

Date June 8, 2017
 To Members of York Region Rapid Transit Board of Directors
 Copy Bruce Macgregor, Christopher Raynor
 From Mary-Frances Turner, York Region Rapid Transit Corporation, President
Subject 2016 Financial Statements of YRRTC
 Ref: Edocs # 7602293

Financial statements provide information about the financial position, performance and changes in financial position of an organization. The purpose of this memorandum is for the Board to receive the 2016 Financial Statements of YRRTC.

The 2016 Financial Statements of YRRTC (as audited by external auditors) have been consolidated in the 2016 Financial Statements of York Region, per the Report from the Commissioner of Finance in June. The 2016 Financial Statements of YRRTC reflect a deficit of (\$3.5 million), resulting in an inception (2003)-to-date accumulated deficit of (\$103.2 million) as at end of December 31, 2016. Table 1 shows the breakdown:

Table 1

<i>(in \$Millions)</i>	<2016	2016	Inception-to-Date (As at End of Dec. 31-16)
Revenues from Tax Levies	\$0.0	\$0.0	\$0.0
YRT - Viva Operations	(\$74.9)	\$0.0	(\$74.9)
YRRTC - Direct Costs	(\$20.2)	(\$2.3)	(\$22.5)
YRRTC - Corporate Allocations	(\$4.6)	(\$1.2)	(\$5.8)
Accumulated Surplus/ (Deficit)	(\$99.7)	(\$3.5)	(\$103.2)

For more information on this memo and attachment, please contact Michael Cheong, Chief Financial Officer-York Region Rapid Transit Corporation at 905-886-6767, Ext. 71015, or Warren Marshall, Director-YR Controllership Office at 905-830-4444, Ext. 71601.

 Mary-Frances Turner, President

Attachment (1)

INDEPENDENT AUDITORS' REPORT

Financial Statements of

YORK REGION RAPID TRANSIT CORPORATION

Year ended December 31, 2016



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of York Region Rapid Transit Corporation

We have audited the accompanying financial statements of York Region Rapid Transit Corporation, which comprise the balance sheet as at December 31, 2016, the statement of operations and deficit for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management in accordance with the basis of accounting in note 1 to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting in note 1 to the financial statements; this includes determining that basis of accounting is an acceptable basis for the preparation of these financial statements in the circumstances, 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.

Auditors' Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Page 2

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of York Region Rapid Transit Corporation as at December 31, 2016, and the results of its financial performance for the year then ended in accordance with the basis of accounting in note 1 to the financial statements.

Basis of Accounting

Without modifying our opinion, we draw attention to note 1 to the financial statements, which describes the basis of accounting. The financial statements are prepared for payments in lieu of taxes and corporate purposes. As a result, the financial statements may not be suitable for other purposes.

Restriction on Use

Our report is intended solely for York Region Rapid Transit Corporation, The Regional Municipality of York, and for federal and provincial income tax authorities and should not be used by parties other than York Region Rapid Transit Corporation, The Regional Municipality of York or the federal and provincial income tax authorities.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

May 16, 2017
Vaughan, Canada

YORK REGION RAPID TRANSIT CORPORATION

Balance Sheet

December 31, 2016, with comparative information for 2015

	2016		2015	
Assets	\$	-	\$	-
	\$	-	\$	-
Liabilities and Shareholder's Deficiency				
Current liabilities:				
Due to The Regional Municipality of York	\$	102,702,374	\$	99,220,580
Due to others (note 3)		500,705		477,030
		103,203,079		99,697,610
Shareholder's deficiency:				
Share capital		1		1
Deficit		(103,203,080)		(99,697,611)
		(103,203,079)		(99,697,610)
	\$	-	\$	-

See accompanying notes to financial statements.

On behalf of the Board:

_____ Treasurer

YORK REGION RAPID TRANSIT CORPORATION

Statement of Operations and Deficit

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Revenue:		
York Region Transit-VIVA fees and services (note 4)	\$ -	\$ -
Expenditures:		
York Region Rapid Transit:		
Salaries and benefits	8,639,805	8,589,482
Professional contracted services (note 5)	5,426,936	4,142,268
Office administration and expenses	2,990,555	2,802,273
Capital recoveries (note 6)	(13,551,827)	(12,250,030)
	<u>3,505,469</u>	<u>3,283,993</u>
Excess of expenditures over revenue	(3,505,469)	(3,283,993)
Deficit, beginning of year	(99,697,611)	(96,413,618)
Deficit, end of year	<u>\$ (103,203,080)</u>	<u>\$ (99,697,611)</u>

See accompanying notes to financial statements.

YORK REGION RAPID TRANSIT CORPORATION

Notes to Financial Statements

Year ended December 31, 2016

York Region Rapid Transit Corporation ("Organization") was incorporated on July 2, 2003 under the Ontario Business Corporations Act. The Organization's principal business activity is the design and delivery of The Regional Municipality of York's rapid transit systems, known as VIVA.

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

1. Significant accounting policies:

(a) General:

These financial statements have been prepared in accordance with Part V of the Chartered Professional Accountants of Canada ("CPA Canada") Handbook, which is the accounting framework used in the preparation of the financial statements in the prior year. These financial statements are not prepared in accordance with Canadian generally accepted accounting principles in that the required accounting framework is Part I of the CPA Canada Handbook, being International Financial Reporting Standards.

(b) Use of estimates:

The preparation of financial statements 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 expenditures during the year. Actual results could differ from those estimates. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in the year in which they become known.

(c) Accrual basis of accounting:

The financial statements have been prepared on the accrual basis of accounting. Revenue and expenditures are recorded on the accrual basis, whereby they are reflected in the accounts in the year in which they have been earned and incurred, respectively, whether or not such transactions have been finally settled by the receipt or payment of money.

YORK REGION RAPID TRANSIT CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2016

1. Significant accounting policies (continued):

(d) Revenue recognition:

The Organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Funding is recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and the collection is reasonably assured.

2. Statement of cash flows:

A statement of cash flows has not been presented as it is already included in the Organization's statements.

3. Due to others:

Due to others are payroll-related liabilities due at the end of the year. They are non-interest bearing and normally settled on 30-day terms; therefore, their carrying amount approximates their fair value.

4. Fees and services:

In 2009, the Organization and York Region Transit ("YRT") - VIVA entered into a cost allocation agreement, whereby all operating expenses directly attributed to the operation of YRT are allocated to the Organization at the end of each fiscal year. The allocated operating expenses have been recorded as a liability in the Organization's financial statements as an amount due to The Regional Municipality of York. In 2014, an agreement was reached that the practice of reallocating VIVA operations revenue and expenses from YRT to the Organization was discontinued.

YORK REGION RAPID TRANSIT CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2016

5. Professional contracted services:

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

	2016	2015
Corporate services - property services	\$ 1,789,069	\$ 1,574,364
Corporate services - legal services	917,225	778,950
Transportation and community planning - transportation services	1,508,982	1,576,564
Transportation and community planning - planning services	172,526	—
Office of the Chief Administrative Officer - long range and geomatics	339,100	262,000
IT services - records and information services	84,893	—
Finance services - supplies and services	127,500	68,868
	4,939,295	4,260,746
Other contracted services	487,641	(118,478)
	\$ 5,426,936	\$ 4,142,268

6. Capital recoveries:

Certain indirect costs and overhead expenses relating to capital projects of The Regional Municipality of York have been recovered by the Organization.

	2016	2015
Metrolinx recoveries	\$ 13,055,871	\$ 11,730,457
Toronto-York Spadina Subway Extension recoveries	—	385,988
Other recoveries	495,956	133,585
	\$ 13,551,827	\$ 12,250,030