

***DRAFT #4***  
***April 14, 2022***

Financial Statements of

**YORK REGION RAPID TRANSIT  
CORPORATION**

And Independent Auditors' Report thereon

Year ended December 31, 2021

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of York Region Rapid Transit Corporation

### ***Opinion***

We have audited the financial statements of York Region Rapid Transit Corporation (the Entity), which comprise:

- the statement of financial position as at December 31, 2021
- the statement of operations and accumulated surplus for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2021, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the **"Auditors' Responsibilities for the Audit of the Financial Statements"** section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

***DRAFT***

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

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# YORK REGION RAPID TRANSIT CORPORATION

## ***DRAFT*** Statement of Financial Position

December 31, 2021, with comparative information for 2020

	2021	2020
<b>Financial Assets</b>		
Due from Regional Municipality of York (note 4)	\$ 626,576	\$ 629,948
<b>Financial Liabilities</b>		
Due to Regional Municipality of York (note 5)	626,575	629,947
Net debt	1	1
Accumulated surplus (note 6)	\$ 1	\$ 1

See accompanying notes to financial statements.

On behalf of the Board:

\_\_\_\_\_ Treasurer

# YORK REGION RAPID TRANSIT CORPORATION

## **DRAFT** Statement of Operations and Accumulated Surplus

Year ended December 31, 2021, with comparative information for 2020

	Budget (note 1(d))	2021	2020
Revenue:			
Program management fee (note 7)	\$ 4,451,787	\$ 4,323,748	\$ 4,249,091
Expenses:			
York Region Rapid Transit Program Management:			
Salaries and benefits	8,897,707	7,785,862	9,529,575
External professional contracted services (note 8)	2,375,723	2,719,205	6,891,571
Regional Municipality of York professional contracted services (note 9)	3,157,494	2,703,420	3,467,000
Occupancy and rent	754,654	745,340	784,265
Office administration	998,353	444,615	562,901
	16,183,931	14,398,442	21,235,312
Regional Municipality of York Corporate Allocation:			
Computer hardware	629,967	559,347	440,674
Computer software	358,442	327,089	226,487
Legal	133,542	147,161	201,365
Telephone and data management	167,960	142,250	108,330
Human resources	64,931	47,350	113,620
Finance charges	48,554	32,488	60,550
Supplies services	86,826	50,825	61,613
	1,490,222	1,306,510	1,212,639
Operating recoveries:			
Recoveries from the Province of Ontario Capital Projects	(13,222,366)	(8,294,141)	(15,201,591)
Recoveries from the Metrolinx Yonge North Subway Extension Projects	–	(1,190,243)	–
Recoveries from the Regional Capital Projects	–	(1,896,820)	(2,997,269)
	(13,222,366)	(11,381,204)	(18,198,860)
	4,451,787	4,323,748	4,249,091
Annual surplus	–	–	–
Accumulated surplus, beginning of year	–	1	1
Accumulated surplus, end of year	\$ –	\$ 1	\$ 1

See accompanying notes to financial statements.

# YORK REGION RAPID TRANSIT CORPORATION

## ***DRAFT*** Statement of Cash Flows

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Operating activities:		
Annual surplus	\$ –	\$ –
Change in non-cash assets and liabilities:		
Due from Regional Municipality of York	3,372	(121,901)
Due to others	(3,372)	121,901
Cash, end of year	\$ –	\$ –

See accompanying notes to financial statements.

# YORK REGION RAPID TRANSIT CORPORATION

## **DRAFT** Notes to Financial Statements

Year ended December 31, 2021

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The York Region Rapid Transit Corporation (the "Organization") was incorporated on July 2, 2003 under the Ontario Business Corporations Act. The Organization is responsible for the planning, design and construction of the rapid transit network and related infrastructure. The expertise of the Organization lies in project management - design and engineering, procurement and financial management and community relations.

The Organization manages the capital projects funded by the Regional Municipality of York such as road widening, sidewalks, landscaping, storm sewers and fiber communications. In addition, the Organization also manages the capital projects funded by Metrolinx.

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

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. Since the first quarter of 2020, the COVID-19 pandemic has impacted the global economic environment due to government imposed lockdowns and social distancing requirements. The economic conditions and Organization's response to the COVID-19 pandemic had operational and financial impacts on the Organization. The full extent of the financial impact is currently indeterminable due to the evolving nature of the COVID-19 pandemic.

### **1. Significant accounting policies:**

#### **(a) Basis of presentation:**

These financial statements have been prepared in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

#### **(b) Accrual basis of accounting:**

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

#### **(c) Revenue recognition:**

The program management fee is recognized as revenue in the year in which is earned and related expenses are recognized.



# YORK REGION RAPID TRANSIT CORPORATION

## **DRAFT** Notes to Financial Statements (continued)

Year ended December 31, 2021

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### **1. Significant accounting policies (continued):**

#### (d) Budget figures:

Budget figures presented in the financial statements are based on the 2021 budget approved by Council on March 25, 2021.

#### (e) Related party:

A related party exists when one party has the ability to exercise control or shared control over the other. Related parties include key management personnel, their close family members and the entities they control or have shared control over. Related party transactions are disclosed if they occurred at a value different from that which would have been arrived at if parties were unrelated and the transaction has material effect on the financial statements.

#### (f) Expense allocations and operating recoveries:

The Organization classifies expenses on the statement of operations and accumulated surplus. Expenses are allocated to the Organization based on corporate allocation from The Regional Municipality of York. Operating recoveries represent salaries and benefits and general administrative costs related to the capital projects managed by the Organization.

#### (g) Use of estimates:

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Estimates are based on the best information available to management at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Actual results could differ from these estimates.

# YORK REGION RAPID TRANSIT CORPORATION

## **DRAFT** Notes to Financial Statements (continued)

Year ended December 31, 2021

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### **2. Future accounting pronouncements:**

While the timing of standard adoption can vary, certain standards must be adopted concurrently. The requirements in PS 1201 - Financial Statement Presentation, PS 3450 - Financial Instruments, PS 2601 - Foreign Currency Translation, and PS 3041 - Portfolio Investments, must be implemented at the same time. The Region has not adopted any new accounting standards for the year ended on December 31, 2021.

- (a) Standards applicable for fiscal years beginning on or after April 1, 2022 (in effect for the Region for the year ending on December 31, 2023):

PS 1201 - Financial Statement Presentation, replaces PS 1200 - Financial Statement Presentation. This standard establishes general reporting principles and standards for the disclosure of information in government financial statements. The standard introduces the statement of remeasurement gains and losses separate from the statement of operations and accumulated surplus. The new statement reports the changes in the values of financial assets and financial liabilities arising from their remeasurement at current exchange rates and/or fair value, and the government's proportionate share of other comprehensive income arising from the results of government business enterprises and partnerships.

PS 3450 - Financial Instruments, establishes accounting and reporting requirements for all types of financial instruments including derivatives. The standard requires fair value measurement of derivatives and portfolio investments in equity instruments that are quoted in an active market. All other financial instruments can be elected to be measured at cost, amortized cost or fair value. Unrealized gains and losses arising from changes in fair value are presented in the new statement of remeasurement gains and losses.

PS 2601 - Foreign Currency Translation, replaces PS 2600 - Foreign Currency Translation. The standard requires monetary assets and liabilities denominated in a foreign currency and non-monetary items denominated in a foreign currency that are reported at fair value, to be adjusted to reflect the exchange rates in effect at the financial statement date. Unrealized gains and losses arising from foreign currency changes are presented in the new statement of remeasurement gains and losses. However, the new standard also provides an election that will allow for the continued recognition of all exchange gains and losses directly in the statement of operations and accumulated surplus.

# YORK REGION RAPID TRANSIT CORPORATION

## **DRAFT** Notes to Financial Statements (continued)

Year ended December 31, 2021

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### **2. Future accounting pronouncements (continued):**

PS 3041 - Portfolio Investments, replaces PS 3040 - Portfolio Investments. The standard provides revised guidance on accounting for, and presentation and disclosure of portfolio investments to conform to PS 3450 - Financial Instruments. The distinction between temporary and portfolio investments has been removed in the new standard, and upon adoption, PS 3030 - Temporary Investments, will no longer apply.

PS 3280 - Asset Retirement Obligations, establishes the accounting and reporting requirements for legal obligations associated with the retirement of TCA controlled by a government or government organization. A liability for a retirement obligation can apply to TCA either in productive use or no longer in productive use. Upon adoption of this standard, PS 3270 - Solid Waste Landfill Closure and Post-closure Liability, will no longer apply.

- (b) Standards applicable for fiscal years beginning on or after April 1, 2023 (in effect for the Region for the year ending on December 31, 2024):

PS 3160 - Public Private Partnerships ("P3s"), identifies requirements on how to account for and disclose transactions in which public sector entities procure major infrastructure assets and/or services from private sector entities. Recognition of assets arising from P3 arrangements is ultimately dependent on whether public sector entities control the purpose and use of the assets, access to the future economic benefits and exposure to the risks associated with the assets, and significant residual interest in the asset, if any, at the end of the term of P3s. Measurement of the asset and related liability will also be dependent on the overall model used to compensate the private sector entity.

PS 3400 - Revenue, establishes standards on how to account for and report on revenue, specifically differentiating between revenue arising from transactions that include performance obligations, referred to as exchange transactions, and transactions that do not have performance obligations, referred to as non-exchange transactions.

PSG-8 - Purchased Intangibles, provides guidelines on accounting and reporting for purchased intangibles. Concurrently, PS 1000 - Financial Statement Concepts, has been amended to remove the prohibition against recognizing intangibles purchased in an exchange transaction in public sector financial statements.

# YORK REGION RAPID TRANSIT CORPORATION

## **DRAFT** Notes to Financial Statements (continued)

Year ended December 31, 2021

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### **3. Statement of change in net debt:**

A statement of change in net debt has not been presented, as the amount of net debt remains unchanged year over year and any other information which would be contained within the statement is readily available elsewhere in these financial statements.

### **4. Due from Regional Municipality of York:**

Amounts due from Regional Municipality of York are non-interest bearing and have no specific terms of repayment.

### **5. Due to Regional Municipality of York:**

Due to Regional Municipality of York is comprised of payroll related liabilities at the end of the year. The amounts due are non-interest bearing and are normally settled on 30-day terms; therefore, their carrying amount approximates the fair value.

### **6. Accumulated surplus:**

The accumulated surplus at December 31 comprises:

	2021	2020
Share capital	\$ 1	\$ 1

### **7. Program management fee:**

Per the Rapid Transit Agreement, the Organization is the Program Manager tasked with delivering the rapid transit infrastructure projects for the Regional Municipality of York.

In 2017, the Organization and the Regional Municipality of York entered into a Memorandum of Understanding, whereby the Organization will invoice project management fees to the Regional Municipality of York on a quarterly basis for project management services rendered in the year.

# YORK REGION RAPID TRANSIT CORPORATION

**DRAFT** Notes to Financial Statements (continued)

Year ended December 31, 2021

## 8. External professional contracted services:

Expenses on professional contracted services include external legal counsel, external communications, public relations, consulting services and audit services.

## 9. Related party transactions - Regional Municipality of York professional contracted services:

For efficiency purposes, the Regional Municipality of York departments provided contracted services to the Organization per Dedicated Charges Agreements between the Regional Municipality of York and the Organization. These charges were fully recovered against capital projects.

	Budget	2021	2020
Regional Municipality of York professional contracted services:			
Property services	\$ 1,410,778	\$ 1,313,290	\$ 1,525,475
Legal services	1,167,600	919,184	1,031,657
Transportation services	420,067	365,110	771,858
Supplies and services	159,049	105,836	138,010
	<u>\$ 3,157,494</u>	<u>\$ 2,703,420</u>	<u>\$ 3,467,000</u>