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2004 FINANCIAL STATEMENTS AND AUDITORS' REPORT

The Audit Committee recommends:

1. **The Presentation by Ken Hill, Director of Financial Services & Deputy Treasurer, be received; and**
2. **the recommendation contained in the following report, May 11, 2005, from the Commissioner of Finance, be adopted:**

1. RECOMMENDATIONS

It is recommended that:

1. The attached 2004 Financial Statements and Auditors' Report, along with schedules and explanatory notes, be received.

2. PURPOSE

In accordance with Section 286 of the Municipal Act, this report is provided to the Audit Committee for information and forward to Council.

3. ANALYSIS AND OPTIONS

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.

3.1 Significant Changes in Year-End Balances

In the "Assets" section of the Consolidated Statement of Financial Position, total Financial Assets increased by $103 million. Approximately $48.0 million of this amount is attributable to accounts receivable. Receivables from both the federal and provincial governments have increased by $18.7 million and $15.4 million, respectively, including a total of $29.2 million for the Rapid Transit Quick Start program recoverable from both senior levels of government.

Appearing on these 2004 statements for the first time is an item labelled "OSIFA loans" for $24.4 million. This item is in relation to two financing agreements with the Ontario Strategic Infrastructure Financing Authority (OSIFA), for loan commitments to finance capital projects, namely Peel Feedermain ($10.2M) and Transit ($13.2M) including $11.2 million for Quick Start.

Gross long-term liabilities increased by a net of $177.5 million due to new debt issued in 2004 on behalf of the Region and area municipalities ($53.5M).

In accordance with the Region's Council approved reserve and surplus management strategy, a total amount of $43.3 million was transferred to the Capital Reserve and the Tax Stabilization Reserve Fund.

For each of the seven years, 1997 to 2003, the Region received the CANFR award for its financial statements from the Government Finance Officers Association (GFOA). The award is presented to municipalities whose financial statements are prepared in accordance with the requirements of the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants. These financial statements reflect our continued adherence to PSAB standards.

These consolidated financial statements include the activities of the York Region Police Services Board, Housing York Inc. and York Region Rapid Transit Corporation (Rapidco).

5. FINANCIAL IMPLICATIONS

These financial statements reflect the sound financial management of the Region. Transfers were made in the amounts of $32.7 million to the Capital Reserve and $10.6 million to the Tax Stabilization Reserve Fund respectively, in accordance with Council approved policy.

6. LOCAL MUNICIPAL IMPACT

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

7. CONCLUSION

The 2004 financial statements are presented in accordance with the Municipal Act. The financial activities of York Housing 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 Institute of Chartered Accountants which will qualify the statements for consideration for the CANFR award presented by the Government Finance Officers Association.

The Senior Management Group has reviewed this report.

(The attachments referred to in this clause were included in the agenda for the June 2, 2005 Committee meeting.)