

The Regional Municipality of York

Audit Committee
Finance and Administration
June 9, 2021

Report of the Commissioner of Finance

2020 Financial Statements and Auditor's Report

1. Recommendation

Council receive this report for information.

2. Summary

This report provides information to Council on the 2020 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 Region achieved an operating surplus of \$88 million in 2020. After adjustments for reserves, debt and capital assets, the annual surplus for financial statement purposes was \$720 million. The Region's financial assets increased by \$692 million.
- The Region's net debt as defined for public sector reporting purposes decreased by \$371 million.
- The audit opinion on the 2020 financial statements was issued without reservation or condition.
- The Region received the Canadian Award of Excellence in Financial Reporting (CAnFR) and the Popular Annual Financial Reporting (PAFR) Award for the 2019 Annual Community Report and Highlights Report.
- The Region's entire 2020 operating surplus of \$88 million was contributed to the Pandemic Management Reserve.

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

4. Analysis

The Region achieved an annual surplus of \$720 million in 2020

The Regional budget was prepared to focus on expected cash inflows and outflows, and determine the property tax levy needed to achieve the balance. On this basis, the Region realized an operating surplus of \$88 million in 2020.

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 major differences between the bases of accounting are the treatment of reserves, debt and capital assets.

With these adjustments, the Region achieved an annual surplus of \$720 million in 2020.

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 2020 compared to 2019 and the 2020 budget, focusing on the Consolidated Statement of Financial Position and the Consolidated Statement of Operations.

The Region increased its financial assets by \$692 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.

The main driver of the increase was growth in investments, which went from \$2.8 billion at the end of 2019 to \$3.4 billion a year later. This resulted from the Region building reserves, especially for asset replacement and renewal, through contributions from the operating budget. The Region also invests funds from third parties, that are for specific purposes and are received before the spending is needed.

Liabilities increased at a slower rate than financial assets

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

Liabilities other than debt increased by \$142 million, ending the year at \$1.7 billion.

Total debt, which is reported in the Consolidated Statement of Financial Position as gross long-term liabilities, increased by \$179 million to reach \$3.7 billion by the end of 2020.

In summary, liabilities increased by \$321 million, while financial assets increased by \$692 million, resulting in a decrease in net debt of \$371 million, ending the year at \$191 million. Under public sector financial reporting in Canada, "net debt" is defined as the difference between a reporting entity's financial assets and its liabilities.

The Region received two Government Finance Officers Association (GFOA) awards for excellence in financial reporting

The GFOA is a professional association serving more than 20,000 government finance professionals throughout North America. Its mandate includes promoting transparency, accessibility, and understandability of financial reporting.

For the 23rd consecutive year, the Region's 2019 Community Report received the Canadian Award of Excellence in Financial Reporting (CAnFR). This award recognized the Region for easily readable and efficiently organized financial reports, and content conforming to reporting standards and GFOA guidelines.

The Region also received the Popular Annual Financial Reporting (PAFR) Award for the 2019 Annual Community Report Highlights. This summary report further promotes transparency and citizen engagement, particularly for members of the public who may not have a background in finance.

5. Financial

On [December 10, 2020](#), to help address future COVID-19 pressures, Council approved a temporary suspension of the Surplus Disposition Policy to redirect operating surplus funds to the newly created Pandemic Management Reserve. As a result, the operating surplus of \$88 million was contributed to the reserve.

6. Local Impact

There are no local municipal impacts associated with this report.

7. Conclusion

The 2020 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, 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 11, 2021
Attachments (2)
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