

The Regional Municipality of York

Audit Committee
Finance and Administration
June 10, 2020

Report of the Commissioner of Finance

2019 Financial Statements and Auditor's Report

1. Recommendations

Council receive this report for information.

2. Summary

This report provides information to Council on the 2019 financial activities of the Region, as required by the *Municipal Act, 2001*.

The consolidated financial statements include the financial activities of the Region and all entities that are accountable to and controlled by the Region, including the York Region Police Services Board, Housing York Inc., York Region Rapid Transit Corporation, and YTN Telecom Network Inc.

Key Points:

- The audit opinion on the 2019 financial statements was issued without reservation or condition
- The Region's financial picture continues to improve
- The Region had an annual surplus of \$689 million

3. Background

Municipalities are required to prepare financial statements and report them to Council

Under the *Municipal Act, 2001*, municipalities must:

1. Prepare financial statements in accordance with generally accepted accounting principles
2. Report the financial affairs of the municipality to Council
3. Appoint a licensed auditor who is responsible for auditing the accounts and transactions of the municipality

The consolidated financial statements were prepared in accordance with Public Sector Accounting Standards

The consolidated financial statements, as shown in Attachment 1, are presented on a full accrual basis of accounting as required by the Public Sector Accounting Board. The original budget, on the other hand, was prepared to balance expected cash inflows against expected cash outflows, and to determine the property tax levy needed to achieve the balance.

4. Analysis

The Treasurer's Report analyzes key financial results from the consolidated financial statements

The Treasurer's Report (Attachment 2) includes detailed variance analyses and discusses financial results for 2019 compared to 2018 and the 2019 budget, focusing on the Consolidated Statement of Financial Position and the Consolidated Statement of Operations.

The Region increased its financial assets by \$228 million

Financial assets are assets that can be converted to cash in a short time. The Region's financial assets include cash and cash equivalents, investments, accounts receivable from third parties, and debt recoverable from local municipalities.

These assets totalled \$4.5 billion at the end of 2019, up by \$228 million or 5.3% from the previous year. Cash and cash equivalents grew by \$692 million from \$472 million at the end of 2018 to reach almost \$1.2 billion a year later. The increase largely reflected a proactive management decision to decrease the Region's long-term investment portfolio, which was \$486 lower by year-end 2019 than a year earlier, and move the proceeds to cash and cash equivalents. As well as providing capital gains from the sale of fixed income and equity securities, this shift allowed for greater liquidity in case of possible market turbulence in 2020.

Debt decreased by \$56 million

The Region's liabilities include gross long-term liabilities or debt, accounts payable and accrued liabilities, deferred revenue and employee benefit obligations.

Most of the Region's borrowings are in the form of sinking fund debentures, which require the borrower to set aside funds over time to be used for repayment when the debt matures. The Region repaid \$396 million of debt that was due in 2019 and contributed \$8 million to the sinking fund reserve for future debt repayment. This was partially offset by borrowings of \$192 million for planned refinancing and new debt issuance of \$156 million. In summary, the Region's debt, excluding borrowing on behalf of local municipalities and net of sinking fund assets, fell by \$56 million in 2019.

The annual surplus was \$689 million

The Consolidated Statement of Operations reports the Region's revenues and expenses for the year. Revenues exceeded expenses in 2019, resulting in an annual surplus of \$689 million, an increase of \$170 million, or 33%, compared to 2018. This consists of increased revenue of \$176 million and an increase in costs of \$6 million.

The accrual-based budget set out an expected annual surplus of \$535 million. At \$689 million, the actual 2019 annual surplus was \$154 million above budget, mainly attributed to a contribution of transit assets from the Province related to the Highway 7 East/West Woodbridge/ Vaughan rapidway.

5. Financial

In accordance with the Council-approved Reserve and Reserve Fund Policy, \$55 million was allocated from the operating surplus to the debt reduction reserve.

6. Local Impact

There are no local municipal impacts associated with this report.

7. Conclusion

The 2019 consolidated financial statements reflect the financial results and position of the Region, and are presented in accordance with the *Municipal Act, 2001* and Public Sector Accounting Standards.

For more information on this report, please contact Jason Li, Acting Director, Controllershship Office, Finance at 1-877-464-9675 ext. 71683. Accessible formats or communication supports are available upon request.

Recommended by: **Laura Mirabella, FCPA, FCA**
Commissioner of Finance and Regional Treasurer

Approved for Submission: **Bruce Macgregor**
Chief Administrative Officer

May 7, 2020
Attachments (2)
10760652