

Consolidated Financial Statements of

**THE CORPORATION OF THE  
CITY OF VAUGHAN**

Year ended December 31, 2017



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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of The Corporation of the City of Vaughan (the "City"), which comprise the consolidated statement of financial position as at December 31, 2017, the consolidated statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the City's preparation and fair presentation of the consolidated 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 City'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 consolidated financial statements.

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



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*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of The Corporation of the City of Vaughan as at December 31, 2017, and its consolidated results of operations and accumulated surplus, 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.

*KPMG LLP*

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Chartered Professional Accountants, Licensed Public Accountants

June 19, 2018  
Vaughan, Canada

# THE CORPORATION OF THE CITY OF VAUGHAN

## Consolidated Statement of Financial Position

December 31, 2017, with comparative information for 2016

	2017	2016
<b>Financial Assets</b>		
Cash and cash equivalents	\$ 495,713,988	\$ 539,464,292
Taxes receivable	41,301,479	37,491,990
Water and sewer billings receivable	18,658,468	18,385,122
Accounts receivable	15,762,980	14,839,339
Investments (note 3)	85,851,094	42,751,293
Investment in Hydro Vaughan Corporations (note 4)	636,514,705	370,552,708
	<u>1,293,802,714</u>	<u>1,023,484,744</u>
<b>Financial Liabilities</b>		
Accounts payable and accrued liabilities	103,930,589	118,489,137
Accrued interest on long-term liabilities	137,718	111,324
Employee future benefits (note 5)	124,575,834	105,877,775
Deposits and deferred revenue	31,939,480	27,941,335
Deferred revenue - obligatory reserve funds (note 6)	408,877,284	371,647,956
Debenture and other debt (note 7)	56,533,676	51,771,447
Note payable (note 8)	3,303,523	3,303,523
	<u>729,298,104</u>	<u>679,142,497</u>
Net financial assets	564,504,610	344,342,247
<b>Non-Financial Assets</b>		
Tangible capital assets (note 9)	8,221,834,718	7,754,069,606
Prepaid expenses	1,374,477	613,400
	<u>8,223,209,195</u>	<u>7,754,683,006</u>
Commitments (note 15)		
Contingencies (note 16)		
Accumulated surplus (note 10)	<u>\$ 8,787,713,805</u>	<u>\$ 8,099,025,253</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, 2017, with comparative information for 2016

	Budget (note 13) (note 1(o))	2017	2016
<b>Revenue:</b>			
Property taxation	\$ 191,960,675	\$ 191,089,555	\$ 182,556,293
Taxation from other governments	1,500,000	1,451,643	1,452,411
User charges	47,714,001	63,652,074	59,913,954
Water and sewer billings	150,180,725	133,830,685	132,172,202
Government transfers (note 11)	7,561,286	8,055,260	7,347,025
Investment income	3,566,000	5,590,504	5,025,622
Penalties and interest on taxes	5,200,000	5,308,299	5,018,783
Other fees and services	310,700	12,862,779	5,428,540
Contributions from developers	38,855,282	52,314,732	21,872,934
Contributed assets (note 9(b))	–	440,789,763	128,328,832
Hydro Vaughan Corporations (note 4):			
Share of net earnings	7,420,020	12,762,675	9,957,612
Interest on notes receivable	4,700,000	4,111,033	4,730,859
	458,968,689	931,819,002	563,805,067
<b>Expenses (note 12):</b>			
General government	28,120,641	30,447,430	30,357,293
Protection to persons and property	76,962,325	80,893,279	77,521,266
Transportation services	30,111,276	62,103,431	61,630,670
Environmental services	221,370,740	155,509,826	156,246,882
Health services	123,123	140,241	159,872
Social and family services	317,591	149,323	159,054
Recreation and cultural services	89,985,510	98,635,712	91,224,713
Planning and development	52,126,489	22,634,977	18,652,209
	499,117,695	450,514,219	435,951,959
	(40,149,006)	481,304,783	127,853,108
Gain on merger by Vaughan Holdings Inc. (note 4)	–	209,196,347	–
Adjustment for the decrease of the City's equity interest in the net assets of Alectra Inc. (2016 - PowerStream Holdings Inc.) (note 4)	–	(1,812,578)	(1,812,600)
Annual surplus (deficit)	(40,149,006)	688,688,552	126,040,508
Accumulated surplus, beginning of year	8,099,025,253	8,099,025,253	7,972,984,745
Accumulated surplus, end of year	\$ 8,058,876,247	\$ 8,787,713,805	\$ 8,099,025,253

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, 2017, with comparative information for 2016

	Budget (note 13) (note 1(o))	2017	2016
Annual surplus (deficit)	\$ (40,149,006)	\$ 688,688,552	\$ 126,040,508
Amortization of tangible capital assets	–	71,754,674	68,983,367
Proceeds on disposal of tangible capital assets	–	71,614	9,537
Loss on disposal of tangible capital assets	–	2,270,979	1,420,589
Acquisition of tangible capital assets	–	(541,862,379)	(196,155,501)
	(40,149,006)	220,923,440	298,500
Use (acquisition) of prepaid expenses	–	(761,077)	742,543
Increase (decrease) in net financial assets	(40,149,006)	220,162,363	1,041,043
Net financial assets, beginning of year	344,342,247	344,342,247	343,301,204
Net financial assets, end of year	\$ 304,193,241	\$ 564,504,610	\$ 344,342,247

See accompanying notes to consolidated financial statements.

# THE CORPORATION OF THE CITY OF VAUGHAN

## Consolidated Statement of Cash Flows

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 688,688,552	\$ 126,040,508
Items not involving cash:		
Amortization of tangible capital assets	71,754,674	68,983,367
Loss on disposal of tangible capital assets	2,270,979	1,420,589
Contributed tangible capital assets	(440,789,763)	(128,328,832)
Gain on merger by Vaughan Holdings Inc. (note 4)	(209,196,347)	-
Deduct share of net earnings of Hydro Vaughan Corporations	(12,762,675)	(9,957,612)
Decrease of the City's equity interest in the net assets of Alectra Inc. (2016 - PowerStream Holdings Inc.) (note 4)	1,812,578	1,812,600
Change in non-cash assets and liabilities:		
Decrease (increase) in accounts receivable	(923,641)	3,054,468
Increase (decrease) in accounts payable and accrued liabilities	(14,558,548)	6,259,913
Increase (decrease) in accrued interest on long-term liabilities	26,394	(103,255)
Decrease (increase) in taxes receivable	(3,809,489)	3,707,893
Decrease (increase) in prepaid expenses	(761,077)	742,543
Increase in water and sewer billings receivable	(273,346)	(1,101,911)
Increase in deferred revenue - obligatory reserve funds	37,229,328	62,469,628
Increase in employee future benefits	18,698,059	7,038,251
Increase in deposits and deferred revenue	3,998,145	4,972,979
	141,403,823	147,011,129
Capital activities:		
Proceeds on disposal of tangible capital assets	71,614	9,537
Cash used to acquire tangible capital assets	(101,072,616)	(67,826,669)
	(101,001,002)	(67,817,132)
Financing activities:		
Debenture and other debt repaid	(8,424,187)	(15,641,794)
Debenture and other debt incurred	13,186,416	13,028,000
	4,762,229	(2,613,794)
Investing activities:		
Increase in investments	(43,099,801)	(22,903,487)
Decrease (increase) in investment in Hydro Vaughan Corporations	(45,815,553)	8,700,593
	(88,915,354)	(14,202,894)
Increase (decrease) in cash and cash equivalents	(43,750,304)	62,377,309
Cash and cash equivalents, beginning of year	539,464,292	477,086,983
Cash and cash equivalents, end of year	\$ 495,713,988	\$ 539,464,292
Supplemental cash flow information:		
Interest paid	\$ 1,266,745	\$ 2,753,846
Interest and dividends received	19,110,625	19,684,596

See accompanying notes to consolidated financial statements.

# THE CORPORATION OF THE CITY OF VAUGHAN

## Notes to Consolidated Financial Statements

Year ended December 31, 2017

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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; and
- Board of Management for the Kleinburg Business Improvement Area.

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, 2017

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## 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. (2016 - PowerStream Holdings 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. On January 31, 2017, PowerStream Holdings Inc. ("PowerStream") merged with Enersource Holdings Inc. ("Enersource") and Horizon Holdings Inc. ("Horizon") to form Alectra Inc. Under the modified equity basis, the business enterprise's account 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 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.

### (v) Sinking funds:

Sinking funds and their related operations are administered by the Region and, as such, are not included in these consolidated financial statements.

# THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

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## 1. Significant accounting policies (continued):

### (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.

### (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.

### (e) Long-term debt:

Long-term debt is recorded net of related sinking fund balances.

### (f) 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.

### (g) 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.

# THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

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## 1. Significant accounting policies (continued):

### (h) 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. 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 expensed.

### (i) 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 bylaw 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 in February 2018 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, 2017

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## 1. Significant accounting policies (continued):

### (j) 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 is recorded at the time tax billings are issued. 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.

### (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.

### (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.

# THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

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## 1. Significant accounting policies (continued):

### (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:

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Land improvements	2 - 100 years
Buildings and building improvements	20 - 60 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	8 - 75 years
Water and sewer infrastructure	20 - 95 years

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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.

### (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:

Works of art and cultural and historic assets are not recorded as assets in these consolidated financial statements.

# THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

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## 1. Significant accounting policies (continued):

### (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.

### (o) Presentation of budget information:

The 2017 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.

# THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

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## 1. Significant accounting policies (continued):

### (p) Future accounting pronouncements:

These standards and amendments were not effective for the year ended December 31, 2017, 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 3210, Assets, provides a definition of assets and further expands that definition as it relates to control. The standard also includes some disclosure requirements related to economic resources that are not recorded as assets to provide the user with better information about the types of resources available to the public sector entity. This standard is effective for fiscal periods beginning on or after April 1, 2017 (the City's December 31, 2018 year-end).
- (ii) PS 3320, Contingent Assets, defines contingent assets and outlines two basic characteristics of contingent assets: (a) an existing condition or situation that is unresolved at the financial statement date, (b) an expected future event that will resolve the uncertainty as to whether an asset exists. The standard also has specific disclosure requirements for contingent assets when the occurrence of the confirming event is likely. This standard is effective for fiscal periods beginning on or after April 1, 2017 (the City's December 31, 2018 year-end).
- (iii) PS 3380, Contractual Rights, defines contractual rights to future assets and revenue. The standard requires that a public sector entity's contractual rights to certain types of revenue for a considerable period into the future or revenues that are abnormal in relation to the financial position or usual business operations should be disclosed in notes or schedules to the financial statements and should include descriptions about their nature and extent and timing. This standard is effective for fiscal periods beginning on or after April 1, 2017 (the City's December 31, 2018 year-end).
- (iv) PS 2200, Related Party Disclosures, establishes related party disclosure requirements and defines related parties. This standard also specifies the information required to be disclosed including the type of transactions, amounts classified by financial statement category, the basis of measurement, and the amounts of any outstanding items, any contractual obligations and any contingent liabilities. The standard also requires disclosure of related party transactions that have occurred where no amounts have been recognized. This standard is effective for fiscal periods beginning on or after April 1, 2017 (the City's December 31, 2018 year-end).

# THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

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## 1. Significant accounting policies (continued):

- (v) PS 3430, Restructuring Transactions, requires that assets and liabilities in restructuring transactions to be measured at their carrying amount. It also prescribes financial statement presentation and disclosure requirements. This standard is effective for fiscal periods beginning on or after April 1, 2018 (the City's December 31, 2019 year-end).
- (vi) PS 3420, Inter-Entity Transactions, relates to the measurement of related party transactions and includes a decision tree to support the standard. Transactions are recorded at carrying amounts other than certain exceptions. This standard is effective for fiscal periods beginning on or after April 1, 2017 (the City's December 31, 2018 year-end).
- (vii) 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 recently been deferred and is now effective for fiscal periods beginning on or after April 1, 2019 (the City's December 31, 2020 year-end).
- (viii) 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, 2019 (the City's December 31, 2020 year-end). Earlier adoption is permitted. A public sector entity adopting this standard must also adopt the new financial instruments standard.
- (ix) 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 section is effective for fiscal years beginning on or after April 1, 2019 and applies when PS 3450, Financial Instruments, and PS 2601, Foreign Currency Translation, are adopted.

# THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

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

During 2017, 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	\$ 301,905,723	\$ 329,857,509
Taxation from other governments	441,608	653,011
<b>Amounts requisitioned and remitted</b>	<b>\$ 302,347,331</b>	<b>\$ 330,510,520</b>

## 3. Investments:

Investments consist of government and financial institution bonds and have effective interest rates of 1.86% to 5.03% (2016 - 1.90% to 5.03%) with maturity dates September 14, 2018 to December 15, 2025 (2016 - May 30, 2017 to June 2, 2025). Market value of investments costing \$85,851,094 (2016 - \$42,751,293) is \$85,316,459 (2016 - \$43,005,476) at December 31, 2017.

## 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	
	2017	2016
Vaughan Holdings Inc. (including 100% ownership of Hydro Vaughan Energy Corporation and 21.49% (2016 - 45.315%) share interest in Alectra Inc. (2016 - PowerStream))	100%	100%
1446631 Ontario Inc.	100%	100%

# THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

## 4. Investment in Hydro Vaughan Corporations (continued):

On January 31, 2017, PowerStream Holdings Inc. ("PowerStream") merged with Enersource Holdings Inc. ("Enersource") and Horizon Holdings Inc. ("Horizon") to form Alectra Inc. ("Alectra"). Alectra's primary business is to distribute electricity to customers in municipalities in the greater golden horseshoe area as well as provide non-regulated energy services. In consideration for its disposition of 45.315% share of PowerStream Holdings Inc. common shares, Vaughan Holdings Inc. received a 21.49% ownership interest in Alectra's issued and outstanding common shares.

Alectra also issued Class S shares to the former PowerStream shareholders related to the Ring Fenced Solar Portfolio, a division of Alectra. In accordance with the Solar Services and Indemnity Agreement between the former PowerStream shareholders and Alectra, the solar division is beneficially owned indirectly by the former PowerStream shareholders and as such, allocates the risks and rewards of the Ring Fenced Solar Portfolio's operations to the former PowerStream shareholders through Alectra's Class S shares. Vaughan Holdings Inc. owns 45.315% of the Class S shares of Alectra.

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	2017	2016
<b>Assets</b>		
Current	\$ 703,941,790	\$ 295,802,972
Capital	2,892,000,000	1,203,054,000
<b>Investment in Hydro Vaughan Corporations</b>	<b>636,514,705</b>	<b>370,552,708</b>
Other	519,303,035	(105,199,804)
<b>Total assets</b>	<b>\$ 4,751,759,530</b>	<b>\$ 1,764,209,876</b>
<b>Liabilities</b>		
Current	739,765,223	587,283,146
Long-term debt	2,094,000,000	553,031,000
<b>Total liabilities</b>	<b>2,833,765,223</b>	<b>1,140,314,146</b>
<b>Shareholders' equity</b>		
Share capital	1,166,859,952	497,535,257
Retained earnings and contributed surplus	751,134,355	126,360,473
<b>Total shareholders' equity</b>	<b>1,917,994,307</b>	<b>623,895,730</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 4,751,759,530</b>	<b>\$ 1,764,209,876</b>

# THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

## 4. Investment in Hydro Vaughan Corporations (continued):

	2017	2016
Results of operations and non-operations:		
Revenue	\$ 3,237,278,174	\$ 1,357,512,168
Expenses	3,176,888,059	1,335,318,787
<b>Net income</b>	<b>\$ 60,390,115</b>	<b>\$ 22,193,381</b>

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

	2017	2016
Equity pickup Hydro Vaughan Corporations	\$ 12,762,675	\$ 9,957,612
Gain on merger	209,196,347	-
Increase (decrease) in share capital	49,882,539	(3,625,200)
Dividend	(5,879,564)	(6,887,993)
<b>Net change in equity in Hydro Vaughan Corporations</b>	<b>265,961,997</b>	<b>(555,581)</b>
<b>Opening investment in Hydro Vaughan Corporations</b>	<b>370,552,708</b>	<b>371,108,289</b>
<b>Closing investment in Hydro Vaughan Corporations</b>	<b>\$ 636,514,705</b>	<b>\$ 370,552,708</b>

Notes receivable of \$84,133,025 includes an unsecured note receivable from Alectra Inc. 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 has been 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 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 Inc.

# THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

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## 5. Employee future benefits:

### (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 \$27,577,358 in 2017 (2016 - \$26,012,546), of which \$13,856,538 (2016 - \$12,911,593) represented the City's portion.

### (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 \$6,345,700 (2016 - \$1,108,237) 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 \$6,362,681 (2016 - \$5,695,538).

### (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 obligation for active employees and retirees at December 31, 2017 of \$111,867,453 (2016 - \$99,074,000) and the expense for the year ended December 31, 2017 of \$14,149,446 (2016 - \$7,818,000) was determined by actuarial valuation using a discount rate of 3.50% (2016 - 4.25%).

# THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

## 5. Employee future benefits (continued):

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

	2017	2016
Accrued benefit obligation:		
Balance, end of prior year	\$ 99,074,000	\$ 92,726,000
Actuarial loss (gain)	3,594,214	(7,264,000)
Prior service adjustment	3,575,805	–
Service cost	6,398,164	4,678,000
Interest cost	3,918,747	3,800,000
Unamortized actuarial gain (loss)	(3,337,484)	6,604,000
Benefits paid	(1,355,993)	(1,470,000)
<b>Projected accrued benefit obligation, end of year, as determined by actuarial valuation</b>	<b>\$ 111,867,453</b>	<b>\$ 99,074,000</b>

Components of benefit expense:

	2017	2016
Service cost	\$ 6,398,164	\$ 4,678,000
Prior service adjustment	3,575,805	–
Interest cost	3,918,747	3,800,000
Amortization of actuarial gain (loss)	256,730	(660,000)
<b>Benefit expense</b>	<b>\$ 14,149,446</b>	<b>\$ 7,818,000</b>

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

(i) Interest (discount) rate:

The rate used to discount future benefits in City's 2017 actuarial study is assumed to be 3.50% per annum reflecting Canadian Municipal bond yields and lending rates. The discount rate for 2016 of 4.25% corresponds to the assumed CPI rate of 2.00% plus an assumed real rate of return of 2.25%.

(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, 2017

## 5. Employee future benefits (continued):

### (iii) Medical costs:

Medical costs were assumed to increase at 6.20% in 2017 decreasing by about 4.0% per year to 4.50% in 2025 and thereafter.

### (iv) Dental costs:

Dental costs were assumed to increase at 4.50% in 2017 and in each future year until 2025 and thereafter.

### (v) Expected average remaining service life (EARSL) of the current active group is assumed to be 14 years.

Shown below are the components of the liability for employee future benefits:

	2017	2016
Post-retirement non-pension benefits	\$ 111,867,453	\$ 99,074,000
Vacation entitlements	6,362,681	5,695,538
WSIB	6,345,700	1,108,237
	<u>\$ 124,575,834</u>	<u>\$ 105,877,775</u>

## 6. 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:

	2017	2016
Recreational land (The Planning Act)	\$ 63,483,795	\$ 68,122,322
Development Charges Act	289,867,550	249,043,454
Sub-divider contributions	11,777,937	10,823,228
Federal gas tax	27,029,668	25,121,115
Building Standards Act	15,938,530	16,541,843
Ontario Grants	779,804	1,995,994
	<u>\$ 408,877,284</u>	<u>\$ 371,647,956</u>

# THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

## 6. Deferred revenue - obligatory reserve funds (continued):

Deferred revenue - obligatory reserve funds continuity schedule:

	Opening balance	Received	Recognized as revenue	Other	Closing balance
Recreational land (The Planning Act)	\$ 68,122,322	\$ 16,775,264	\$ (22,074,818)	\$ 661,027	\$ 63,483,795
Development					
Charges Act	249,043,454	66,596,631	(28,868,324)	3,095,789	289,867,550
Sub-divider contributions	10,823,228	1,649,623	(780,925)	86,011	11,777,937
Federal gas tax	25,121,115	8,920,442	(7,298,551)	286,662	27,029,668
Building Standards Act	16,541,843	485,781	(1,259,271)	170,177	15,938,530
Ontario Grants	1,995,994	–	(1,216,190)	–	779,804
	\$ 371,647,956	\$ 94,427,741	\$ (61,498,079)	\$ 4,299,666	\$ 408,877,284

## 7. Debenture and other debt:

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

	2017	2016
Debenture debt issued by the Region:		
Serial debt	\$ 36,260,288	\$ 42,860,985
Sinking fund debt	–	1,823,489
	36,260,288	44,684,474
Debt payable to Block 11 Landowners' Group for Block 11 Valley Road Crossings and Pressure District 6 East, Rutherford Road Trunk Watermain, principal portion is \$5,413,221 and \$1,673,752, respectively	7,086,973	7,086,973
Debt payable to YMCA for construction of City Library and Recreation Space in the Vaughan Metropolitan Centre	13,186,415	–
	\$ 56,533,676	\$ 51,771,447

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, 2017

## 7. Debenture and other debt (continued):

In 2009 the City entered into an agreement to pay its share of the construction of Block 11 Valley Road Crossings and Pressure District 6 East, Rutherford Road Trunk Watermain. The obligation is without interest and is payable in installments through 2019 as noted below.

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 principle 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 principle and interest payments due over an amortization period of up to 20 years. The City's obligation outstanding at December 31, 2017 includes accrued construction and interest costs to date.

Principal payments, including repayment from the sinking fund, are as follows:

	Block 11 Landowners' Group	YMCA	York Region	Total
2018	\$ 6,945,303	\$ 22,073	\$ 6,638,697	\$ 13,606,073
2019	141,670	–	6,678,697	6,820,367
2020	–	658,217	5,733,698	6,391,915
2021	–	658,217	5,733,698	6,391,915
2022	–	658,217	4,453,098	5,111,315
2023 - 2028	–	11,189,691	7,022,400	18,212,091
	<u>\$ 7,086,973</u>	<u>\$ 13,186,415</u>	<u>\$ 36,260,288</u>	<u>\$ 56,533,676</u>

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

	2017	2016
Principal payments, including contributions to the sinking fund	\$ 8,424,187	\$ 15,641,794
Interest	1,266,745	2,753,846
	<u>\$ 9,690,932</u>	<u>\$ 18,395,640</u>

# THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

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**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, 2017

## 9. Tangible capital assets:

2017	Cost				Accumulated amortization				Net book value, December 31, 2017
	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	\$ 5,483,625,798	\$ 365,115,527	\$ -	\$ 5,848,741,325	\$ -	\$ -	\$ -	\$ -	\$ 5,848,741,325
Land improvements	173,255,219	7,619,361	-	180,874,580	78,929,997	5,785,119	-	84,715,116	96,159,464
Buildings and facilities	353,161,460	10,496,909	(2,421,967)	361,236,402	118,257,276	10,578,589	(1,674,699)	127,161,166	234,075,236
Machinery and equipment	37,425,821	2,676,919	(1,685,799)	38,416,941	20,914,227	3,319,348	(1,683,943)	22,549,632	15,867,309
Vehicles	32,334,274	1,965,600	(1,499,830)	32,800,044	20,785,837	1,939,398	(1,499,462)	21,225,773	11,574,271
Furniture and fixtures	11,081,397	35,113	-	11,116,510	5,607,119	598,735	-	6,205,854	4,910,656
Information technology	6,477,696	951,993	-	7,429,689	4,560,651	842,965	-	5,403,616	2,026,073
Leasehold improvements	3,110,393	-	-	3,110,393	2,494,574	43,542	-	2,538,116	572,277
Roads infrastructure	955,343,454	51,723,619	(3,448,278)	1,003,618,795	432,762,409	27,935,255	(2,172,673)	458,524,991	545,093,804
Water and sewer infrastructure	1,651,085,272	64,710,670	(308,156)	1,715,487,786	358,732,915	20,711,723	(233,834)	379,210,804	1,336,276,982
Assets under construction	90,213,827	36,566,668	(243,174)	126,537,321	-	-	-	-	126,537,321
	\$ 8,797,114,611	\$ 541,862,379	\$ (9,607,204)	\$ 9,329,369,786	\$ 1,043,045,005	\$ 71,754,674	\$ (7,264,611)	\$ 1,107,535,068	\$ 8,221,834,718

2016	Cost				Accumulated amortization				Net book value, December 31, 2016
	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	\$ 5,380,712,743	\$ 102,913,055	\$ -	\$ 5,483,625,798	\$ -	\$ -	\$ -	\$ -	\$ 5,483,625,798
Land improvements	170,360,859	3,624,240	729,880	173,255,219	74,087,462	5,507,722	665,187	78,929,997	94,325,222
Buildings and building improvements	337,769,824	16,436,779	1,045,143	353,161,460	108,675,829	10,188,426	606,979	118,257,276	234,904,184
Machinery and equipment	35,039,791	3,948,960	1,562,930	37,425,821	19,440,492	3,036,665	1,562,930	20,914,227	16,511,594
Vehicles	30,761,419	2,255,434	682,579	32,334,274	19,634,641	1,833,775	682,579	20,785,837	11,548,437
Furniture and fixtures	10,231,402	849,995	-	11,081,397	5,065,812	541,307	-	5,607,119	5,474,278
Information technology	5,611,056	905,121	38,481	6,477,696	3,559,996	1,027,557	26,902	4,560,651	1,917,045
Leasehold improvements	3,110,393	-	-	3,110,393	2,317,336	177,238	-	2,494,574	615,819
Roads infrastructure	931,240,692	24,172,383	69,621	955,343,454	406,137,855	26,680,253	55,699	432,762,409	522,581,045
Water and sewer infrastructure	1,616,297,169	35,771,577	983,474	1,651,085,272	339,211,814	19,990,424	469,323	358,732,915	1,292,352,357
Assets under construction	85,323,487	5,277,957	387,617	90,213,827	-	-	-	-	90,213,827
	\$ 8,606,458,835	\$ 196,155,501	\$ 5,499,725	\$ 8,797,114,611	\$ 978,131,237	\$ 68,983,367	\$ 4,069,599	\$ 1,043,045,005	\$ 7,754,069,606

# THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

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## 9. Tangible capital assets (continued):

### (a) Assets under construction:

Assets under construction having a value of \$126,537,321 (2016 - \$90,213,827) 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 \$415,013 (2016 - \$27,946,794).

### (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 \$440,789,763 (2016 - \$128,328,832) comprised of land and land improvements of \$349,473,194 (2016 - \$92,716,625), roads infrastructure of \$33,024,666 (2016 - \$9,883,182), and water and wastewater infrastructure of \$58,291,903 (2016 - \$25,729,025)

### (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.

### (d) Works of art and historical treasures:

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.

# THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

## 10. Accumulated surplus (deficit):

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

	2017	2016
Surplus (deficit):		
Investment in tangible capital assets	\$ 8,221,834,718	\$ 7,754,069,606
Amounts to be recovered in future years:		
From future revenue	(130,122,334)	(121,728,165)
From reserves and reserve funds on hand	(23,380,588)	(22,141,333)
Investment in Hydro Vaughan Corporations (note 4)	636,514,705	370,552,708
Other	(191,516,770)	(128,378,594)
	<u>8,513,329,731</u>	<u>7,852,374,222</u>
Reserves set aside for specific purposes by City Council:		
Vehicle replacement	4,447,672	3,943,785
Fire equipment replacement	4,593,896	5,141,770
General working capital	13,615,860	15,342,710
Tax rate stabilization	1,472,453	60,296
Waterworks	67,422,124	54,535,516
Wastewater (sanitary sewers)	46,992,055	59,350,833
Stormwater reserve	25,740,984	-
Keele Valley landfill	1,219,409	1,683,738
Heritage Fund	3,128,049	2,939,580
Employee benefits	23,380,588	22,141,333
Buildings	17,257,461	20,369,270
Roads infrastructure	8,093,858	7,919,106
Sale of public lands	6,974,414	6,636,745
Parks infrastructure	6,081,933	6,998,715
Other	15,646,377	13,022,834
Debenture payments	2,789,771	3,508,125
Engineering	4,744,260	1,936,524
Planning	1,014,389	1,006,667
City Hall Funding	28,612	28,308
Expenditure reserve	2,551,916	2,899,563
Capital from taxation	17,187,993	17,185,613
	<u>274,384,074</u>	<u>246,651,031</u>
	<u>\$ 8,787,713,805</u>	<u>\$ 8,099,025,253</u>

# THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

## 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:

	2017	2016
Provincial grants:		
General government	\$ 80,000	\$ 70,585
Environmental services	5,509	—
Recreation and cultural services	186,287	249,337
Planning and development	477,661	310,073
	<u>749,457</u>	<u>629,995</u>
Federal grants:		
General government	200,344	474,016
Transportation services	6,791,008	4,621,160
Environmental services	(365,117)	1,181,356
Recreation and cultural services	679,568	428,034
Planning and development	—	12,464
	<u>7,305,803</u>	<u>6,717,030</u>
	<u>\$ 8,055,260</u>	<u>\$ 7,347,025</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, 2017

## 12. Segmented information (continued):

2017	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
<b>Revenue:</b>									
Property and other taxation	\$ 27,496,127	\$ 31,783,130	\$ 24,400,560	\$ 61,100,118	\$ 113,770	\$ 38,754,166	\$ 8,893,327	\$ –	\$ 192,541,198
User charges	6,049,715	4,732,219	1,676,852	2,011,173	81,581	20,413,224	28,687,310	–	63,652,074
Water and sewer billings	–	–	–	133,830,685	–	–	–	–	133,830,685
Investment income	798,360	922,835	708,479	1,774,064	3,304	1,125,241	258,221	–	5,590,504
Other fees and services	657,101	294,761	(18,271)	65,867	8,877,751	1,189,491	1,796,079	–	12,862,779
Government transfers	280,344	–	6,791,008	(359,608)	–	865,855	477,661	–	8,055,260
Penalties and interest on taxes	758,058	876,251	672,717	1,684,511	3,137	1,068,440	245,185	–	5,308,299
Contributions from developers	93,269	725,497	8,767,432	100,677	–	41,297,812	1,330,045	–	52,314,732
Hydro Vaughan Corporations	–	–	–	–	–	–	–	16,873,708	16,873,708
Contributed assets	–	–	–	–	–	–	–	440,789,763	440,789,763
	36,132,974	39,334,693	42,998,777	200,207,487	9,079,543	104,714,229	41,687,828	457,663,471	931,819,002
<b>Expenses:</b>									
Salaries and benefits	39,509,178	66,751,300	7,868,295	10,955,522	44,453	53,703,749	17,474,498	–	196,306,995
Goods and services	20,422,194	3,919,251	18,255,237	107,487,985	176,546	16,941,824	1,429,137	–	168,632,174
Long-term debt interest	–	–	1,266,745	–	–	–	–	–	1,266,745
Other	287,172	160,968	(698,257)	376,640	36,075	653,150	13,981	–	829,729
Corporate support allocation	2,184,626	8,250,409	3,247,175	15,130,204	32,490	8,527,868	2,161,951	(39,534,723)	–
Loss on disposal of tangible capital assets	(30,303)	(34,955)	1,401,982	101,617	–	804,884	27,754	–	2,270,979
Amortization of tangible capital assets	5,661,467	1,706,003	29,047,721	21,156,489	–	14,116,181	66,813	–	71,754,674
Other capital related	1,947,819	140,303	1,714,533	301,369	–	3,888,056	1,460,843	–	9,452,923
	69,982,153	80,893,279	62,103,431	155,509,826	289,564	98,635,712	22,634,977	(39,534,723)	450,514,219
Annual surplus (deficit) before the undernoted	(33,849,179)	(41,558,586)	(19,104,654)	44,697,661	8,789,979	6,078,517	19,052,851	497,198,194	481,304,783
Gain on merger by Vaughan Holdings Inc. (note 4)	–	–	–	–	–	–	–	209,196,347	209,196,347
Adjustment for the decrease of the City's equity interest in the net assets of Alectra (note 4)	–	–	–	–	–	–	–	(1,812,578)	(1,812,578)
<b>Annual surplus (deficit)</b>	<b>\$ (33,849,179)</b>	<b>\$ (41,558,586)</b>	<b>\$ (19,104,654)</b>	<b>\$ 44,697,661</b>	<b>\$ 8,789,979</b>	<b>\$ 6,078,517</b>	<b>\$ 19,052,851</b>	<b>\$ 704,581,963</b>	<b>\$ 688,688,552</b>

# THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

## 12. Segmented information (continued):

2016	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
<b>Revenue:</b>									
Property and other taxation	\$ 26,838,841	\$ 30,039,860	\$ 23,882,177	\$ 60,546,411	\$ 123,585	\$ 35,350,011	\$ 7,227,819	\$ –	\$ 184,008,704
User charges	6,283,186	4,137,442	2,078,052	1,963,569	89,012	20,103,281	25,259,412	–	59,913,954
Water and sewer billings	–	–	–	132,172,202	–	–	–	–	132,172,202
Investment income	733,019	820,445	652,267	1,653,636	3,375	965,475	197,405	–	5,025,622
Other fees and services	1,348,091	1,277,685	51,989	(33,134)	–	1,190,525	1,593,384	–	5,428,540
Government transfers	544,601	–	4,621,160	1,181,356	–	677,371	322,537	–	7,347,025
Penalties and interest on taxes	732,021	819,328	651,380	1,651,385	3,371	964,161	197,137	–	5,018,783
Contributions from developers	–	1,940,711	5,644,379	(4,511,458)	–	17,495,617	1,303,685	–	21,872,934
Hydro Vaughan Corporations	–	–	–	–	–	–	–	14,688,471	14,688,471
Contributed assets	–	–	–	–	–	–	–	128,328,832	128,328,832
	36,479,759	39,035,471	37,581,404	194,623,967	219,343	76,746,441	36,101,379	143,017,303	563,805,067
<b>Expenses:</b>									
Salaries and benefits	36,538,993	59,070,824	8,410,638	9,220,478	46,344	47,212,145	15,568,547	–	176,067,969
Goods and services	21,763,671	3,679,898	20,984,568	110,581,949	201,587	17,453,914	1,311,454	–	175,977,041
Long-term debt interest	–	911	2,648,475	104,460	–	–	–	–	2,753,846
Other	649,167	5,065,071	(4,472,488)	(295,420)	35,430	627,404	14,776	–	1,623,940
Corporate support allocation	2,353,431	7,665,705	3,699,228	15,089,595	35,565	8,025,268	2,034,585	(38,903,377)	–
Loss on disposal of tangible capital assets	11,579	(4,262)	167,861	512,903	–	732,508	–	–	1,420,589
Amortization of tangible capital assets	5,970,109	1,722,975	27,810,790	20,433,857	–	13,045,636	–	–	68,983,367
Other capital related	1,973,720	320,144	2,381,598	599,060	–	4,127,838	(277,153)	–	9,125,207
	69,260,670	77,521,266	61,630,670	156,246,882	318,926	91,224,713	18,652,209	(38,903,377)	435,951,959
Annual surplus (deficit) before the undernoted	(32,780,911)	(38,485,795)	(24,049,266)	38,377,085	(99,583)	(14,478,272)	17,449,170	181,920,680	127,853,108
Adjustment for the decrease of the City's equity interest in the net assets of PowerStream (note 4)	–	–	–	–	–	–	–	(1,812,600)	(1,812,600)
<b>Annual surplus (deficit)</b>	<b>\$ (32,780,911)</b>	<b>\$ (38,485,795)</b>	<b>\$ (24,049,266)</b>	<b>\$ 38,377,085</b>	<b>\$ (99,583)</b>	<b>\$ (14,478,272)</b>	<b>\$ 17,449,170</b>	<b>\$ 180,108,080</b>	<b>\$ 126,040,508</b>

# THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

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## 12. Segmented information (continued):

A brief 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, 2017

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## 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 park 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, 2017

## 13. Budget data:

The budget data presented in these consolidated financial statements is based upon the 2017 operating and capital budgets approved by Council on December 13, 2016. 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	\$ 278,356,881
Water budget	62,682,652
Wastewater budget	76,609,304
Stormwater budget	12,481,953
Capital budget	114,405,627
Less:	
Transfers from other funds	(55,308,216)
Proceeds from debt issue	(29,933,831)
Hospital levy	7,094,339
Hydro Dividends	(7,420,020)
	458,968,689
Expenses:	
Operating budget	278,356,881
Water budget	55,027,984
Wastewater budget	68,517,019
Stormwater budget	6,949,371
Capital budget	114,405,627
Less:	
Transfers from other funds	(22,606,675)
Debt principal payments	(8,626,851)
Hospital levy	7,094,339
	499,117,695
Annual deficit	\$ (40,149,006)

## 14. Trust funds:

Trust funds administered by the City amounting to \$1,369,152 (2016 - \$1,326,744) 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, 2017

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## 15. 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:

2018	\$ 35,218,600
2019	25,929,900
2020	20,717,500
2021	19,486,100
2022	15,921,300
Thereafter	69,249,100
	<hr/>
	\$ 186,522,500

### (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, 2017 is \$4.1 million (2016 - \$4.4 million).
- (ii) for the accumulated sum, not exceeding \$4.5 million with the Mentena Development Group. The loan balance as at December 31, 2017 is \$3.8 million (2016 - \$4.4 million).
- (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 2017 is \$1.8 million in 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.

# THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2017

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## 15. Commitments (continued):

### (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, 2017 is approximately \$229.4 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.

## 16. 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, City Council does not believe that such an outcome will significantly impair its operations or have a material adverse effect on its consolidated financial position.