

Consolidated Financial Statements of

**THE CORPORATION OF THE
CITY OF VAUGHAN**

And Independent Auditors' Report thereon

Year ended December 31, 2019



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INDEPENDENT AUDITORS' REPORT

To the Mayor, Members of Council, Inhabitants and Ratepayers of
The Corporation of the City of Vaughan

Opinion

We have audited the consolidated financial statements of The Corporation of the City of Vaughan (the Entity), which comprise:

- the consolidated statement of financial position as at December 31, 2019
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of change in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated 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 consolidated financial position of the Entity as at December 31, 2019, and its consolidated results of operations, its consolidated change in net financial assets and its consolidated 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.



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- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P', with a small upward tick at the end.

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

September 29, 2020

THE CORPORATION OF THE CITY OF VAUGHAN

Consolidated Statement of Financial Position

December 31, 2019, with comparative information for 2018

	2019	2018
Financial Assets		
Cash and cash equivalents	\$ 779,700,486	\$ 730,444,327
Taxes receivable	48,247,575	47,789,114
Water and sewer billings receivable	25,220,469	23,111,989
Accounts receivable	21,575,321	22,340,589
Investments (note 3)	88,610,584	87,293,174
Investment in Hydro Vaughan Corporations (note 4)	629,320,313	635,860,859
	<u>1,592,674,748</u>	<u>1,546,840,052</u>
Financial Liabilities		
Accounts payable and accrued liabilities	125,121,697	101,371,381
Accrued interest on long-term liabilities	93,272	115,548
Employee future benefits (note 5)	144,778,571	134,218,756
Deposits and deferred revenue (note 6(a))	40,013,432	40,032,009
Deferred revenue - obligatory reserve funds (note 6(b))	619,182,836	617,005,751
Debenture and other debt (note 7)	64,569,163	59,061,732
Note payable (note 8)	3,303,523	3,303,523
	<u>997,062,494</u>	<u>955,108,700</u>
Net financial assets	595,612,254	591,731,352
Non-Financial Assets		
Tangible capital assets (note 9)	9,041,767,804	8,551,359,525
Prepaid expenses	2,355,744	2,408,580
	<u>9,044,123,548</u>	<u>8,553,768,105</u>
Contractual rights (note 15)		
Commitments (note 16)		
Subsequent event and contingencies (note 17)		
Accumulated surplus (note 10)	<u>\$ 9,639,735,802</u>	<u>\$ 9,145,499,457</u>

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE CITY OF VAUGHAN

Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2019, with comparative information for 2018

	Budget (note 13) (note 1(o))	2019	2018
Revenue (note 12):			
Property taxation	\$ 209,736,159	\$ 210,313,730	\$ 202,262,689
Taxation from other governments	1,500,000	1,649,320	1,495,421
Municipal accommodation tax	2,400,000	2,117,140	–
User charges	55,202,238	64,190,969	55,348,100
Water and sewer billings	175,807,601	162,355,455	150,397,663
Government transfers (note 11)	12,047,665	18,125,035	24,422,947
Investment income	5,345,500	8,675,665	6,132,140
Penalties and interest on taxes	5,200,000	5,774,042	5,736,228
Other fees and services	260,200	3,277,186	7,679,527
Contributions from developers	80,499,093	27,170,561	64,587,558
Contributed assets (note 9(b))	–	486,611,658	316,239,032
Hydro Vaughan Corporations (note 4):			
Share of net earnings	12,202,000	10,772,850	25,221,531
Interest on notes receivable	–	3,450,220	3,743,683
	560,200,456	1,004,483,831	863,266,519
Expenses (note 12):			
General government	44,690,235	28,653,424	29,951,241
Protection to persons and property	83,680,481	84,017,469	82,375,193
Transportation services	65,392,011	62,157,780	96,917,361
Environmental services	219,934,566	200,467,273	172,668,608
Health services	121,071	94,844	106,593
Social and family services	305,411	126,154	129,210
Recreation and cultural services	114,189,207	108,649,537	99,380,921
Planning and development	74,753,690	25,072,447	21,740,395
	603,066,672	509,238,928	503,269,522
	(42,866,216)	495,244,903	359,996,997
Gain on merger of Alectra Inc. with Guelph Hydro Electric Systems Inc. (note 4)	–	989,605	–
Adjustment for the decrease of the City's equity interest in the net assets of Alectra Inc. (note 4)	–	(1,998,163)	(2,211,345)
Annual surplus (deficit)	(42,866,216)	494,236,345	357,785,652
Accumulated surplus, beginning of year	9,145,499,457	9,145,499,457	8,787,713,805
Accumulated surplus, end of year	\$ 9,102,633,241	\$ 9,639,735,802	\$ 9,145,499,457

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE CITY OF VAUGHAN

Consolidated Statement of Change in Net Financial Assets

Year ended December 31, 2019, with comparative information for 2018

	Budget (note 13) (note 1(o))	2019	2018
Annual surplus (deficit)	\$ (42,866,216)	\$ 494,236,345	\$ 357,785,652
Amortization of tangible capital assets	–	76,674,645	74,041,429
Proceeds on disposal of tangible capital assets	–	137,172	120,100
Loss on disposal of tangible capital assets	–	1,741,538	39,163,780
Acquisition of tangible capital assets	–	(568,961,634)	(442,850,116)
	(42,866,216)	3,828,066	28,260,845
Acquisition of prepaid expenses	–	52,836	(1,034,103)
Increase (decrease) in net financial assets	(42,866,216)	3,880,902	27,226,742
Net financial assets, beginning of year	591,731,352	591,731,352	564,504,610
Net financial assets, end of year	\$ 548,865,136	\$ 595,612,254	\$ 591,731,352

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE CITY OF VAUGHAN

Consolidated Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 494,236,345	\$ 357,785,652
Items not involving cash:		
Amortization of tangible capital assets	76,674,645	74,041,429
Loss on disposal of tangible capital assets	1,741,538	39,163,780
Contributed tangible capital assets	(486,611,658)	(316,239,032)
Gain on merger of Alectra Inc. with Guelph Hydro Electric Inc.	(989,605)	-
Share of net earnings of Hydro Vaughan Corporations	(10,772,850)	(25,221,531)
Decrease in equity interest in net assets of Alectra Inc.	1,998,163	2,211,345
Change in non-cash assets and liabilities:		
Increase in taxes receivable	(458,461)	(6,487,635)
Increase in water and sewer billings receivable	(2,108,480)	(4,453,521)
Decrease (increase) in accounts receivable	765,268	(6,577,609)
Increase (decrease) in accounts payable and accrued liabilities	23,750,316	(2,559,208)
Decrease in accrued interest on long-term liabilities	(22,276)	(22,170)
Increase in employee future benefits	10,559,815	9,642,922
Increase (decrease) in deposits and deferred revenue	(18,577)	8,092,529
Increase in deferred revenue - obligatory reserve funds	2,177,085	208,128,467
Decrease (increase) in prepaid expenses	52,836	(1,034,103)
	<u>110,974,104</u>	<u>336,471,315</u>
Capital activities:		
Proceeds on disposal of tangible capital assets	137,172	120,100
Cash used to acquire tangible capital assets	(82,349,976)	(126,611,084)
	<u>(82,212,804)</u>	<u>(126,490,984)</u>
Financing activities:		
Debenture and other debt repaid	(6,827,447)	(13,576,921)
Debenture and other debt incurred	12,334,878	16,104,977
	<u>5,507,431</u>	<u>2,528,056</u>
Investing activities:		
Increase in investments, net	(1,317,410)	(1,442,080)
Decrease in investment in Hydro Vaughan Corporations	16,304,838	23,664,032
	<u>14,987,428</u>	<u>22,221,952</u>
Increase in cash and cash equivalents	49,256,159	234,730,339
Cash and cash equivalents, beginning of year	730,444,327	495,713,988
Cash and cash equivalents, end of year	<u>\$ 779,700,486</u>	<u>\$ 730,444,327</u>
Supplemental cash flow information:		
Interest paid	\$ 693,472	\$ 881,561
Interest and dividends received	39,927,229	31,740,490

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements

Year ended December 31, 2019

The City of Vaughan is a lower-tier municipality located in the Regional Municipality of York, Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes, such as the Municipal Act, Municipal Affairs Act and related legislation.

1. Significant accounting policies:

The consolidated financial statements of The Corporation of the City of Vaughan (the "City" or "City of Vaughan") are prepared by management in accordance with Canadian generally accepted accounting principles for governments as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada. Significant accounting policies adopted by the City are as follows:

(a) Basis of consolidation:

(i) Consolidated entities:

The consolidated financial statements reflect the assets, liabilities, revenue, expenses and accumulated surplus of the reporting entity. The reporting entity comprises all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the City and which are owned or controlled by the City, except for the City's government business enterprises, which are accounted for on the modified equity basis of accounting.

The consolidated financial statements include:

- The Corporation of the City of Vaughan Public Library Board;
- Board of Management for the Kleinburg Business Improvement Area; and
- Tourism Vaughan Corporation.

Interdepartmental and inter-organizational transactions and balances between these entities have been eliminated upon consolidation.

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

1. Significant accounting policies (continued):

(ii) Investments in government business enterprises:

The City's investments in Vaughan Holdings Inc., Hydro Vaughan Energy Corporation, 1446631 Ontario Inc. and Alectra Inc., collectively referred to as "Hydro Vaughan Corporations", are accounted for on a modified equity basis, consistent with the generally accepted accounting treatment for government business enterprises. Under the modified equity basis, the business enterprise's accounting principles are not adjusted to conform with those of the City, and inter-organizational transactions and balances are not eliminated. The City recognizes its equity interest in the annual income or loss of the Hydro Vaughan Corporations in its consolidated statement of operations and accumulated surplus with a corresponding increase or decrease in its investment asset account. Any dividends that the City receives from the Hydro Vaughan Corporations are reflected as reductions in the investment asset account.

(iii) Accounting for Regional Municipality of York (the "Region" or "Region of York") and school board transactions:

The taxation, other revenue, expenses, assets and liabilities with respect to the operations of the Region and the school boards are not reflected in these consolidated financial statements. Information on amounts collected and remitted to the Region and the school boards is provided in note 2.

(iv) Trust funds:

Trust funds and their related operations administered by the City are not included in these consolidated financial statements. Information on trust funds balances is provided in note 14.

(b) Basis of accounting:

The City follows the accrual method of accounting for revenue and expenses. Revenue is normally recognized in the year in which it is earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

The annual cost of owning and using tangible capital assets (estimated amortization) is deducted from annual results. That is, a portion of the cost of the asset is recognized in annual results in each of the periods of its useful life.

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

1. Significant accounting policies (continued):

(c) Cash and cash equivalents:

Cash and cash equivalents consist of deposits in banks, certificates of deposits and investments with original maturities of three months or less.

(d) Investments:

Investments are recorded at cost or amortized cost. Investment earnings are accounted for on the accrual basis. Premiums and discounts are amortized over the life of the investment. When there has been a loss of value that is other than a temporary decline in value, the respective investment is written down to recognize the loss in the consolidated statement of operations and accumulated surplus.

(e) Government transfers:

Government transfers are recognized in the consolidated financial statements as revenue in the year in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amount can be made.

(f) Deposits and deferred revenue:

Deposits and deferred revenue represent user fees and charges that have been collected but for which the related services have yet to be performed. These amounts will be recognized as revenue in the fiscal year the services are performed.

(g) Deferred revenue - obligatory reserve funds:

The City receives development charge contributions and payments in lieu of parkland under the authority of provincial legislation and City bylaws. The City also receives federal gas tax revenue and other transfer payment from other levels of governments. These funds, by their nature, are restricted in their use and, until applied to applicable capital works, are recorded as deferred revenue. Amounts applied to qualifying capital projects are recorded as revenue in the fiscal period they are spent.

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

1. Significant accounting policies (continued):

(h) Pension, vacation entitlements and employee benefits:

The City accounts for its participation in the Ontario Municipal Employees Retirement System ("OMERS"), a multi-employer public sector pension fund, as a defined contribution plan. Vacation entitlements are accrued for as the entitlements are earned. Other post-employment benefits and compensated absences are accrued in accordance with the projected benefit method prorated on service and management's best estimate of salary escalation and retirement ages of employees. Actuarial valuations, where necessary for accounting purposes, are performed triennially. The discount rate used to determine the accrued benefit obligation is determined by reference to the market interest rates at the measurement date on high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments. Unamortized actuarial gains or losses are amortized on a straight-line basis over the expected average remaining service life of the related employee groups.

Unamortized actuarial gains/losses for event-triggered liabilities, such as those determined as claims related to the Workplace Safety and Insurance Board ("WSIB") are amortized over the average expected period during which the benefits will be paid.

Costs related to prior period employee services arising out of plan amendments are recognized in the period in which the plan is amended. Where applicable, the City has set aside reserve funds intended to fund these obligations either in full or in part. These reserve funds were created under municipal by-law and do not meet the definition of a plan asset under PS 3250, Retirement Benefits. Therefore, for the purposes of these consolidated financial statements, the plans are considered unfunded.

A full actuarial valuation of the post-retirement non-pension benefit obligation and the WSIB obligation was completed as at January 1, 2017 for 2017, 2018 and 2019 in accordance with the financial reporting guidelines established by PSAB.

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

1. Significant accounting policies (continued):

(i) Taxation and related revenue:

Property tax bills are prepared by the City based on assessment rolls issued by the Municipal Property Assessment Corporation. Tax rates are established annually by City Council, incorporating amounts to be raised for local services, the requisition made by the Region in respect of regional services and amounts the City is required to collect on behalf of the Province of Ontario in respect of education taxes. The Province of Ontario has enacted legislation known as "Continued Protection for Property Taxpayers" which, commencing with the 2005 tax year, limits assessment-related increases in property tax bills to 10% annually for commercial, industrial and multi-residential classes of property until the affected properties are taxed at a level equivalent to the tax otherwise calculated based on their current value assessment.

The assessment process includes the issuance of supplementary assessment rolls which provide updated information with respect to changes in property assessment. Once a supplementary assessment roll is received, the City determines the taxes applicable and renders supplementary tax billings. Taxation revenue and taxes receivable are recognized when they meet the definition of an asset, the tax is authorized and taxable event has occurred. Property assessments and the related property taxes are subject to appeal. Tax adjustments as a result of appeals are recorded when the result of the appeal process is known.

The City is entitled to collect interest and penalties on overdue taxes. This revenue is recorded in the period the interest and penalties are levied.

(j) Municipal accommodation tax:

Municipal accommodation tax revenue is recognized in the period that the tax is levied on accommodation charges by accommodation providers.

(k) Investment income:

Investment income earned on surplus funds is reported as revenue in the period earned. Investment income earned on obligatory reserve funds is added to the fund balance and forms part of the respective deferred revenue - obligatory reserve fund balances.

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

1. Significant accounting policies (continued):

(l) Segment disclosures:

The City adopted PS 2700, Segment Disclosures. A segment is defined as a distinguishable activity or group of activities of a government for which it is appropriate to separately report financial information to achieve the objectives of the standard. The additional disclosure required as a result of this standard is included in note 12.

(m) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible capital assets:

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a straight-line basis over their estimated useful lives as follows:

Land improvements	2 - 100 years
Buildings and facilities	5 - 85 years
Machinery and equipment	5 - 35 years
Vehicles	7 - 18 years
Furniture and fixtures	7 - 15 years
Information technology	2 - 6 years
Leasehold improvements	5 - 50 years
Roads infrastructure	2 - 75 years
Water and sewer infrastructure	20 - 95 years

Annual amortization is charged in the year that the asset is available for productive use and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

1. Significant accounting policies (continued):

(ii) Contributions of tangible capital assets:

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and are also recorded as revenue.

(iii) Works of art and cultural and historic assets:

The City manages and controls various works of art and non-operational historical cultural assets including buildings, artifacts, paintings and sculptures located at City sites and public display areas. These assets are not recorded as tangible capital assets and are not amortized.

(iv) Interest capitalization:

The City does not capitalize interest costs associated with the acquisition or construction of a tangible capital asset.

(v) Leased tangible capital assets:

Leases, which transfer substantially all of the benefits and risks incidental to ownership of property, are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

(n) Use of estimates:

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the year. Significant estimates include assumptions used in estimating the carrying values of taxes receivable and accounts receivable, provisions for accrued liabilities and in performing actuarial valuations of employee future benefits. In addition, the City's implementation of PS 3150, Tangible Capital Assets, requires management to make estimates of historical cost and useful lives of tangible capital assets. Actual results could differ from these estimates.

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

1. Significant accounting policies (continued):

(o) Presentation of budget information:

The 2019 budget figures, as presented in these consolidated financial statements, consist of the operating, capital, and water, wastewater and stormwater budgets as approved by City Council.

(p) Adoption of new accounting policy:

The City has adopted the following PSAB Standard effective January 1, 2019:

Restructuring Transactions (PS 3430):

PS 3430 requires assets and liabilities in restructuring transactions be measured at their carrying amount. It also prescribes financial statement presentation and disclosure requirements. The adoption of this standard has not resulted in additional note disclosures.

(q) Future accounting pronouncements:

These standards and amendments were not yet effective for the year ended December 31, 2019, and have therefore not been applied in preparing these consolidated financial statements. Management is currently assessing the impact of the following accounting standards updates on the future consolidated financial statements.

(i) PS 1201, Financial Statement Presentation, was issued in June 2011. This standard requires entities to present a new statement of remeasurement gains and losses separate from the consolidated statement of operations and accumulated surplus. This new statement includes unrealized gains and losses arising from remeasurement of financial instruments and items denominated in foreign currencies and any other comprehensive income that arises when a government includes the results of government business enterprises and partnerships. This standard is effective for fiscal years beginning on or after April 1, 2022 and applies when PS 3450, Financial Instruments, and PS 2601, Foreign Currency Translation, are adopted (the City's December 31, 2023 year-end).

(ii) PS 3450, Financial Instruments, establishes the standards on accounting for and reporting all types of financial instruments including derivatives. The effective date of this standard has been deferred and is now effective for fiscal periods beginning on or after April 1, 2022 (the City's December 31, 2023 year-end).

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

1. Significant accounting policies (continued):

- (iii) PS 2601, Foreign Currency Translation, establishes the standards on accounting for and reporting transactions that are denominated in a foreign currency. The effective date of this standard has been deferred and is now effective for fiscal periods beginning on or after April 1, 2022 (the City's December 31, 2023 year-end). Earlier adoption is permitted. A public sector entity adopting this standard must also adopt the new financial instruments standard.
- (iv) PS 3280, Asset Retirement Obligations, addresses the recognition, measurement, presentation and disclosure of legal obligations associated with retirement of tangible capital assets in productive use. This standard is effective for fiscal years beginning on or after April 1, 2022 (the City's December 31, 2023 year-end).
- (v) PS 3400, Revenue, establishes a single framework to categorize revenues to enhance the consistency of revenue recognition and its measurement. This standard is effective for fiscal years beginning on or after April 1, 2023 (the City's December 31, 2024 year-end).

2. Operations of school boards and the Region of York:

During 2019, requisitions were made by the district school boards and the Region of York requiring the City to collect property taxes and payments in lieu of property taxes on their behalf. The amounts collected and remitted are not recorded in these consolidated financial statements and are summarized below:

	District school boards	The Region
Property taxes, net of adjustments and write offs	\$ 313,918,711	\$ 356,206,399
Taxation from other governments	441,881	704,311
Amounts requisitioned and remitted	\$ 314,360,592	\$ 356,910,710

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

3. Investments:

Investments consist of government and financial institution bonds and have effective interest rates of 1.83% to 4.02% (2018 - 1.83% to 5.03%) with maturity dates from June 24, 2020 - December 15, 2025 (2018 - April 29, 2019 - December 15, 2025). Market value of investments costing \$88,610,584 (2018 - \$87,293,174) is \$89,671,789 (2018 - \$85,663,590) at December 31, 2019.

4. Investment in Hydro Vaughan Corporations:

The City has incorporated corporations under the provisions of the Ontario Business Corporations Act. The corporations are collectively referred to as Hydro Vaughan Corporations.

The City of Vaughan's ownership of the Hydro Vaughan Corporations is as follows:

	Interest held	
	2019	2018
Vaughan Holdings Inc. (including 100% ownership of Hydro Vaughan Energy Corporation and 20.5% (2018 - 21.49%) share interest in Alectra Inc.)	100%	100%
1446631 Ontario Inc.	100%	100%

On January 1, 2019, Alectra amalgamated with Guelph Hydro Electric Systems Inc. ("GHESI"). Alectra Inc. ("Alectra") issued 485,000 Class G common shares to Guelph Municipal Holdings Inc. ("GMHI") in consideration for all the issued and outstanding shares of GHESI. This common share issuance by Alectra represents an effective 4.6% interest in its aggregate issued and outstanding classes of common shares.

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

4. Investment in Hydro Vaughan Corporations (continued):

The new shareholder ownership structure as a result of this merger is as follows:

Shareholder	Interest held
Barrie Hydro Holdings Inc.	8.4%
Enersource Corporation	29.6%
Hamilton Utilities Corporation	17.3%
Markham Enterprises Corporation	15.0%
St. Catharines Hydro Inc.	4.6%
Vaughan Holdings Inc.	20.5%
GMHI	4.6%

The following table provides condensed supplementary financial information in respect to the City's investment accounted for on a modified equity basis in Hydro Vaughan Corporations.

Financial position	2019	2018
Assets		
Current	\$ 15,060,868	\$ 10,060,751
Investment in Hydro Vaughan Corporations	629,320,313	635,860,859
Other	202,256	170,839
Total assets	\$ 644,583,437	\$ 646,092,449
Liabilities		
Current	\$ 1,281,121	\$ 1,007,985
Total liabilities	1,281,121	1,007,985
Shareholders' equity		
Share capital	196,859,952	196,859,952
Retained earnings and contributed surplus	446,442,364	448,224,512
Total shareholders' equity	643,302,316	645,084,464
Total liabilities and shareholders' equity	\$ 644,583,437	\$ 646,092,449

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

4. Investment in Hydro Vaughan Corporations (continued):

Results of operations and non-operations:

	2019	2018
Revenue	\$ 11,118,065	\$ 25,526,142
Expenses	345,215	304,611
Net income	\$ 10,772,850	\$ 25,221,531

A summary of the City's investment in Hydro Vaughan Corporations is as follows:

	2019	2018
Equity	\$ 544,317,643	\$ 550,858,189
Notes receivable	84,133,025	84,133,025
Accrued interest on notes receivable	869,645	869,645
Investment in Hydro Vaughan Corporations	\$ 629,320,313	\$ 635,860,859

A summary of the change in the City's investment in Hydro Vaughan Corporations is as follows:

	2019	2018
Equity pickup in Hydro Vaughan Corporations	\$ 10,772,850	\$ 25,221,531
Payment of deferred interest	–	(8,802,016)
Gain on merger	989,605	–
Decrease in equity interest	(1,998,163)	(2,211,345)
Return of capital	(1,998,163)	(2,211,345)
Dividend	(14,306,675)	(12,650,671)
Net change in investment in Hydro Vaughan Corporations	(6,540,546)	(653,846)
Opening investment in Hydro Vaughan Corporations	635,860,859	636,514,705
Closing investment in Hydro Vaughan Corporations	\$ 629,320,313	\$ 635,860,859

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

4. Investment in Hydro Vaughan Corporations (continued):

Notes receivable of \$84,133,025 includes an unsecured note receivable from Alectra in the amount of \$78,236,285, repayable within 90 days following demand by the City. The note receivable was renegotiated in 2017 and now bears interest at an annual rate of 4.41% down from 5.58% and the interest for eight quarters commencing October 1, 2006 on the note receivable was previously deferred for five years. The deferred interest was renegotiated in 2013 to defer eight quarterly interest payments for a period of five years at a reduced interest rate of 4.03%. The previously deferred interest amounting to \$8,743,130 was repaid by Alectra on October 31, 2018. The remaining \$5,896,740 portion of the note receivable represents an amount due from Vaughan Holdings Inc. without interest and no specified terms of repayment.

The obligations of Hydro Vaughan Corporations for the notes payable to the City are subordinated to secured credit agreements of Alectra.

5. Employee future benefits:

The components of the liability for employee future benefits are as follows:

	2019	2018
Post-retirement non-pension benefits ^(d)	\$ 129,931,784	\$ 120,859,117
Vacation entitlements ^(c)	7,626,387	6,648,433
WSIB ^(b)	7,220,400	6,711,206
	<u>\$ 144,778,571</u>	<u>\$ 134,218,756</u>

(a) Pension:

The City provides a pension plan for its employees through OMERS. OMERS is a multi-employer pension plan which provides pensions for employees of Ontario municipalities, local boards, public utilities and school boards. The plan is a defined benefit pension plan, which specifies the amount of the retirement benefit to be received by employees based on the length of credited service and average earnings. No past service liability exists.

Total OMERS contributions amounted to \$31,186,897 in 2019 (2018 - \$29,091,253), of which \$15,613,181 (2018 - \$14,586,957) represented the City's portion.

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

5. Employee future benefits (continued):

(b) Workplace safety and insurance obligations:

Under the provision of the WSIB, the City is a self-insured Schedule 2 employer.

An actuarial estimate of future liabilities has been completed and forms the basis for the estimated liability of \$7,220,400 (2018 - \$6,711,206) reported in these consolidated financial statements. The City established a WSIB reserve in 2004 to mitigate the future impact of these obligations. An insurance policy was secured for single claims up to \$1,000,000.

(c) Vacation entitlements:

Under the provisions of the City's management by-law and various union agreements, vacation pay is earned during the course of employment. The accumulated liability to be paid out in the future is \$7,626,387 (2018 - \$6,648,433).

(d) Post-retirement non-pension benefits:

The City pays certain health, dental and life insurance benefits on behalf of its retired employees. The City recognizes these post-retirement non-pension benefit costs in the period in which the employee renders the services.

The projected benefit liability for active employees and retirees at December 31, 2019 of \$129,931,784 (2018 - \$120,859,117) and the expense for the year ended December 31, 2019 of \$11,178,920 (2018 - \$10,895,324) was determined by actuarial valuation using a discount rate of 3.5% (2018 - 3.5%).

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

5. Employee future benefits (continued):

Information about the City's defined benefit plan is as follows:

	2019	2018
Accrued benefit liability:		
Balance, end of prior year	\$ 120,859,117	\$ 111,867,453
Amortization of actuarial loss	256,730	256,729
Service cost	6,397,250	6,415,204
Interest cost	4,524,940	4,223,391
Benefits paid	(2,106,253)	(1,903,660)
Accrued benefit liability	129,931,784	120,859,117
Unamortized actuarial loss	2,824,025	3,089,755
Projected accrued benefit obligation, end of year, as determined by actuarial valuation	\$ 132,755,809	\$ 123,948,872

Components of benefit expense:

	2019	2018
Service cost	\$ 6,397,250	\$ 6,415,204
Interest cost	4,524,940	4,223,391
Amortization of actuarial loss	256,730	256,729
Benefit expense	\$ 11,178,920	\$ 10,895,324

The main actuarial assumptions employed with the valuation are as follows:

(i) Interest (discount) rate:

The rate used to discount future benefits in the City's 2017 actuarial study is assumed to be 3.50% (2018 - 3.50%) per annum reflecting Canadian Municipal bond yields and lending rates.

(ii) Salary levels:

Future general salary and wage levels were assumed to increase at a rate management believes fairly reflects inflation.

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

5. Employee future benefits (continued):

(iii) Medical costs:

Medical costs were assumed to increase at 5.90% in 2019 decreasing by about 0.25% per year to 4.50% in 2025 and thereafter.

(iv) Dental costs:

Dental costs were assumed to increase at 4.50% in 2019 and thereafter.

(v) Expected average remaining service life of the current active group is assumed to be 12 years.

6. Deferred revenue:

(a) Deposits and deferred revenue:

Deposits and deferred revenue as at December 31, 2019 is \$40,013,432 (2018 - \$40,032,009) and is made up of development security deposits and unearned recreation and licensing revenue.

(b) Deferred revenue - obligatory reserve funds:

Under PSAB accounting principles, obligatory reserve funds are to be reported as deferred revenue. This requirement is in place as provincial legislation restricts how these funds may be used and, under certain circumstances, these funds may possibly be refunded. The balances in the obligatory reserve funds of the City are summarized below:

	2019	2018
Recreational land (The Planning Act)	\$ 72,544,521	\$ 67,884,484
Development Charges Act	482,519,449	493,043,286
Sub-divider contributions	15,217,466	13,080,990
Federal gas tax	34,015,694	27,395,908
Building Standards Act	12,233,461	12,847,968
Ontario grants	2,652,245	2,753,115
	<u>\$ 619,182,836</u>	<u>\$ 617,005,751</u>

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

6. Deferred revenue (continued):

Deferred revenue - obligatory reserve funds continuity schedule:

	Opening balance	Received	Recognized as revenue	Other	Closing balance
Recreational land (The Planning Act)	\$ 67,884,484	\$ 4,740,152	\$ (1,639,409)	\$ 1,559,294	\$ 72,544,521
Development Charges Act	493,043,286	4,622,265	(26,212,793)	11,066,691	482,519,449
Sub-divider contributions	13,080,990	2,111,790	(200,420)	225,106	15,217,466
Federal gas tax	27,395,908	18,643,640	(12,715,242)	691,388	34,015,694
Building Standards Act	12,847,968	–	(875,981)	261,474	12,233,461
Ontario grants	2,753,115	–	(128,267)	27,397	2,652,245
	\$ 617,005,751	\$ 30,117,847	\$ (41,772,112)	\$ 13,831,350	\$ 619,182,836

7. Debenture and other debt:

The balance of the municipal debt reported in the consolidated statement of financial position is made up of the following:

	2019	2018
Debenture debt issued by the Region on the City's behalf:		
Serial debt	\$ 22,942,893	\$ 29,621,590
Debt payable to Block 11 Landowners' Group for Block 11 Valley Road Crossings and Pressure District 6 East, Rutherford Road Trunk Watermain	–	148,750
Debt payable to YMCA for construction of City Library and City Recreation Space in the Vaughan Metropolitan Centre	41,626,270	29,291,392
	\$ 64,569,163	\$ 59,061,732

Debenture has been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

7. Debenture and other debt (continued):

In 2017, the City entered into an agreement with the YMCA of Greater Toronto to be a funding partner for the construction of a YMCA, City Library and City Recreation Space in the Vaughan Metropolitan Centre. The YMCA entered into a financing agreement with Ontario Infrastructure and Lands Corporation to obtain a construction loan for the project that converts to a term loan within three years from the date of the first construction loan advance. The City is responsible for payment of all interest and principal in respect of its agreed upon share of the financed project costs and is the guarantor of the YMCA's obligations under the Financing Agreement. The construction loan is a non-revolving floating rate loan with interest-only payments. The term loan will be a non-revolving fixed rate loan with principal and interest payments due over an amortization period of up to 20 years. The YMCA's obligations are in good standing and no loss has been recognized. The City's obligation outstanding at December 31, 2019 includes accrued construction and interest costs to date.

Principal payments are as follows:

	YMCA	Region	Total
2020	\$ 520,328	\$ 5,733,698	\$ 6,254,026
2021	2,081,314	5,733,698	7,815,012
2022	2,081,314	4,453,098	6,534,412
2023	2,081,314	2,208,400	4,289,714
2024	2,081,314	2,208,400	4,289,714
2025 - 2040	32,780,686	2,605,599	35,386,285
	\$ 41,626,270	\$ 22,942,893	\$ 64,569,163

Total charges for the year for net debenture and other debt were as follows:

	2019	2018
Principal payments	\$ 6,827,447	\$ 13,576,921
Interest	693,472	881,561
	\$ 7,520,919	\$ 14,458,482

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

8. Note payable:

Effective November 1, 2000, the City issued a non-interest bearing note payable with no fixed terms of repayment in the amount of \$3,303,523 to Hydro Vaughan Energy Corporation, for the book value of the capital assets less the net long-term debt related thereto retained by the City on the dissolution of Vaughan Hydro Commission.

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

9. Tangible capital assets:

2019	Cost				Accumulated amortization				Net book value, December 31, 2019
	Balance, beginning of year	Acquisitions	Disposals and adjustments	Balance, end of year	Balance, beginning of year	Amortization	Disposals and adjustments	Balance, end of year	
Land	\$ 6,110,249,558	\$ 396,560,381	\$ –	\$ 6,506,809,939	\$ –	\$ –	\$ –	\$ –	\$ 6,506,809,939
Land improvements	188,200,268	27,983,621	–	216,183,889	90,668,968	6,507,967	–	97,176,935	119,006,954
Buildings and facilities	366,446,656	11,591,329	–	378,037,985	137,924,559	10,841,372	–	148,765,931	229,272,054
Machinery and equipment	40,716,046	3,914,798	(1,893,548)	42,737,296	24,193,168	3,449,895	(1,781,023)	25,862,040	16,875,256
Vehicles	34,648,746	3,357,880	(1,561,236)	36,445,390	22,196,483	2,009,277	(1,495,701)	22,710,059	13,735,331
Furniture and fixtures	11,736,405	709,590	(65,450)	12,380,545	6,809,849	632,238	(65,450)	7,376,637	5,003,908
Information technology	9,051,025	1,706,813	–	10,757,838	6,310,193	1,172,349	–	7,482,542	3,275,296
Leasehold improvements	3,110,393	–	–	3,110,393	2,554,919	16,803	–	2,571,722	538,671
Roads infrastructure	1,031,803,933	37,875,170	(253,098)	1,069,426,005	483,871,128	30,096,621	(248,198)	513,719,551	555,706,454
Water and sewer infrastructure	1,756,224,390	58,418,944	(357,744)	1,814,285,590	400,359,639	21,948,123	(310,962)	421,996,800	1,392,288,790
Assets under construction	174,061,011	26,843,108	(1,648,968)	199,255,151	–	–	–	–	199,255,151
	\$ 9,726,248,431	\$ 568,961,634	\$ (5,780,044)	\$ 10,289,430,021	\$ 1,174,888,906	\$ 76,674,645	\$ (3,901,334)	\$ 1,247,662,217	\$ 9,041,767,804

2018	Cost				Accumulated amortization				Net book value, December 31, 2018
	Balance, beginning of year	Acquisitions	Disposals and adjustments	Balance, end of year	Balance, beginning of year	Amortization	Disposals and adjustments	Balance, end of year	
Land	\$ 5,848,741,325	\$ 290,965,355	\$ (29,457,122)	\$ 6,110,249,558	\$ –	\$ –	\$ –	\$ –	\$ 6,110,249,558
Land improvements	180,874,580	7,533,564	(207,876)	188,200,268	84,715,116	6,140,007	(186,155)	90,668,968	97,531,300
Buildings and facilities	361,236,402	5,210,254	–	366,446,656	127,161,166	10,763,393	–	137,924,559	228,522,097
Machinery and equipment	38,416,941	3,954,265	(1,655,160)	40,716,046	22,549,632	3,294,390	(1,650,854)	24,193,168	16,522,878
Vehicles	32,800,044	2,890,431	(1,041,729)	34,648,746	21,225,773	2,010,149	(1,039,439)	22,196,483	12,452,263
Furniture and fixtures	11,116,510	620,796	(901)	11,736,405	6,205,854	604,896	(901)	6,809,849	4,926,556
Information technology	7,429,689	1,621,336	–	9,051,025	5,403,616	906,577	–	6,310,193	2,740,832
Leasehold improvements	3,110,393	–	–	3,110,393	2,538,116	16,803	–	2,554,919	555,474
Roads infrastructure	1,003,618,795	34,073,692	(5,888,554)	1,031,803,933	458,524,991	29,029,399	(3,683,262)	483,871,128	547,932,805
Water and sewer infrastructure	1,715,487,786	40,910,327	(173,723)	1,756,224,390	379,210,804	21,275,815	(126,980)	400,359,639	1,355,864,751
Assets under construction	126,537,321	55,070,096	(7,546,406)	174,061,011	–	–	–	–	174,061,011
	\$ 9,329,369,786	\$ 442,850,116	\$ (45,971,471)	\$ 9,726,248,431	\$ 1,107,535,068	\$ 74,041,429	\$ (6,687,591)	\$ 1,174,888,906	\$ 8,551,359,525

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

9. Tangible capital assets (continued):

(a) Assets under construction:

Assets under construction having a value of \$199,255,151 (2018 - \$174,061,011) have not been amortized. Amortization of these assets will commence when the asset is put into service.

Tangible capital assets transferred from assets under construction to other asset categories during the year is \$41,701,433 (2018 - \$37,444,221).

(b) Contributed tangible capital assets:

Contributed capital assets have been recognized at fair market value at the date of contribution. The value of contributed assets received during the year is \$486,611,658 (2018 - \$316,239,032) comprising of land and land improvements of \$397,333,851 (2018 - \$260,831,461), roads infrastructure of \$33,860,057 (2018 - \$21,124,899), and water and wastewater and stormwater infrastructure of \$55,417,750 (2018 - \$34,282,672).

(c) Tangible capital assets disclosed at nominal values:

Where an estimate of fair value could not be made, the tangible capital asset was recognized at a nominal value. Land is the only category where nominal values were assigned.

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

10. Accumulated surplus (deficit):

Accumulated surplus (deficit) consists of individual fund surplus and reserves as follows:

	2019	2018
Surplus (deficit):		
Investment in tangible capital assets	\$ 9,041,767,804	\$ 8,551,359,525
Amounts to be recovered in future years:		
From future revenue	(129,147,500)	(130,545,724)
From reserves and reserve funds on hand	(29,932,613)	(25,648,194)
Investment in Hydro Vaughan Corporations (note 4)	629,320,313	635,860,859
Other	(192,947,911)	(187,728,899)
	9,319,060,093	8,843,297,567
Reserves set aside for specific purposes by City Council:		
Vehicle replacement	4,229,265	3,931,896
Fire equipment replacement	3,763,753	4,536,101
General working capital	16,926,862	15,981,459
Tax rate stabilization	3,194,424	2,090,520
Waterworks	75,786,134	77,251,496
Wastewater (sanitary sewers)	61,296,174	58,226,519
Stormwater reserve	30,995,153	27,801,947
Keele Valley landfill	529,531	696,544
Heritage Fund	3,616,341	3,374,856
Employee benefits	29,932,613	25,648,194
Buildings	15,766,387	15,479,937
Roads infrastructure	9,203,032	8,220,575
Sale of public lands	7,039,144	6,963,216
Parks infrastructure	5,423,722	5,239,340
Other	20,228,351	17,210,862
Debenture payments	5,370,031	5,250,886
Engineering	1,676,261	1,841,923
Planning	1,767,159	1,032,623
City Hall Funding	29,822	29,160
Expenditure reserve	2,297,875	2,749,278
Capital from taxation	21,603,675	18,644,558
	320,675,709	302,201,890
	\$ 9,639,735,802	\$ 9,145,499,457

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

11. Government transfers:

The City recognizes the transfer of government funding as revenue in the year that the events giving rise to the transfer occurred. The government transfers reported on the consolidated statement of operations and accumulated surplus are:

	2019	2018
Provincial grants:		
General government	\$ 18,352	\$ 80,007
Transportation services	133,884	372,327
Environmental services	1,415,432	4,047,868
Recreation and cultural services	246,645	243,774
Planning and development	331,122	468,769
	<u>2,145,435</u>	<u>5,212,745</u>
Federal grants:		
General government	780,520	363,858
Transportation services	9,400,036	8,839,256
Environmental services	4,935,743	8,323,090
Recreation and cultural services	828,512	1,683,998
Planning and development	34,789	—
	<u>15,979,600</u>	<u>19,210,202</u>
	<u>\$ 18,125,035</u>	<u>\$ 24,422,947</u>

12. Segmented information:

The City is a diversified municipal government that provides a wide range of services to its citizens and holds a significant investment in the Hydro Vaughan Corporations. For management reporting purposes, the City's operations and activities are organized functionally based on services provided.

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

12. Segmented information (continued):

2019	General government	Protection to persons and property	Transportation services	Environmental services	Health, social and family services	Recreation and cultural services	Planning and development	Corporate transfers	Consolidated total
Revenue:									
Property and other taxation	\$ 28,138,240	\$ 32,136,831	\$ 23,775,461	\$ 76,679,089	\$ 84,532	\$ 41,558,642	\$ 9,590,255	\$ -	\$ 211,963,050
Municipal accommodation tax	-	-	-	-	-	-	2,117,140	-	2,117,140
User charges	6,594,653	7,207,133	544,271	2,113,198	101,083	21,631,168	25,999,463	-	64,190,969
Water and sewer billings	-	-	-	162,355,455	-	-	-	-	162,355,455
Government transfers	798,872	-	9,533,920	6,351,175	-	1,075,157	365,911	-	18,125,035
Investment income	1,151,700	1,315,363	973,132	3,138,481	3,460	1,700,999	392,530	-	8,675,665
Penalties and interest on taxes	766,508	875,433	647,663	2,088,799	2,303	1,132,090	261,246	-	5,774,042
Other fees and services	94,172	20,334	885,370	29,649	263,277	1,517,488	466,896	-	3,277,186
Contributions from developers	(1,246)	4,413,417	15,621,169	(258,587)	-	5,715,989	1,679,819	-	27,170,561
Contributed assets	-	-	-	-	-	-	-	486,611,658	486,611,658
Hydro Vaughan Corporations	-	-	-	-	-	-	-	14,223,070	14,223,070
	37,542,899	45,968,511	51,980,986	252,497,259	454,655	74,331,533	40,873,260	500,834,728	1,004,483,831
Expenses:									
Salaries and benefits	48,095,059	69,482,304	5,023,545	10,177,338	25,307	60,919,174	20,505,090	-	214,227,817
Goods and services	21,499,798	4,116,778	18,932,173	141,099,572	135,648	18,125,387	1,723,472	-	205,632,828
Long-term debt interest	-	-	693,472	-	-	-	-	-	693,472
Other	(3,301,169)	(61,413)	(17,758)	6,807,772	36,075	196,091	(1,977,313)	-	1,682,285
Corporate support allocation	2,352,896	8,616,796	2,903,890	19,285,835	23,968	9,361,433	2,365,440	(44,910,258)	-
Gain (loss) on disposal of tangible capital assets	(2,106,793)	(6,291)	439,662	45,271	-	3,369,689	-	-	1,741,538
Amortization of tangible capital assets	5,981,360	1,841,995	31,202,986	22,570,555	-	14,994,916	82,833	-	76,674,645
Other capital related	1,042,532	27,300	2,979,810	480,930	-	1,682,848	2,372,923	-	8,586,343
	73,563,683	84,017,469	62,157,780	200,467,273	220,998	108,649,538	25,072,445	(44,910,258)	509,238,928
Annual surplus (deficit) before the undernoted	(36,020,784)	(38,048,958)	(10,176,794)	52,029,986	233,657	(34,318,005)	15,800,815	545,744,986	495,244,903
Gain on merger of Alectra Inc. with Guelph Hydro Electric Systems Inc.	-	-	-	-	-	-	-	989,605	989,605
Adjustment for the decrease of the City's equity interest in the net assets of Alectra Inc. (note 4)	-	-	-	-	-	-	-	(1,998,163)	(1,998,163)
Annual surplus (deficit)	\$ (36,020,784)	\$ (38,048,958)	\$ (10,176,794)	\$ 52,029,986	\$ 233,657	\$ (34,318,005)	\$ 15,800,815	\$ 544,736,428	\$ 494,236,345

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

12. Segmented information (continued):

2018	General government	Protection to persons and property	Transportation services	Environmental services	Health, social and family services	Recreation and cultural services	Planning and development	Corporate transfers	Consolidated total
Revenue:									
Property and other taxation	\$ 26,876,172	\$ 30,784,114	\$ 36,218,611	\$ 64,527,315	\$ 88,121	\$ 37,139,259	\$ 8,124,518	\$ –	\$ 203,758,110
User charges	3,492,866	4,735,624	740,619	1,924,556	101,592	20,644,700	23,708,143	–	55,348,100
Water and sewer billings	–	–	–	150,397,663	–	–	–	–	150,397,663
Government transfers	443,865	–	9,211,583	12,370,958	–	1,927,772	468,769	–	24,422,947
Investment income	808,844	926,453	1,090,006	1,941,962	2,652	1,117,714	244,509	–	6,132,140
Penalties and interest on taxes	756,622	866,639	1,019,632	1,816,581	2,481	1,045,550	228,723	–	5,736,228
Other fees and services	200,888	11,969	1,542,335	(74,701)	1,440,466	1,685,196	2,873,374	–	7,679,527
Contributions from developers	45,609	2,064,414	31,146,834	(5,531,260)	–	35,151,521	1,710,440	–	64,587,558
Contributed assets	–	–	–	–	–	–	–	316,239,032	316,239,032
Hydro Vaughan Corporations	–	–	–	–	–	–	–	28,965,214	28,965,214
	32,624,866	39,389,213	80,969,620	227,373,074	1,635,312	98,711,712	37,358,476	345,204,246	863,266,519
Expenses:									
Salaries and benefits	42,260,252	67,155,285	6,110,904	9,149,901	32,879	56,700,393	18,382,494	–	199,792,108
Goods and services	22,427,156	4,556,804	17,835,047	117,743,381	140,525	17,428,017	1,830,279	–	181,961,209
Long-term debt interest	–	–	881,561	–	–	–	–	–	881,561
Other	(2,529,564)	117,277	(469,421)	5,862,329	36,075	621,896	(2,015,693)	–	1,622,899
Corporate support allocation	2,242,869	8,686,123	2,938,437	16,752,084	26,324	9,126,348	2,194,504	(41,966,689)	–
Gain (loss) on disposal of tangible capital assets	88,534	(10,561)	34,792,144	4,031,262	–	262,401	–	–	39,163,780
Amortization of tangible capital assets	5,727,042	1,810,588	30,135,795	21,811,158	–	14,472,711	84,135	–	74,041,429
Other capital related	1,701,641	59,677	4,692,894	(2,681,507)	–	769,155	1,264,676	–	5,806,536
	71,917,930	82,375,193	96,917,361	172,668,608	235,803	99,380,921	21,740,395	(41,966,689)	503,269,522
Annual surplus (deficit) before the undernoted	(39,293,064)	(42,985,980)	(15,947,741)	54,704,466	1,399,509	(669,209)	15,618,081	387,170,935	359,996,997
Adjustment for the decrease of the City's equity interest in the net assets of Alectra Inc. (note 4)	–	–	–	–	–	–	–	(2,211,345)	(2,211,345)
Annual surplus (deficit)	\$ (39,293,064)	\$ (42,985,980)	\$ (15,947,741)	\$ 54,704,466	\$ 1,399,509	\$ (669,209)	\$ 15,618,081	\$ 384,959,590	\$ 357,785,652

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

12. Segmented information (continued):

A description of the services area for segmented information is as follows:

(a) General government:

General government service area includes the governance of the City, corporate administration and supporting services.

(b) Protection to persons and property:

Protection comprises the administration and operations of the Fire Department that delivers fire suppression services, rescue services and fire prevention education. Enforcement services provide bylaw enforcement throughout the City. The Building Standards Department provides inspection services, plan examination services, plumbing services and the issuance of building permits.

(c) Transportation services:

Transportation services area includes the administration and operations of the Public Works Department as it relates to the delivery of road maintenance services, winter control and street lighting maintenance.

(d) Environmental services:

Environmental services area includes the administration and the operation of the water, wastewater, storm water distribution system as provided by the Public Works and Engineering Services Departments. This section also includes the cost of potable water and wastewater services. The collection of waste and recycling materials is provided by the Public Works Department.

(e) Health, social and family services:

This area consists of the maintenance of the City's cemeteries and funding for assistance to aged persons.

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

12. Segmented information (continued):

(f) Recreation and cultural services:

The recreation and cultural services area includes the delivery of recreational program services and cultural services provided by the Recreation and Culture Department. The Corporation of the City of Vaughan Public Library Board provides library services through its various library facilities. The maintenance of the City's parks network is provided by the Parks and Forestry Operations Department and maintenance of the City's recreation facilities is provided by the Building and Facilities Department.

(g) Planning and development:

Planning and development consist of the administration and operations of the Planning Department as it relates to the development of the City through development planning services, policy planning and urban design services.

Certain allocation methodologies are employed in the preparation of the segmented financial information. Taxation, payments-in-lieu of taxes and investment income are allocated to the segments based on the actual expenses. User charges and other revenue have been allocated to the segment that generated the revenue. Government transfers have been allocated to the segment based upon the purpose for which the transfer was made. Development charges earned and developer contributions received were allocated to the segment for which the charge was collected.

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

13. Budget data:

The budget data presented in these consolidated financial statements is based upon the 2019 operating and capital budgets approved by Council on February 20, 2019. Amortization was not contemplated on development of the budget and, as such, has not been included. The chart below reconciles the approved budget to the budget figures reported in these consolidated financial statements:

	Budget amount
Revenue:	
Operating budget	\$ 310,333,389
Water, wastewater and stormwater budget	180,016,690
Capital budget	165,758,261
Add (less):	
Transfers from other funds	(85,720,960)
Proceeds from debt issue	(15,140,070)
Other adjustments	(2,141,193)
Hospital levy	7,094,339
	<u>560,200,456</u>
Expenses:	
Operating budget	310,333,389
Water, wastewater and stormwater budget	180,016,690
Capital budget	165,758,261
Add (less):	
Transfers to other funds	(52,026,113)
Debt principal payments	(6,858,700)
Other adjustments	(1,251,194)
Hospital levy	7,094,339
	<u>603,066,672</u>
Annual deficit	<u>\$ (42,866,216)</u>

14. Trust funds:

Trust funds administered by the City amounting to \$1,451,605 (2018 - \$1,411,960) are presented in a separate financial statement of trust balances and operations. As such balances are held in trust by the City for the benefit of others, they are not presented as part of the City's consolidated financial position and consolidated financial activities.

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

15. Contractual rights:

The City is involved with various contracts and agreements arising in the ordinary course of business. This results in contractual rights to economic resources, leading to both assets and revenue in the future.

The City has a number of federal and provincial funding agreements with estimated future funding of \$40.8 million (for the period 2020 to 2023). The City has also entered into a number of third party contracts to provide shared services with estimated future recoveries of \$5.6 million (for the period 2020 to 2021). Future revenues from lease agreements for City-owned properties are approximately \$2.3 million (for the period 2020 to 2066).

16. Commitments:

(a) Lease and operating commitments:

The City has entered into a number of long-term contractual agreements and operating commitments, such as waste collection and snow clearing, obtaining City Council and other approvals as required. Expenses relating to these agreements are recorded in the year in which the payments are made. For these lease and operating commitments, minimum payments have been estimated as follows:

2020	\$ 56,350,000
2021	38,564,000
2022	24,794,000
2023	19,872,000
2024	16,903,000
Thereafter	46,519,000
	<hr/>
	\$ 203,002,000

(b) Loan guarantees:

The City has entered into contracted agreements to guarantee loans for the following:

- (i) for the accumulated sum not exceeding \$5.0 million with the Ontario Soccer Association. The loan balance as at December 31, 2019 is \$3.3 million (2018 - \$3.7 million), is in good standing and no loss has been recognized.

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

16. Commitments (continued):

(ii) for the accumulated sum not exceeding \$4.5 million with the Mentena Development Group. The loan balance as at December 31, 2019 is \$2.95 million (2018 - \$3.4 million), is in good standing and no loss has been recognized.

(iii) for the total obligations outstanding under the Financing Agreement between the YMCA of Greater Toronto Area and Ontario Infrastructure and Lands Corporation in connection with the construction of a YMCA, City Library and City Recreation Space in the Vaughan Metropolitan Centre.

(c) Joint services agreement:

Pursuant to a joint service agreement between PowerStream and the City, which was continued by Alectra and the City, Alectra charges the City, at agreed rates, for various administrative functions. In addition, the City performs certain shared services which are charged to Alectra. The total commitment under the agreement for 2019 is \$1.9 million in net charges to the City by Alectra. A new five-year agreement was finalized in 2016 before the merger with Alectra in February 2017 and this agreement continues through 2020.

(d) Capital commitments:

The City has entered into a number of contractual agreements for capital works obtaining City Council and other approvals as required. The total value of approved and outstanding capital works at December 31, 2019 is approximately \$302.0 million. Expenses relating to capital works are recorded in the year in which expenses are incurred and measurable as a result of receipt of goods or services under/or the creation of a legal obligation.

(e) Vaughan Hospital Precinct Development Plan:

In 2009, the City approved a grant in the amount of \$80 million, being a contribution toward the local share for land acquisition and development of a hospital in Vaughan. A special property tax levy was approved in 2009 to collect the funds of the grant required to cover the land and development costs. The total contribution is anticipated to be collected by 2022. In August 2010, the City purchased land for the hospital in the amount of \$60 million. The cost of the land is included in the City's tangible capital assets. The remaining \$20 million has been spent on development costs.

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

17. Subsequent event and contingencies:

(a) Subsequent event:

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian, Ontario and local governments, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally and in Ontario resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions, however, the success of these interventions is not currently determinable.

The City of Vaughan declared a state of emergency under the Emergency Management Act Ontario on March 17, 2020. The declaration of a state of emergency provides the Mayor with the ability to take action and make orders, as necessary, to protect the health, safety and welfare of residents. In addition, at the time of approval of these consolidated financial statements, the activities undertaken by the City of Vaughan in response to the pandemic include:

- Declaration of a State of Emergency and activation of the City's Emergency Operations Centre;
- Establishment of a COVID-19 Task Force led by Fire and Rescue Services and the Emergency Management Office to coordinate the City's response to the pandemic and activities to help flatten the curve;
- Closure of all City facilities and park amenities including refunds issued without penalty for all cancelled camps, programs and permits;
- Additional safety measures and protocols in all aspects of the City's operations and service delivery;
- Financial assistance with respect to deferral of property taxes (waived late payment penalty on the Interim billing until July 1);
- Deferred renewals of Business Licenses for existing businesses by up to 90 days;
- Deferred monthly rent payments for not-for-profit Tenants within City-owned facilities for three months (April to June);

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

17. Subsequent event and contingencies (continued):

- Suspension of collection of Municipal Accommodation Tax until September 1;
- Deferral of the annual Stormwater Charge for 60 days;
- Cancellation of the 2020 Water and Wastewater rate increases planned for April 1; and
- Implemented workforce re-balancing measures, including temporary layoffs for non-essential staff who are unable to work from home, re-deployments and organizational re-alignments.

The current challenging economic climate may lead to adverse changes in cash flows, reduction of service levels and budgetary constraints, which may also have a direct impact on the City's revenues, annual surplus or deficit and reserve and reserve funds in the future. The situation is dynamic and the ultimate duration and magnitude of the impact on the City, surrounding economy, and services are not known at this time.

At this time, these factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect is not practicable at this time.

(b) Contingencies:

The City of Vaughan, in the course of its operations, is subject to claims, lawsuits and contingencies. Accruals have been made in specific instances where it is probable that liabilities will be incurred and where such liabilities can be reasonably estimated. Although it is possible that liabilities may arise in other instances for which no accruals have been made, the City does not believe that such an outcome will significantly impair its operations or have a material adverse effect on its consolidated financial position.