termination of employment with the Region. The estimated actuarial value of the liability of the accumulated days for employees who chose the deferral option is $1,464,879 (2008 - $1,551,656) at the end of the year. Employees who had less than five years of service at December 31, 1999 were given the option on the fifth anniversary of their hire date to either receive payment for the value of accumulated sick days as at December 31, 1999 or defer payment until termination of their employment with the Region. A reserve has been established for the past service liability and is reported in the Consolidated Statement of Financial Position. The reserve balance at December 31, 2009 is $4,633,993 (2008 - $4,637,481).

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 actuarial liability for the accumulated days to the extent that they have vested and could be taken in cash by an employee on termination amounted to $16,763,526 (2008 - $15,240,695). 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 $12,227.454 (2008 - $11,612,606) and is included in accumulated surplus in the Consolidated Statement of Financial Position.

According to an independent actuarial valuation report dated February 26, 2010 the total estimated liability for both regional operations and police services is $18,228,405 (2008 - $16,792,351).

b) Pension Agreement

The Region contributes to the Ontario Municipal Employees Retirement System (OMERS), a multi-employer plan on behalf of approximately 4,621 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 2009, employer contribution amounts to $26,000,170 (2008 - $23,869,110) and is included as an expenditure in the Consolidated Statement of Operations. Employees contribution also amounts to $26,000,170.

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 26, 2010 the total future cost associated with these benefits is $33,548,347 (2008 - $30,767,699) 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 January 27, 2010 the estimated liability for all claims incurred to December 31, 2009 is $7,436,079 (2008 - $6,228,544) and is reported in the Consolidated Statement of Financial Position. The unamortized actuarial loss as at December 31, 2009 is $1,852,246 (2008 - $2,100,913).

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 26, 2010 the estimated liability for claims incurred is $19,389,183 (2009 - $17,600,083) as at December 31, 2009 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 City of Toronto, the Region is entitled to purchase water at rates established every year. Payments in respect of these agreements amounted to $22,419,867 (2008 - $18,978,931). 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 form part of Region's operating expenses and will be financed by the area municipalities based on water consumption.

c) Operating Leases

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

	$
2010	7,694,000
2011	6,617,000
2012	6,119,000
2013	5,933,000
2014	5,416,000

d) 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. The future works for the YRTP has been rebranded as VIVANext and includes the construction of the Yonge and Spadina Subway extensions, and also extension and conversion to Light Rail Transit. Implementation of the YRTP is estimated to cost $12 billion over 10 years and is contingent upon future funding agreements with provincial and federal governments.

e) Toronto-York Subway Extension Project

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

The project cost is estimated to be $2.6 billion over 8 years and will be funded by contributions from the Federal Government, the Province of Ontario, the City of Toronto and Region of York. The Region's estimated contribution is $351 million of which $11.15 million has been paid to the project during 2009.

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.

b) Public Liability Insurance

During 2009, 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. Environmental impairment liability is fully self-insured by the Region. 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.

The Region estimates that the liability as at December 31, 2009 for all outstanding public liability claims is, $6,511,412 (2008 - $4,894,270). The total reserve available for public liability and environmental impairment is $16,992,541 (2008 - $12,989,099).

c) Contingencies

Region of York, in the course of its operations, is subject to claims, lawsuits and other contingencies. Accruals have been made in specific instances where it is probable that liabilities will be incurred and where such liabilities can be reasonably estimated. Although it is possible that liabilities may arise in other instances for which no accruals have been made, the Region does not believe that such an outcome will significantly impair its operations or have a material adverse effect on its financial position.

10. LOCAL SERVICE REALIGNMENT COSTS

Accounts payable and other liabilities include a $13,497,935 (2008 - $13,497,935) 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 2009 have been included as expenses in the Consolidated Statement of Operations based on billings from the Province for Social Assistance, an interim agreement with the Province for Social Housing payments, and unbilled amounts relating to 2009. This obligation is to be phased out over the next five years.

11. PROVINCIAL OFFENCES ADMINISTRATION

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

The gross revenue is comprised primarily of fines levied under Part I, II and III (including delay penalties) for POA charges. The total revenue for 2009 amounts to $15,408,876 (2008 - $14,959,617) and the net loss amounts to $2,465,696 (2008 - $2,213,437). Balances arising from operation of the POA offices are consolidated with these financial statements.

12. 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, Transfer Payment Annual Reconciliation (TPAR), which shows a summary by service of all revenues and expenditures and any resulting surpluses or 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, 2009:

Child Care Services	$19,965
Homelessness	-

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

13. 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.

In addition, the Region adopted the following additional tax protection options for 2009 and future taxation years:

1. Properties that were at their full current value level taxes in the prior taxation year remain at their full current value level taxes in the current taxation year;
2. Properties that were changing from being capped (protected) to clawed back (retained) from the prior taxation year, are instead excluded from the capping calculation and would be set equal to their uncapped full current value taxes; and
3. Properties that were changing from being clawed back (retained) to capped (protected) from the prior taxation year, are instead excluded from the capping calculation and would be set equal to their uncapped full current value taxes.

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. However, if there is a shortfall in the amount of property tax decreases available to fund the cost of capping protection in a particular property class, the Region and the local municipalities share the cost of the shortfall on a pro rata basis equal to the proportionate share of the property taxes levied.

14. ACCUMULATED SURPLUS

Accumulated surplus consists of individual fund surplus and reserves and reserve funds as follows:

	2009 $	2008 $
Surplus		
-Invested in tangible capital assets	**2,112,967,125**	1,913,325,288
-Other	**32,216,158**	67,257,152
	2,145,183,283	1,980,582,440
Reserves		
-Equipment replacement	**39,859,051**	33,944,000
-Working capital	**39,443,307**	37,906,834
-Vacation pay	**725,755**	688,471
-OMERS (Type 3)	**94,604**	94,604
-Group benefits	**4,592**	(558,692)
Total Reserves	**80,127,309**	72,075,217

	2009	2008
	$	$
Reserves Funds		
-Capital reserve fund	**235,871,203**	210,690,068
-Roads infrastructure	**109,526,649**	103,900,000
-Social housing	**72,257,402**	63,780,322
-Facilities rehabilitation and replacement	**71,352,413**	45,342,758
-Move Ontario	**67,099,453**	68,292,963
-Tax stabilization	**36,861,843**	35,000,000
-Roads capital	**28,471,282**	18,419,639
-Social assistance	**24,649,515**	25,000,000
-Long-term disability	**21,197,210**	17,085,601
-Solid waste management	**19,454,646**	20,481,668
-Insurance	**16,992,541**	12,989,099
-Sick leave	**16,861,447**	16,250,087
-Regionally owned housing	**10,957,650**	14,634,000
-Workers' compensation schedule II	**8,070,176**	7,000,000
-Transit	**7,901,041**	7,084,329
-Non-profit housing capital	**4,230,030**	4,437,125
-Innovation	**3,537,454**	3,053,594
-Computer software acquisition	**3,088,891**	1,278,609
-Provincial Gas Tax	**2,308,500**	2,531,727
-Provincial highways	**1,727,591**	2,007,239
-Land securement	**1,407,059**	1,391,835
-Alternative Community Living	**179,327**	172,779
-Seized funds	**162,725**	133,699
-Insurance claims and certificate system	**10,286**	9,757
-York Region Transit mobility vehicle	**-**	548,992
-Capital reserve-water and sewer	**(1,631,868)**	10,078,302
Total Reserve Funds	**762,544,466**	691,594,192
Total	**2,987,855,058**	2,744,251,849

15. Segment Disclosure

	General government	Protection to persons and property	Transportation services	Environmental services	Health and emergency services
Revenues					
Net taxation/user charges	763,624,270	-	-	141,027,825	-
Transfer payments	172,666	7,884,283	57,298,629	-	62,137,751
Development contributions	-	1,988,496	67,235,064	132,639,101	149,603
Fees and services	16,853,819	5,939,537	43,416,965	6,688,270	1,882,970
Interest	18,285,835	622,203	13,526,318	861,975	-
Other	27,058,575	1,255,779	9,546,777	38,028,671	-
	825,995,165	17,690,298	191,023,753	319,245,842	64,170,324
Expenses					
Salaries and benefits	33,956,437	190,526,396	31,429,981	21,648,048	75,516,390
Interest payments	147,601	1,152,687	11,531,208	45,666,400	339,443
Operating expenses	55,791,164	22,076,277	185,751,388	197,368,536	11,464,290
Government transfers	10,522,704	-	103,330	4,518,395	4,625,340
Amortization	7,563,057	7,337,247	59,890,361	32,975,868	1,991,576
	107,980,963	221,092,607	288,706,268	302,177,247	93,937,039
Net Revenue (Expense)	718,014,202	(203,402,309)	(97,682,515)	17,068,595	(29,766,715)

	Community services	Social housing	Planning and development services	Total 2009	Total 2008
					(Restated-Note 2)
Revenues					
Net taxation/user charges	-	-	-	904,652,095	853,119,474
Transfer payments	111,588,356	23,785,616	348,388	263,215,689	367,118,724
Development contributions	18,664	-	-	202,030,928	226,396,913
Fees and services	5,100,851	12,798,378	754,894	93,435,684	102,656,559
Interest	1,349,560	4,524,576	-	39,170,467	30,080,659
Other	930,297	1,137,632	20,560	77,978,291	85,707,863
	118,987,728	42,246,202	1,123,842	1,580,483,154	1,665,080,192
Expenses					
Salaries and benefits	51,411,671	8,147,913	8,047,999	420,684,835	379,333,553
Interest payments	389,819	5,236,939	-	64,464,097	52,000,792
Operating expenses	80,093,400	50,042,920	2,632,868	605,220,843	664,471,605
Government transfers	79,888,495	30,277,123	-	129,935,387	128,048,589
Amortization	1,135,763	4,901,322	779,589	116,574,783	108,731,005
	212,919,148	98,606,217	11,460,456	1,336,879,945	1,332,585,544
Net Revenue (Expense)	(93,931,420)	(56,360,015)	(10,336,614)	243,603,209	332,494,648

16. TANGIBLE CAPITAL ASSETS

Cost	Balance at December 31 2008 (Note 2)	Additions	Disposals	Balance at December 31 2009
	$	$	$	$
Land	269,691,631	23,941,666	-	293,633,297
Land improvements	92,923,194	3,679,796	-	96,602,990
Buidings	951,582,041	45,032,631	-	996,614,672
Equipment and machinery	283,588,813	19,629,431		303,218,244
Vehicles	212,892,780	41,183,001	(16,484,443)	237,591,338
Roads infrastructure	1,080,502,208	135,621,748	(18,853,584)	1,197,270,372
Water and sewer infrastructure	913,326,542	74,454,752	-	987,781,294
Assets under construction	596,159,174	188,368,749	(1,235,638)	783,292,285
Total	4,400,666,383	531,911,774	(36,573,665)	4,896,004,492

Accumulated amortization	Balance at December 31 2008 (Note 2)	Disposals	Amortization expenses	Balance at December 31 2009
	$	$	$	$
Land	0	-	-	0
Land improvements	43,734,201	-	5,232,567	48,966,768
Buidings	311,031,258	-	27,729,830	338,761,088
Equipment and machinery	161,058,989	-	20,437,166	181,496,155
Vehicles	71,601,261	(15,076,928)	15,747,393	72,271,726
Roads infrastructure	512,689,545	(16,976,803)	37,833,156	533,545,898
Water and sewer infrastructure	79,824,406	-	9,594,671	89,419,077
Assets under construction	0	-	-	0
Total	1,179,939,660	(32,053,731)	116,574,783	1,264,460,712

	Net book value December 31 2008	Net book value December 31 2009
	$	$
Land	269,691,631	293,633,297
Land improvements	49,188,993	47,636,222
Buidings	640,550,783	657,853,584
Equipment and machinery	122,529,824	121,722,089
Vehicles	141,291,519	165,319,612
Roads infrastructure	567,812,663	663,724,474
Water and sewer infrastructure	833,502,136	898,362,217
Assets under construction	596,159,174	783,292,285
Total	3,220,726,723	3,631,543,780

Cost	Balance at December 31 2007 (Note 2)	Additions	Disposals	Balance at December 31 2008
	$	$	$	$
Land	265,943,174	3,748,457	-	269,691,631
Land improvements	86,195,599	6,727,595	-	92,923,194
Buidings	897,712,909	53,869,132	-	951,582,041
Equipment and machinery	266,746,704	18,352,740	(1,510,631)	283,588,813
Vehicles	201,608,138	21,677,682	(10,393,040)	212,892,780
Roads infrastructure	1,057,740,026	32,573,700	(9,811,518)	1,080,502,208
Water and sewer infrastructure	772,972,145	140,354,397	-	913,326,542
Assets under construction	560,964,286	35,194,888	-	596,159,174
Total	4,109,882,981	312,498,591	(21,715,189)	4,400,666,383

Accumulated amortization	Balance at December 31 2007 (Note 2)	Disposals	Amortization expenses	Balance at December 31 2008
	$	$	$	$
Land	0	-	-	0
Land improvements	39,432,046	-	4,302,155	43,734,201
Buidings	285,251,076	-	25,780,182	311,031,258
Equipment and machinery	140,517,531	(1,200,108)	21,741,566	161,058,989
Vehicles	66,687,948	(9,278,641)	14,191,954	71,601,261
Roads infrastructure	486,338,237	(8,196,133)	34,547,441	512,689,545
Water and sewer infrastructure	71,656,699	-	8,167,707	79,824,406
Assets under construction	0	-	-	0
Total	1,089,883,537	(18,674,882)	108,731,005	1,179,939,660

	Net book value December 31 2007	Net book value December 31 2008
	$	$
Land	265,943,174	269,691,631
Land improvements	46,763,553	49,188,993
Buidings	612,461,833	640,550,783
Equipment and machinery	126,229,173	122,529,824
Vehicles	134,920,190	141,291,519
Roads infrastructure	571,401,789	567,812,663
Water and sewer infrastructure	701,315,446	833,502,136
Assets under construction	560,964,286	596,159,174
Total	3,019,999,444	3,220,726,723

17. Transfer Payment Receipts

	2009	2008
	$	$
Provincial grants		
Social assistance	**51,082,311**	43,671,923
Child care	**42,817,936**	41,398,892
Public health	**39,998,020**	37,369,991
Transit	**22,831,427**	104,200,320
Ambulance	**22,137,696**	19,447,250
Services for seniors	**16,697,606**	14,746,122
Housing	**15,132,777**	76,805,696
Police	**7,884,283**	7,191,816
Roadways	**2,911,386**	6,261,722
Other	**292,736**	606,294
	221,786,178	351,700,026
Federal grants		
Gas tax	**30,047,519**	2,240,000
Housing	**8,652,839**	9,963,419
Transit	**0**	2,285,247
Roadways	**1,508,297**	99,337
Social assistance	**988,586**	9,199
Other	**232,270**	821,496
	41,429,511	15,418,698
Total transfer payments	**263,215,689**	367,118,724

SINKING FUND

STATEMENT OF FINANCIAL POSITION,

FINANCIAL ACTIVITIES

AND

CHANGE IN FUND BALANCE

2009

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, 2009 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, 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

April 1, 2010

THE REGIONAL MUNICIPALITY OF YORK
Sinking Fund Statement of Financial Position
As at December 31, 2009

	2009 $	2008 $
Financial Assets		
Investments – at amortized cost (Note 1)	**42,226,449**	28,174,992
Total Assets	**42,226,449**	28,174,992
Liabilities		
Actuarial requirement for retirement of the Sinking Fund (Note 2)	**41,771,112**	27,908,734
Fund balance	**455,337**	266,258
Total Liabilities and Fund Position	**42,226,449**	28,174,992

THE REGIONAL MUNICIPALITY OF YORK
Sinking Fund Statement of Financial Activities and Change in Fund Balance
For the year ended December 31, 2009

	Budget (Unaudited) $	2009 $	2008 $
Revenues			
Contributions from:			
Area Municipalities	2,714,057	**2,714,057**	2,714,057
Regional Corporation	9,884,553	**9,884,553**	9,884,553
Total contributions	12,598,610	**12,598,610**	12,598,610
Interest earned	1,470,583	**1,452,847**	861,342
Total revenues	14,069,193	**14,051,457**	13,459,952
Expenditures			
Actuarial requirement for the year	(13,862,379)	**(13,862,378)**	(13,329,899)
Change in Fund Balance	206,814	**189,079**	130,053
Opening Fund Balance	266,258	**266,258**	136,205
Closing Fund Balance	473,072	**455,337**	266,258

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 $43,371,786 (2008 - $29,620,384).

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 3%, 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

2009

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, 2009 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, 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

April 1, 2010

THE REGIONAL MUNICIPALITY OF YORK
Residents' Trust Funds & Donation Account
Statement of Financial Position
As at December 31, 2009

	Trust $	Donation $	**2009 $**	2008 $
Financial Assets				
Cash	332,063	56,791	**388,854**	268,506
Investments	153,669	-	**153,669**	253,669
Residents' petty cash	5,000	-	**5,000**	5,000
Total Assets	490,732	56,791	**547,523**	527,175
Fund Balances	490,732	56,791	**547,523**	527,175

THE REGIONAL MUNICIPALITY OF YORK
Residents' Trust Funds & Donation Account
Statement of Financial Activities
For the year ended December 31, 2009

	Trust $	Donation $	**2009 $**	2008 $
Fund balances, beginning of year	464,542	62,633	**527,175**	486,511
Source of funds:				
Deposits on behalf of residents	458,837	7,136	**465,973**	273,379
Increase in investments	-	-	**-**	6,635
Interest earned on deposits	2,102	2,977	**5,079**	6,825
	460,939	10,113	**471,052**	286,839
Use of funds:				
Withdrawals	(334,749)	(15,955)	**(350,704)**	(246,175)
Investing				
Matured investments not reinvested	(100,000)	-	**(100,000)**	-
Net activity	26,190	(5,842)	**20,348**	40,664
Fund balances, end of year	490,732	56,791	**547,523**	527,175

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 $161,792 (2008 - $265,143).