Consolidated Financial Statements of

THE CORPORATION OF THE CITY OF VAUGHAN

And Independent Auditor's Report thereon

Year ended December 31, 2025

Responsibility for Financial Reporting

MANAGEMENT'S REPORT

The integrity, relevance and comparability of data in the accompanying consolidated financial statements are the responsibility of management.

The consolidated financial statements are prepared by management in accordance with generally accepted accounting principles established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants. They necessarily include some amounts that are based on the estimates and judgements of management.

To assist in its responsibility, management maintains accounting, budget and other controls to provide reasonable assurance that transactions are appropriately authorized, that assets are properly accounted for and safeguarded, and that financial records are reliable for preparation of financial statements.

City Council fulfils its responsibility for financial reporting through The City Council and its Audit Committee. The City Council consists of the Mayor, Local 4 Regional Councillors and 5 Local Councillors. The Audit Committee consists of a maximum of four Members of Council, and a maximum of two qualified independent members of the public appointed by Council for the term of Council. Members possess full voting privileges and are responsible for assisting Council with governance, accountability, and risk management.

KPMG LLP, Chartered Accountants, have been appointed by The City Council to express an opinion on The City's consolidated financial statements.

Michael Coroneos Digitally signed by Michael Coroneos Date: 2026.06.25 21:42:07 -04'00'

Michael Coroneos
Chief Financial Officer and City Treasurer

Nancy Yates Digitally signed by Nancy Yates Date: 2026.06.25 16:54:59 -04'00'

Nancy Yates
Director of Financial Services & Deputy City Treasurer

KPMG LLP
100 New Park Place, Suite 1400
Vaughan, ON L4K 0J3
Canada
Tel 905 265 5900
Fax 905 265 6390

INDEPENDENT AUDITOR'S 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, 2025
- the consolidated statement of operations for the year then ended
- the consolidated statement of changes in net financial assets for the year then ended
- the consolidated statement of remeasurement gains and losses 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, 2025, and its consolidated results of operations, its consolidated remeasurement of gains and losses, its consolidated changes in net debt 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 ***"Auditor's Responsibilities for the Audit of the Financial Statements"*** section of our auditor's 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.

Auditor’s 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 auditor’s report that includes our opinion.

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

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

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

We also:

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's 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.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

June 23, 2026

THE CORPORATION OF THE CITY OF VAUGHAN

Consolidated Statement of Financial Position

December 31, 2025, with comparative information for 2024

	2025	2024
Financial Assets		
Cash and cash equivalents	$ 113,255,163	$ 127,439,291
Taxes receivable	104,200,185	99,849,055
Water and sewer billings receivable	30,408,222	28,411,870
Accounts receivable (note 20)	65,981,550	57,591,074
Other assets	49,320	45,334
Investments (note 3)	1,003,063,688	1,111,417,683
Investment in Hydro Vaughan Corporations (note 4)	590,370,280	559,994,015
	1,907,328,408	1,984,748,322
Financial Liabilities		
Accounts payable and accrued liabilities (note 20)	214,257,461	179,671,502
Accrued interest on long-term liabilities	122,083	127,737
Employee future benefits (note 5)	205,016,283	197,276,172
Deposits and deferred revenue (note 6(a))	44,217,626	45,479,981
Deferred revenue - obligatory reserve funds (note 6(b))	632,500,387	767,320,263
Debenture and other debt (note 7)	89,224,994	96,565,181
Note payable (note 8)	3,303,523	3,303,523
Asset retirement obligation (note 10)	8,401,499	8,050,510
Liability for contaminated sites (note 11)	1,584,000	1,584,000
	1,198,627,856	1,299,378,869
Net financial assets	708,700,552	685,369,453
Non-Financial Assets		
Tangible capital assets (note 9)	11,426,684,063	10,746,544,519
Prepaid expenses	2,781,830	4,307,597
	11,429,465,893	10,750,852,116
Contractual rights (note 17)		
Commitments (note 18)		
Contingencies (note 19)		
	$ 12,138,166,445	$ 11,436,221,569
Accumulated surplus (note 12)	$ 12,136,731,445	$ 11,435,002,569
Accumulated remeasurement gains	1,435,000	1,219,000
	$ 12,138,166,445	$ 11,436,221,569

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE CITY OF VAUGHAN

Consolidated Statement of Operations

Year ended December 31, 2025, with comparative information for 2024

	Budget (note 15)	2025	2024
Revenue (note 14):			
Property taxation	$ 252,963,497	$ 254,584,637	$ 243,701,658
Taxation from other governments	1,300,000	1,675,850	1,322,972
Municipal accommodation tax	4,267,000	3,764,041	3,830,784
User charges	117,071,378	83,402,288	79,712,324
Water and sewer billings	206,763,108	217,303,402	200,404,221
Government transfers (note 13)	50,034,968	77,770,873	34,525,387
Investment income	7,672,723	29,418,427	31,232,112
Penalties and interest on taxes	8,000,000	12,941,581	11,605,277
Other fees and services	753,314	19,054,800	14,814,207
Contributions from developers	242,195,960	181,564,429	115,310,137
Contributed assets (note 9(b))	–	507,850,873	338,413,401
Hydro Vaughan Corporations (note 4):			
Share of net earnings	18,737,000	46,780,688	35,971,397
Interest on notes receivable	–	–	1,417,899
	909,758,948	1,436,111,889	1,112,261,776
Expenses (note 14):			
General government, net	149,697,808	77,651,539	51,167,709
Protection to persons and property	135,417,632	112,526,700	102,570,094
Transportation services	236,994,792	95,024,833	72,359,513
Environmental services	244,343,630	249,446,015	239,691,290
Health, Social and Family Services	714,235	1,036,112	871,386
Recreation and cultural services	151,692,551	143,004,201	131,554,132
Planning and development	74,931,064	55,693,613	32,316,284
	993,791,712	734,383,013	630,530,408
Annual surplus (deficit)	(84,032,764)	701,728,876	481,731,368
Accumulated surplus, beginning of year	11,435,002,569	11,435,002,569	10,953,271,201
Accumulated surplus, end of year	$ 11,350,969,805	$ 12,136,731,445	$ 11,435,002,569

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, 2025, with comparative information for 2024

	Budget (note 15)	2025	2024
Annual surplus (deficit)	$ (84,032,764)	$ 701,728,876	$ 481,731,368
Amortization of tangible capital assets	–	95,413,132	89,214,646
Proceeds on disposal of tangible capital assets	–	218,417	157,668
Loss on disposal of tangible capital assets	–	8,411,128	1,077,563
Contributed tangible capital assets (note 9(b))	–	(507,850,873)	(338,413,401)
Acquisition of tangible capital assets	–	(276,331,348)	(165,101,624)
	(84,032,764)	21,589,332	68,666,220
Change in prepaid expenses	–	1,525,767	(2,993,635)
	(84,032,764)	23,115,099	65,672,585
Increase in accumulated remeasurement gains	–	216,000	1,172,750
Increase in net financial assets	(84,032,764)	23,331,099	66,845,335
Net financial assets, beginning of year	685,369,453	685,369,453	618,524,118
Net financial assets, end of year	$ 601,336,689	$ 708,700,552	$ 685,369,453

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE CITY OF VAUGHAN

Consolidated Statement of Remeasurement Gains and Losses

Year ended December 31, 2025, with comparative information for 2024

	2025	2024
Accumulated remeasurement gains, beginning of year	$ 1,219,000	$ 46,250
Unrealized gain attributable to:		
Long-term investment, structured note, designated to fair value category (note 3)	338,453	762,750
Realized gain, reclassified to Statement of Operations:		
Long-term investment, structured note, designated to fair value category (note 3)	(1,352,453)	–
Share of other comprehensive gain from investment in government business enterprise (note 4)	1,230,000	410,000
Accumulated remeasurement gains, end of year	$ 1,435,000	$ 1,219,000

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE CITY OF VAUGHAN

Consolidated Statement of Cash Flows

Year ended December 31, 2025, with comparative information for 2024

	2025	2024
Cash provided by (used in):		
Operating activities:		
Annual surplus	$ 701,728,876	$ 481,731,368
Items not involving cash:		
Amortization of tangible capital assets	95,413,132	89,214,646
Accretion expense (note 10)	32,390	2,717
Loss on disposal of tangible capital assets	8,411,128	1,077,563
Contributed tangible capital assets	(507,850,873)	(338,413,401)
Share of net earnings of Hydro Vaughan Corporations	(46,780,688)	(35,971,397)
Change in non-cash assets and liabilities:		
Increase in taxes receivable	(4,351,130)	(22,260,475)
Increase in water and sewer billings receivable	(1,996,352)	(555,667)
Increase in accounts receivable	(8,390,476)	(2,026,512)
Increase in other assets	(3,986)	(45,334)
Increase in accounts payable and accrued liabilities	34,585,959	19,106,190
(Decrease) increase in accrued interest on long-term liabilities	(5,654)	103,767
Increase in employee future benefits	7,740,111	4,759,760
Decrease in deposits and deferred revenue	(1,262,355)	(5,801,048)
(Decrease) increase in deferred revenue - obligatory reserve funds	(134,819,876)	23,694,588
Increase (decrease) in asset retirement obligation liabilities	318599	(80,430)
Decrease (increase) in prepaid expenses	1,525,767	(2,993,635)
	144,294,572	211,542,700
Capital activities:		
Proceeds on disposal of tangible capital assets	218,417	157,668
Acquisition of tangible capital assets	(276,331,348)	(165,101,624)
	(276,112,931)	(164,943,956)
Financing activities:		
Debenture and other debt repaid	(7,340,187)	(8,161,808)
Investing activities:		
Decrease (increase) in investments, net	107,339,995	(178,194,556)
Repayment of Alectra Inc. unsecured note receivable	–	79,105,930
Dividend and return of capital from Hydro Vaughan Corporations	17,634,423	48,407,063
	124,974,418	(50,681,563)
Decrease in cash and cash equivalents	(14,184,128)	(12,244,627)
Cash and cash equivalents, beginning of year	127,439,291	139,683,918
Cash and cash equivalents, end of year	$ 113,255,163	$ 127,439,291
Supplemental cash flow information:		
Interest paid	$ 4,211,267	$ 4,341,959
Dividends received	16,400,057	47,406,520
Interest income	48,340,693	63,309,536

See accompanying notes to consolidated financial statements.

The Corporation of the City of Vaughan (the "City" or "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 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.

1. Significant accounting policies (continued):

(ii) Investments in government business enterprises:

The City's investments in Vaughan Holdings Inc., Hydro Vaughan Energy Corporation and Alectra Inc. ("Alectra"), 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, its share of the Hydro Vaughan Corporations' other comprehensive income in the City's consolidated statement of remeasurement gains and losses, 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 16.

(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.

1. Significant accounting policies (continued):

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 years 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. Cash and cash equivalents are recorded at cost with write down to market when there is a decrease in value.

(d) Investments:

Investments are recorded at cost, amortized cost, or fair value. 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. Structured notes with an embedded derivative are recorded at fair market value of the total instrument.

(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.

1. Significant accounting policies (continued):

(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 incurred for the purpose for which they were collected.

(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. The City does not recognize any share of the pension plan deficit based on the fair market value of OMERS assets, as this is a joint responsibility of all Ontario municipalities and their employees.

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 recognized immediately.

1. Significant accounting policies (continued):

Costs related to prior year employee services arising out of plan amendments are recognized in the year 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 Public Sector ("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, 2023 for 2023, 2024 and 2025 in accordance with the financial reporting guidelines established by PSAB.

Also, a full actuarial valuation of the non-vested sick leave benefits was completed as at April 19, 2024 for 2021 to 2025 in accordance with the financial reporting guidelines established by PSAB.

(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 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 a 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.

1. Significant accounting policies (continued):

(j) Municipal accommodation tax:

Municipal accommodation tax revenue is recognized in the year 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 year 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) Asset retirement obligations:

An asset retirement obligation is recognized when, as at the financial reporting date, all the following criteria are met under PS 3280, Asset Retirement Obligations:

- There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- The past transaction or event giving rise to the liability has occurred;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

The City recognized the liability for the removal of asbestos in several City owned buildings, the decommissioning of underground fuel tanks, post closure landfill monitoring costs and costs associated with removal of leasehold improvements upon termination of lease agreements.

The estimate of the asset retirement costs include costs directly attributable to the asset retirement activities and are recorded as a liability and an increase to the related tangible capital assets. Where an asset is not recognized on the consolidated statement of financial position or is not in productive use, the estimated asset retirement costs are expensed. The amount capitalized in tangible capital assets is amortized based on the estimated remaining useful life of the related assets.

1. Significant accounting policies (continued):

The carrying value of the liability is reconsidered at each financial reporting date with changes to the timing or amount of original estimate of cash flows recorded as an adjustment to the asset retirement obligation and tangible capital assets. Actual costs incurred are charged against the asset retirement obligation to the extent of the liability recorded. Differences between the actual costs incurred and the liability are recognized in the consolidated statement of operations when remediation is complete. The asset retirement obligation information is provided in note 10.

(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 - 20 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
Buildings under capital lease	5 - 85 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.

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 capitalizes 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) Assets:

The assets standard provides additional guidance on the definition of assets and what is meant by economic resources, control, past transactions and events from which future economic benefits are to be obtained. For the year ended December 31, 2025, all material assets have been disclosed and reported within this definition.

(o) Contingent assets:

PS 3320, Contingent Assets, requires disclosure of possible assets arising from existing conditions or situations involving uncertainty which will be ultimately resolved when one or more future events occur that are not wholly within the government's control, and when the occurrence of a confirming future event is likely.

1. Significant accounting policies (continued):

(p) Contractual rights:

PS 3380, Contractual Rights, requires disclosure of information pertaining to future rights to economic resources arising from contracts or agreements that will result in both an asset and revenues in the future. Note 17 provides disclosure regarding the nature, extent and timing of contractual rights.

(q) Related party disclosures:

PS 2200, Related Party Disclosures, requires disclosure of related party transactions when one party has the ability to exercise control or shared control over the other. Related parties include key management personnel, their close family members and the entities they control or have shared control over. Related party transactions are disclosed if they occurred at a value different from that which would have been arrived at if parties were unrelated and the transaction has a material effect on the consolidated financial statements.

There were no material related party transactions to disclose for the year ended December 31, 2025.

(r) Inter-entity transactions:

PS 3420, Inter-Entity Transactions, requires disclosure of transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective. All City transactions are recorded at the exchange amount, being the amount agreed to by both parties.

There were no material inter-entity transactions to disclose for the year ended December 31, 2025.

(s) Financial instruments:

Under PS 3450, the City's financial instruments are recorded at fair value on initial recognition and subsequently recorded at fair value or amortized cost.

1. Significant accounting policies (continued):

Financial instrument assets and liabilities include cash and cash equivalents, taxes receivable, water and sewer billings receivable, accounts receivable, investments, accounts payable and accrued liabilities, debenture and other debt, and note payable. The carrying values of all financial instruments, other than investments, debenture and other debt, and note payable, approximate their fair values due to their short term nature.

All financial instrument assets are tested annually for impairment. When financial instrument assets are impaired, impairment losses are recorded in the consolidated statement of operations.

The City classifies its financial instrument assets and liabilities at cost and subsequently carries at amortized cost using the effective interest rate method, less any impairment losses on financial instrument assets, unless the City designated a financial instrument to be carried at fair value. The financial instruments information is provided in note 20.

Unrealized changes in fair value of financial instruments designated to be carried at fair value are recognized in the consolidated statement of remeasurement gains and losses until they are realized, at which time they are transferred to the consolidated statement of operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

(t) Derivative financial instruments:

Derivative and equity instruments are recorded at fair value as an asset or liability based on the quoted market prices, with changes in fair value, if any, recorded in the consolidated statement of operations.

(u) 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 City disclosed the segmented financial information in note 14.

1. Significant accounting policies (continued):

(v) Contaminated sites:

Contaminated sites are defined as the result of contamination being introduced in air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. A liability for contaminated sites is recognized when a site is not in productive use and sites in productive use where an unexpected event resulted in contamination and the following criteria are met:

- An environmental standard exists;
- Contamination exceeds the environmental standard;
- The City is directly responsible or accepts responsibility;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

The liability is recognized as management's estimate of the cost of post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site. The liability is recorded net of any expected recoveries. Information on the contaminated site is provided on note 11.

(w) Revenue:

PS 3400, Revenue, provides a single framework to categorize revenues to enhance the consistency of revenue recognition and its measurement. It distinguishes between exchange transactions (with performance obligations) and non-exchange transactions (without performance obligations). Revenue from exchange transactions is recognized when performance obligations are satisfied, while revenue from non-exchange transactions is recognized when the public sector entity has the authority to claim or retain the resources and a past event has occurred. The standard also provides guidance on measuring revenue, including considerations for variable consideration and non-cash transactions.

1. Significant accounting policies (continued):

(x) 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, liability for contaminated sites and in performing actuarial valuations of employee future benefits. 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. In addition, the City's implementation of PS 3280, Asset Retirement Obligations, requires management to make estimates regarding the useful lives of affected tangible capital assets and the expected retirement costs, and the timing of these retirement costs. Actual results could differ from these estimates.

(y) Presentation of budget information:

The 2025 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.

(z) Loan guarantees:

Loan guarantees are accounted for as contingent liabilities in accordance with PS 3300, Contingent Liabilities. A provision is recognized as a liability and expense when a loss is assessed as likely and reasonably estimable; otherwise, loan guarantees are disclosed in the notes to the financial statements. Any provision recognized reflects management’s best estimate of the expected loss, net of recoveries, and is reviewed each reporting period.

1. Significant accounting policies (continued):

(aa) Future accounting pronouncements:

These standards and amendments were not yet effective for the year ended December 31, 2025, and have therefore not been applied in preparing these financial statements. Management is currently assessing the impact of these standards on the future financial statements.

(i) The conceptual framework for financial reporting in the public sector was revised and 2024-2025 Annual Improvements to Public Sector Accounting Standards were issued. The PSAB approved amendments providing terminology updates to align various sections of the PSAS Handbook with PSAB's Conceptual Framework and Reporting Model. These revisions and amendments are effective for fiscal years beginning on or after April 1, 2026 (the City's December 31, 2027 year end).

(ii) PS 1202, Financial Statement Presentation, will replace the current section PS 1201. This guideline is effective for fiscal years beginning on or after April 1, 2026 (the City's December 31, 2027 year end).

(iii) PS 3251, Employee Benefits, will replace the current sections PS 3250 and PS 3255. The proposed section is currently pending final approval, with an expected effective date of April 1, 2029 (the City's December 31, 2030 year end).

(iv) PS 3150, Tangible Capital Assets. The PSAB has issued amendments related to PS 3150 in May 2025 as a result of implementing its Government Not-for-Profit Strategy, which incorporates the PS 4200 series into public sector accounting standards with potential customization. The amendments to this section are effective for fiscal periods beginning on or after April 1, 2030 (the City's December 31, 2031 year end).

(v) PS 3155, Intangible Assets, will replace the current section PSG 8, Purchased Intangibles. The proposed section is currently pending final approval and an effective date for the proposed standard is currently not known.

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

During 2025, 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	$ 335,609,762	$ 468,251,888
Taxation from other governments	629,744	1,612,276
Amounts requisitioned and remitted	$ 336,239,506	$ 469,864,164

3. Investments:

Included in investments are:

(a) short-term investments of $822,500,000 (2024 - $932,500,000), comprising of guaranteed investment certificates with average portfolio weighted maturity greater than three months, and under one year

(b) long-term investments of $157,286,688 (2024 - $155,155,433), comprising of government and corporate bonds with maturities that are greater than one year

(c) long-term investment in a structured note carried at fair value of $23,277,000 (2024 - $23,762,250)

Short-term investments have yields varying from 2.70% to 5.80% (2024 - 3.47% to 6.55%) with maturities ranging from January 13, 2026 to December 16, 2027 (2024 - January 9, 2025 to December 2, 2026).

Long-term investments have yields varying from 3.13% to 4.60% (2024 - 2.06% to 4.60%) with maturity dates from October 2, 2030 to June 1, 2040 (2024 - June 2, 2025 to June 2, 2037) Market value of investments costing $180,563,688 (2024 - $170,403,683) is $181,073,147 (2024 - $170,916,646) at December 31, 2025.

3. Investments (continued):

Structured notes are recognized at fair market value of $23,277,000 with a cost of $22,500,000. On July 24, 2025, one of the structure notes was redeemed at market value resulting in a realized gain. The change in realized gain of $1,352,453 and unrealized gain of $338,453 (2024 - unrealized gain of $762,750) is reported in the consolidated statement of operations and remeasurement gains and losses.

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	
	2025	2024
Vaughan Holdings Inc. (including 100% ownership of Hydro Vaughan Energy Corporation and 20.5% (2024 - 20.5%) share interest in Alectra)	100%	100%
1446631 Ontario Inc.	0%	100%

The shareholder ownership structure of Alectra is as follows:

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

4. Investment in Hydro Vaughan Corporations (continued):

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

Financial position	2025	2024
Assets		
Current	$ 2,211,540	$ 2,163,278
Investments	589,113,674	558,444,537
Other	102,390	97,791
Total assets	$ 591,427,604	$ 560,705,606
Liabilities		
Current	$ 1,057,324	$ 711,591
Total liabilities	1,057,324	711,591
Shareholder's equity		
Share capital	196,859,951	196,859,951
Retained earnings and contributed surplus	393,510,329	363,134,064
Total shareholder's equity	590,370,280	559,994,015
Total liabilities and shareholder's equity	$ 591,427,604	$ 560,705,606

Results of operations:

	2025	2024
Revenue	$ 47,200,202	$ 36,621,548
Expenses	419,514	650,151
Net income	$ 46,780,688	$ 35,971,397
Share of other comprehensive gain	$ 1,230,000	$ 410,000

4. Investment in Hydro Vaughan Corporations (continued):

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

	2025	2024
Equity	$ 584,473,540	$ 554,097,275
Notes receivable	5,896,740	5,896,740
Investment in Hydro Vaughan Corporations	$ 590,370,280	$ 559,994,015

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

	2025	2024
Share of net earnings in Hydro Vaughan Corporations	$ 46,780,688	$ 35,971,397
Share of other comprehensive gain	1,230,000	410,000
Repayment of Alectra unsecured note receivable	–	(79,105,930)
Return of capital	(1,234,366)	(1,000,543)
Dividend	(16,400,057)	(47,406,520)
Net change in investment in Hydro Vaughan Corporations	30,376,265	(91,131,596)
Opening investment in Hydro Vaughan Corporations	559,994,015	651,125,611
Closing investment in Hydro Vaughan Corporations	$ 590,370,280	$ 559,994,015

The notes receivable balance of $5,896,740 (2024 - $5,896,740) 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:

	2025	2024
Post-retirement non-pension benefits (b)	$ 170,751,563	$ 165,468,706
Non-vested sick leave benefits (c)	12,158,280	12,277,068
Vacation entitlements (d)	13,869,740	11,852,598
WSIB (e)	8,236,700	7,677,800
	$ 205,016,283	$ 197,276,172

(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.

The City is current with all payments to OMERS. As at December 31, 2025, OMERS has a deficit of $1.3 billion (2024 - $2.9 billion). If actuarial surpluses are not available to offset the existing deficit and subsidize future contributions, increases in contributions will be required in the future. The date of the most recent filed actuarial valuation for funding purposes for the OMERS Primary Pension Plan was December 31, 2025. The next required filing of an actuarial valuation for funding purposes will be performed with a date no later than December 31, 2026.

Total OMERS contributions amounted to $44,471,016 in 2025 (2024 - $38,527,350), of which $22,235,508 (2024 - $19,263,675) represented the City's portion.

(b) 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.

5. **Employee future benefits (continued):**

The projected benefit liability for active employees and retirees at December 31, 2025 of $170,751,563 (2024 - $165,468,706) and the expense for the year ended December 31, 2025 of $9,450,846 (2024 - $9,178,759) was determined by actuarial valuation using a discount rate of 4.25% (2024 - 4.25%).

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

	2025	2024
Accrued benefit obligation, beginning of year	$ 142,928,731	$ 135,599,723
Service cost	5,256,189	5,279,814
Interest cost	6,243,746	5,948,034
Benefits paid	(4,167,989)	(3,898,840)
Accrued benefit obligation, end of year	150,260,677	142,928,731
Unamortized actuarial gain	20,490,886	22,539,975
Accrued benefit liability	$ 170,751,563	$ 165,468,706

Components of benefit expense:

	2025	2024
Service cost	$ 5,256,189	$ 5,279,814
Interest cost	6,243,746	5,948,034
Amortization of actuarial gain	(2,049,089)	(2,049,089)
Benefit expense	$ 9,450,846	$ 9,178,759

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 2025 actuarial study is assumed to be 4.25% (2024 - 4.25%) per annum reflecting Canadian Municipal bond yields and lending rates.

5. Employee future benefits (continued):

(ii) Salary levels:

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

(iii) Medical costs and dental costs:

Medical and dental costs are assumed to increase at 4.20% from 2025 to 2028, 5.30% from 2029 to 2033, 5.00% from 2034 to 2038, 4.40% from 2039 to 2041, 4.00% from 2042 and thereafter.

(iv) Expected average remaining service life of the current active group is assumed to be 11 years.

(c) Non-vested sick leave benefits:

A full actuarial valuation of the non-vested sick leave benefits was completed for the 2021 to 2025 period in accordance with the financial reporting guidelines established by PSAB.

The projected non-vested sick leave liability for active employees at December 31, 2025 of $12,158,280 and the expense for the year ended December 31, 2025 of $759,647 was determined by actuarial valuation using a discount rate of 4.25%.

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

	2025	2024
Accrued benefit obligation, beginning of year	$ 11,418,419	$ 11,505,338
Service cost	372,601	368,093
Interest cost	482,452	484,653
Benefits paid	(878,435)	(939,665)
Accrued benefit obligation, end of year	11,395,037	11,418,419
Unamortized actuarial gain	763,243	858,649
Accrued benefit liability	$ 12,158,280	$ 12,277,068

5. Employee future benefits (continued):

Components of non-vested sick leave benefits expense:

	2025	2024
Service cost	$ 372,601	$ 368,093
Interest cost	482,452	484,653
Amortization of actuarial gain	(95,406)	(95,405)
Benefit expense	$ 759,647	$ 757,341

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 2025 actuarial study is assumed to be 4.25% (2024 - 4.25%) per annum reflecting Canadian Municipal bond yields and lending rates.

(ii) Salary levels:

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

(iii) Expected average remaining service life of the current active group is assumed to be 9 years.

(d) 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 $13,869,740 (2024 - $11,852,598).

5. Employee future benefits (continued):

(e) 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 $8,236,700 (2024 - $7,677,800) 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.

6. Deferred revenue:

(a) Deposits and deferred revenue:

Deposits and deferred revenue as at December 31, 2025 is $44,217,626 (2024 - $45,479,981) 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:

	2025	2024
Recreational land (The Planning Act)	$ 93,711,391	$ 90,133,406
Development Charges Act	430,986,849	557,893,448
Sub-divider contributions	61,474,663	59,514,727
Federal gas tax	10,253,786	16,042,575
Building Standards Act	20,893,328	26,618,042
Ontario grants	1,528,357	1,528,357
Federal grants	13,652,013	15,589,708
	$ 632,500,387	$ 767,320,263

6. Deferred revenue (continued):

Deferred revenue - obligatory reserve funds continuity schedule:

	Opening balance	Received	Recognized as revenue	Interest allocated	Closing balance
Recreational land (The Planning Act)	$ 90,133,406	$ 5,461,903	$ (4,201,964)	$ 2,318,046	$ 93,711,391
Development Charges Act	557,893,448	39,186,775	(180,077,143)	13,983,769	430,986,849
Sub-divider contributions	59,514,727	2,568,145	(2,069,086)	1,460,877	61,474,663
Federal gas tax	16,042,575	10,581,664	(16,815,272)	444,819	10,253,786
Building Standards Act	26,618,042	–	(6,389,524)	664,810	20,893,328
Ontario grants	1,528,357	–	–	–	1,528,357
Federal grants	15,589,708	44,538,419	(47,000,000)	523,886	13,652,013
	$ 767,320,263	$ 102,336,906	$ (256,552,989)	$ 19,396,207	$ 632,500,387

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:

	2025	2024
Debenture debt issued by the Region on the City's behalf:		
Debenture 2023-54	$ 45,488,951	$ 45,488,951
Less debenture/sinking fund contribution	(7,936,049)	(3,968,024)
	37,552,902	41,520,927
Serial debt	1,302,800	2,605,600
Debt payable to YMCA for construction of City Library and City Recreation Space in the Vaughan Metropolitan Centre	50,369,292	52,438,654
	$ 89,224,994	$ 96,565,181

Issuance of debenture is approved by by-law. Interest rates range from 2.19% to 4.45% and maturity dates range from November 2026 to December 2033. 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.

7. Debenture and other debt (continued):

In 2023, the City issued a debenture through the Region of York in the amount of $45,488,951 to fund various capital projects. Annual loan re-payments of $5,992,283 including $2,024,258 in interest and $3,968,025 sinking fund contributions began in 2024 and conclude in 2033. It is estimated that a total of $5,808,710 in interest will be earned on the debenture at maturity.

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 converted to a term loan on July 29, 2022, which is secured by a general security agreement. 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.

As at December 31, 2025, the City's remaining share of the project financing costs is $50,369,292 (2024 - $52,438,654). The City paid a total of $4,206,500 including interest of $2,137,138 in 2025 to the YMCA for the City's portion of the term loan with Infrastructure Ontario (2024 - $4,206,500, including interest of $2,221,116).

As at December 31, 2025, the balance of YMCA's debt to Infrastructure Ontario, which is guaranteed by the City, amounts to $8,503,800 (2024 - $8,853,169). The term loan is a non-revolving fixed rate loan bearing interest at 4.15% with principal and interest payments due over an amortization period of 20 years, maturing July 2042. The YMCA's obligations are in good standing and no loss has been recognized.

7. Debenture and other debt (continued):

Principal payments in the amount of $89,224,994 (2024 - $96,565,181), less interest earned on sinking funds are as follows:

	YMCA	Region	Total
2026	$ 2,156,893	$ 5,270,824	$ 7,427,717
2027	2,248,127	3,968,024	6,216,151
2028	2,343,219	3,968,024	6,311,243
2029	2,442,334	3,968,024	6,410,358
2030	2,545,641	3,968,024	6,513,665
Thereafter	38,633,078	17,712,782	56,345,860
	$ 50,369,292	$ 38,855,702	$ 89,224,994

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

	2025	2024
Principal payments	$ 7,340,187	$ 8,161,808
Interest	4,211,267	4,341,959
	$ 11,551,454	$ 12,503,767

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, 2025

9. Tangible capital assets:

	Cost					Accumulated amortization				Net book
2025	Balance, beginning of year	Acquisitions	Asset retirement obligation (note 10)	Disposals and adjustments	Balance, end of year	Balance, beginning of year	Amortization	Disposals and adjustments	Balance, end of year	value, December 31, 2025
Land	$ 7,788,902,543	$ 518,982,006	$ –	$ (78,505)	$ 8,307,806,044	$ –	$ –	$ –	$ –	$ 8,307,806,044
Land improvements	260,756,514	8,550,433	–	109,176	269,416,123	131,174,143	7,879,961	124,663	139,178,767	130,237,356
Buildings and facilities	454,422,072	143,884,438	25,690	(363,226)	597,968,974	206,473,841	15,991,408	(292,165)	222,173,084	375,795,890
Machinery and equipment	56,144,298	8,169,717	–	(3,992,102)	60,321,913	32,273,427	4,148,028	(3,955,088)	32,466,367	27,855,546
Vehicles	42,919,997	8,140,746	–	(1,773,019)	49,287,724	27,526,220	2,945,448	(1,764,401)	28,707,267	20,580,457
Furniture and fixtures	17,491,235	1,413,150	–	–	18,904,385	11,585,946	1,096,217	–	12,682,163	6,222,222
Information technology	17,351,146	2,147,320	–	(469,968)	19,028,498	13,363,264	1,805,644	(469,968)	14,698,940	4,329,558
Leasehold improvements	26,075,805	–	–	–	26,075,805	2,855,109	650,036	–	3,505,145	22,570,660
Roads infrastructure	1,238,270,696	74,217,316	–	(1,226,076)	1,311,261,936	658,666,185	35,247,823	(87,865)	693,826,143	617,435,793
Water and sewer infrastructure	1,989,992,280	68,031,353	–	(420,610)	2,057,603,023	532,227,871	24,669,533	(808,197)	556,089,207	1,501,513,816
Building under capital lease	47,972,670	–	–	–	47,972,670	2,447,585	979,034	–	3,426,619	44,546,051
Assets under construction	424,838,854	(49,379,948)	–	(7,668,236)	367,790,670	–	–	–	–	367,790,670
	$ 12,365,138,110	$ 784,156,531	$ 25,690	$ (15,882,566)	$ 13,133,437,765	$ 1,618,593,591	$ 95,413,132	$ (7,253,021)	$ 1,706,753,702	$ 11,426,684,063

9. Tangible capital assets (continued):

	Cost					Accumulated amortization				Net book value,
2024	Balance, beginning of year	Acquisitions	Asset retirement obligation (note 10)	Disposals and adjustments	Balance, end of year	Balance, beginning of year	Amortization	Disposals and adjustments	Balance, end of year	December 31, 2024
Land	$ 7,502,904,804	$ 285,997,739	$ –	$ –	$ 7,788,902,543	$ –	$ –	$ –	$ –	$ 7,788,902,543
Land improvements	254,576,972	6,201,117	–	(21,575)	260,756,514	123,526,107	7,639,972	8,064	131,174,143	129,582,371
Buildings and facilities	422,538,451	31,943,179	–	(59,558)	454,422,072	193,463,836	13,038,461	(28,456)	206,473,841	247,948,231
Machinery and equipment	54,147,415	4,692,528	–	(2,695,645)	56,144,298	30,738,706	4,005,922	(2,471,201)	32,273,427	23,870,871
Vehicles	39,461,437	5,405,784	–	(1,947,224)	42,919,997	27,065,938	2,403,976	(1,943,694)	27,526,220	15,393,777
Furniture and fixtures	16,327,985	856,972	–	306,278	17,491,235	10,473,327	1,030,351	82,268	11,585,946	5,905,289
Information technology	17,326,049	1,620,004	–	(1,594,907)	17,351,146	13,082,337	1,875,834	(1,594,907)	13,363,264	3,987,882
Leasehold improvements	27,403,101	–	–	(1,327,296)	26,075,805	3,523,009	659,396	(1,327,296)	2,855,109	23,220,696
Roads infrastructure	1,189,055,470	49,799,543	–	(584,317)	1,238,270,696	625,302,141	33,759,180	(395,136)	658,666,185	579,604,511
Water and sewer infrastructure	1,936,413,788	54,391,171	–	(812,679)	1,989,992,280	508,862,229	23,822,520	(456,878)	532,227,871	1,457,764,409
Building under capital lease	47,972,670	–	–	–	47,972,670	1,468,551	979,034	–	2,447,585	45,525,085
Assets under construction	362,857,410	62,606,988	–	(625,544)	424,838,854	–	–	–	–	424,838,854
	$ 11,870,985,552	$ 503,515,025	$ –	$ (9,362,467)	$ 12,365,138,110	$ 1,537,506,181	$ 89,214,646	$ (8,127,236)	$ 1,618,593,591	$ 10,746,544,519

9. Tangible capital assets (continued):

(a) Assets under construction:

Assets under construction having a value of $367,790,670 (2024 - $424,838,854) 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 $228,187,145 (2024 - $83,838,532).

(b) Contributed tangible capital assets:

Contributed tangible capital assets have been recognized at fair market value at the date of contribution. The value of contributed assets received during the year is $507,850,873 (2024 - $338,413,401) comprising land and land improvements of 436,635,055 (2024 - $288,382,727), buildings and facilities of $5,520,053 (2024 - $5,887,746), roads infrastructure of $25,758,641 (2024 - $14,208,137), and water and wastewater and stormwater infrastructure of $39,937,124 (2024 - $29,934,791).

(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.

(d) Leased tangible capital assets:

The building under capital lease is the YMCA Centre of Community, library and recreation centre located in the Vaughan Metropolitan Centre's Mobility Hub. This building was co-developed by public and private investments, in service and open to the public on July 1, 2022. The useful life is over the term of the lease, which is 49 years.

10. Asset retirement obligation:

The City's asset retirement obligation liability as of December 31, 2025 were as follows:

2025	Beginning of year	Accretion	Additions	Balance, end of year
Landfill post-closure (a)	$ 4,912,766	$ 29,564	$ –	$ 4,942,330
Buildings facilities and land remediation (b)	2,321,744	2,826	25,690	2,350,260
Removal of leasehold improvement (c)	315,000	–	–	315,000
Retirement of other tangible capital asset (d)	362,400	–	292,909	655,309
Decommission of underground fuel tanks (e)	138,600	–	–	138,600
	$ 8,050,510	$ 32,390	$ 318,599	$ 8,401,499

(a) Landfill post-closure - The City has a landfill that is closed and expected to be monitored for approximately the next 60 years. An obligation for the monitoring costs at present value has been recorded using a discount factor of 4%.

(b) Building facilities and land remediation - The City owns and operates several buildings constructed prior to 1990 that are known to have asbestos. In 2025, the City recognized an additional estimated obligation of $25,690 for the removal of asbestos upon retirement of the asset with a corresponding increase in buildings and facilities tangible capital assets.

(c) Removal of leasehold improvement - The City has a five-year leased term at Tigi Court for Animal Services shelter facility operations. In 2023, the City estimated an obligation of $315,000 associated with restoring the leased space to its original condition upon termination of the lease agreement, with a corresponding increase in leasehold improvements tangible capital assets.

(d) Retirement of other tangible capital asset - In 2025, the City recognized additional costs associated with retirement of non-productive assets and unrecognized tangible capital assets of $292,909.

10. Asset retirement obligation (continued):

(e) Decommission of underground fuel tanks - The City owns several underground fuel tanks which are currently in use. An obligation to decommission the tanks has been recognized in accordance with Ontario Regulation 213/01 Fuel Oil Regulation which requires removal at such time as they are deemed no longer in productive use, with a corresponding increase in machinery and equipment tangible capital assets.

11. Contaminated sites:

The City reports environmental liabilities related to the management and remediation of contaminated sites where the City is responsible or accepts responsibility for incurring costs. A contaminated site liability of $1,584,000 (2024 - $1,584,000) has been recorded based on an environmental assessment for the site where an assessment has been conducted. There are no expected recoveries.

The City's ongoing efforts to assess contaminated sites may result in additional environmental liabilities related to newly identified sites or changes in the assessments. Any changes to the City's liabilities for contaminated sites will be accrued in the year in which they are assessed as likely and reasonably estimable.

12. Accumulated surplus:

Accumulated surplus consists of individual fund surplus and reserves as follows:

	2025	2024
Surplus:		
Investment in tangible capital assets	$ 11,426,684,063	$ 10,746,544,519
Amounts to be recovered in future years:		
From future revenue	(162,689,507)	(163,919,722)
From reserves and reserve funds on hand	(66,326,584)	(64,649,879)
Investment in Hydro Vaughan Corporations (note 4)	590,370,280	559,994,015
Asset retirement obligation (note 10)	(8,401,499)	(8,050,510)
Liability for contaminated sites (note 11)	(1,584,000)	(1,584,000)
Other	(175,221,873)	(154,927,772)
	11,602,830,880	10,913,406,651
Reserves set aside for specific purposes by City Council:		
Vehicle replacement	14,965,964	22,030,308
Fire equipment replacement	8,553,560	5,817,211
General working capital	51,942,940	50,544,038
Tax rate stabilization	17,698,952	14,881,348
Waterworks	75,000,422	68,106,819
Wastewater (sanitary sewers)	124,757,118	109,676,902
Stormwater reserve	20,417,487	20,028,112
Keele Valley landfill	579,951	565,392
Heritage Fund	5,330,034	3,510,366
Vaughan Hospital	7,220,846	7,165,605
Employee benefits	66,326,584	64,649,879
Buildings	26,493,144	33,387,077
Roads infrastructure	11,423,360	6,098,638
Sale of public lands	10,235,653	9,978,652
Parks infrastructure	6,574,411	6,750,445
Winterization	6,280,824	6,123,161
Other	38,046,447	39,216,680
Debenture payments	12,225,768	11,926,276
Engineering	8,108,052	11,451,976
Planning	9,080,507	13,401,280
City Hall Funding	34,536	33,669
Expenditure reserve	75,874	1,089,248
Capital from taxation	13,963,131	16,381,836
	535,335,565	522,814,918
Less accumulated remeasurement gains	(1,435,000)	(1,219,000)
	$ 12,136,731,445	$ 11,435,002,569

13. 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 are:

	2025	2024
Provincial grants:		
General Government	$ 22,939	$ –
Protection services	438,120	286,885
Transportation services	5,000,000	975,000
Environmental services	347,383	70,794
Recreation and cultural services	433,395	6,117,027
Planning and development	402,095	827,687
	6,643,932	8,277,393
Federal grants:		
General government	66,900	139,917
Transportation services	44,835,028	13,586,070
Environmental services	22,758,740	5,804,242
Recreation and cultural services	3,362,998	6,690,765
Planning and development	103,275	27,000
	71,126,941	26,247,994
	$ 77,770,873	$ 34,525,387

14. Segmented financial 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.

14. Segmented financial information (continued):

2025	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	$ 44,319,001	$ 36,314,806	$ 30,666,574	$ 80,501,638	$ 334,376	$ 46,150,556	$ 17,973,536	$ –	$ 256,260,487
Municipal accommodation tax	–	–	–	–	–	–	3,764,041	–	3,764,041
User charges	5,131,452	22,242,646	7,364,616	2,071,402	298,191	29,735,585	16,558,396	–	83,402,288
Water and sewer billings	–	–	–	217,303,402	–	–	–	–	217,303,402
Government transfers	89,839	438,120	49,835,028	23,106,123	–	3,796,393	505,370	–	77,770,873
Investment income	5,087,773	4,168,900	3,520,490	9,241,501	38,386	5,298,034	2,063,343	–	29,418,427
Penalties and interest on taxes	2,238,183	1,833,958	1,548,713	4,065,467	16,887	2,330,680	907,693	–	12,941,581
Other fees and services	237,048	68,034	1,283,306	–	–	11,802,623	5,663,789	–	19,054,800
Contributions from developers	5,303,870	3,068,126	126,924,790	603,936	–	43,024,958	2,638,749	–	181,564,429
Contributed assets	–	–	447,006,060	45,690,391	–	15,154,422	–	–	507,850,873
Hydro Vaughan Corporations	–	–	–	–	–	–	–	46,780,688	46,780,688
	62,407,166	68,134,590	688,149,577	382,583,860	687,840	157,293,251	50,074,917	46,780,688	1,436,111,889
Expenses (recoveries):									
Salaries and benefits	61,124,941	91,254,866	12,748,033	10,626,433	628,674	71,109,850	45,509,116	–	293,001,913
Goods and services	29,814,892	6,105,004	30,019,546	175,401,550	231,463	32,496,570	3,378,374	–	277,447,399
Long-term debt interest	2,137,138	–	2,074,129	–	–	–	–	–	4,211,267
Other	(3,110,783)	(302,410)	380,221	9,874,670	36,621	(532,179)	(3,581,171)	–	2,764,969
Corporate support allocation	3,201,512	11,312,747	5,046,030	23,235,315	105,020	11,504,448	5,272,250	(59,677,322)	–
Loss on disposal of tangible capital assets	579,451	172,570	5,507,689	1,818,817	–	332,601	–	–	8,411,128
Amortization of tangible capital assets	8,792,141	3,438,454	36,937,730	25,752,181	2,086	20,456,941	33,599	–	95,413,132
Accretion/monitoring expense	–	–	–	325,299	–	–	–	–	325,299
Other capital related	34,789,569	545,469	2,311,455	2,411,750	32,248	7,635,970	5,081,445	–	52,807,906
	137,328,861	112,526,700	95,024,833	249,446,015	1,036,112	143,004,201	55,693,613	(59,677,322)	734,383,013
Annual surplus (deficit)	$ (74,921,695)	$ (44,392,110)	$ 573,124,744	$ 133,137,845	$ (348,272)	$ 14,289,050	$ (5,618,696)	$ 106,458,010	$ 701,728,876

14. Segmented financial information (continued):

2024	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	$ 39,116,713	$ 36,453,839	$ 25,716,872	$ 85,187,283	$ 309,694	$ 46,754,887	$ 11,485,342	$ –	$ 245,024,630
Municipal accommodation tax	–	–	–	–	–	–	3,830,784	–	3,830,784
User charges	6,842,911	26,761,840	967,810	2,022,620	229,497	24,700,328	18,187,318	–	79,712,324
Water and sewer billings	–	–	–	200,404,221	–	–	–	–	200,404,221
Government transfers	139,917	286,884	14,561,071	5,875,036	–	12,807,792	854,687	–	34,525,387
Investment income	4,986,019	4,646,596	3,278,006	10,858,414	39,475	5,959,621	1,463,981	–	31,232,112
Penalties and interest on taxes	1,852,713	1,726,590	1,218,047	4,034,786	14,668	2,214,485	543,988	–	11,605,277
Other fees and services	2,910,134	15,858	(3,103,293)	3,259,824	–	10,894,566	837,118	–	14,814,207
Contributions from developers	306,810	1,145,751	39,668,484	8,205,887	–	62,414,562	3,568,643	–	115,310,137
Contributed assets	–	–	273,635,035	37,553,556	–	27,224,810	–	–	338,413,401
Hydro Vaughan Corporations	–	–	–	–	–	–	–	37,389,296	37,389,296
	56,155,217	71,037,358	355,942,032	357,401,627	593,334	192,971,051	40,771,861	37,389,296	1,112,261,776
Expenses (recoveries):									
Salaries and benefits	65,512,635	81,436,629	10,941,014	10,298,538	479,850	71,864,116	24,954,157	–	265,486,939
Goods and services	29,509,835	5,238,528	17,786,985	169,267,392	221,733	26,409,690	1,870,573	–	250,304,736
Long-term debt interest	2,221,116	–	2,120,843	–	–	–	–	–	4,341,959
Other	(4,263,554)	1,667,261	(147,425)	9,400,113	36,621	(541,213)	(1,359,881)	–	4,791,922
Corporate support allocation	3,989,762	11,105,973	3,640,105	24,734,552	95,421	12,060,510	3,268,583	(58,894,906)	–
Loss on disposal of tangible capital assets	476,786	(13,813)	(406,704)	360,479	–	660,815	–	–	1,077,563
Amortization of tangible capital assets	8,822,076	3,127,905	34,907,874	24,693,388	2,086	17,634,721	26,596	–	89,214,646
Accretion/monitoring expense	–	–	–	(77,713)	–	–	–	–	(77,713)
Other capital related	3,793,959	7,611	3,516,821	1,014,541	35,675	3,465,493	3,556,256	–	15,390,356
	110,062,615	102,570,094	72,359,513	239,691,290	871,386	131,554,132	32,316,284	(58,894,906)	630,530,408
Annual surplus (deficit)	$ (53,907,398)	$ (31,532,736)	$ 283,582,519	$ 117,710,337	$ (278,052)	$ 61,416,919	$ 8,455,577	$ 96,284,202	$ 481,731,368

14. Segmented financial information (continued):

A description of the services area for segmented financial 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 and Rescue Service that delivers fire suppression services, rescue services and fire prevention education. The Bylaw and Compliance department provides 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 Transportation and Fleet Management 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 Environmental Services Department. This section also includes the cost of potable water and wastewater services. The collection of waste and recycling materials is also provided by the Environmental Services 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.

14. Segmented financial 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 Services 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, Forestry and Horticulture 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 Development Planning and Policy Planning and Special Programs Departments as it relates to the development of the City through development planning services, policy planning and urban design services.

(h) Corporate transfers:

Corporate transfers revenue is the City's share of earnings in Hydro Vaughan Corporations. The recoveries are the indirect costs for program support. The costs have been allocated to the segment based on a percentage of the total expenses incurred.

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.

15. Budget data:

The budget data presented in these consolidated financial statements is based upon the 2025 operating and capital budgets approved by City Council on December 17, 2024. 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	$ 441,891,899
Water, wastewater and stormwater budget	206,911,705
Capital budget	424,667,277
Less:	
Transfers from other funds	(134,137,118)
Proceeds from debt issue	(27,074,815)
Other adjustments	(2,500,000)
	909,758,948
Expenses:	
Operating budget	441,891,899
Water, wastewater and stormwater budget	206,911,705
Capital budget	424,667,277
Less:	
Transfers to other funds	(71,908,345)
Debt principal payments	(5,270,824)
Other adjustments	(2,500,000)
	993,791,712
Annual deficit	$ (84,032,764)

16. Trust funds:

Trust funds administered by the City amounting to $2,044,356 (2024 - $1,912,990) 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.

17. 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 $112.5 million (for the period 2026 to 2029). The City has also entered into a number of third-party contracts to provide shared services with estimated future recoveries of $44.3 million (for the period 2026 to 2040). Future revenue from lease agreements for City-owned properties is approximately $10.4 million (for the period 2026 to 2108).

18. 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:

2026	$ 62,485,531
2027	46,809,280
2028	32,152,951
2029	24,289,048
2030	12,435,260
Thereafter	15,266,162
	$ 193,438,232

(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, 2025 is $484,953 (2024 - $945,012), is in good standing and no loss has been recognized.

18. Commitments (continued):

(ii) 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, amounts of which are disclosed in note 7.

(iii) for the accumulated sum not exceeding $5.94 million with the Ontario Soccer Dome Inc. and Vaughan Soccer Club Inc. for the development and operations in North Maple Regional Park. The loan balance as at December 31, 2025 is $3,680,875.

(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 related to water billing. The total commitment under the agreement for 2025 was $1.9 million (2024 - $1.8 million) in net charges to the City by Alectra. There is currently an agreement with Alectra to continue services to the end of 2026.

(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 commitments at December 31, 2025 is approximately $387.3 million (2024 - $229.2 million). Expenditures relating to capital works are recorded in the year in which they are incurred and measurable as a result of receipt of goods or services under/or the creation of a legal obligation.

19. 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.

20. Financial instruments and risk management:

(a) Financial instruments classification:

City's financial instruments are reported at cost or amortized cost, except for structured notes which are reported at fair market value and changes in fair market value are reported through the statement of remeasurement gains and losses. For all the other financial instruments, fair market value corresponds closely to cost or amortized cost.

(i) Fair value measurement hierarchy:

All financial instruments must be classified in accordance with the significance of the inputs used in making fair value measurements. The fair value hierarchy prioritizes the valuation techniques used to determine the fair value of a financial instrument based on whether the inputs to those techniques are observable or unobservable:

- Level 1 - fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities using the last bid price;
- Level 2 - fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All of the City's financial instruments are classified as Level 1, including the City's investments in structured notes.

20. Financial instruments and risk management (continued):

(b) Risk management:

The risks associated with the City's financial instruments and policies in managing the risks are as follow:

(i) Credit risk:

Credit risk is the risk of financial loss to the City if a debtor fails to discharge their obligation. The City's primary source of this risk relates to its cash and cash equivalents, investments, taxes receivable, water and sewer billings receivable, and accounts receivable.

The City's exposure to credit risk associated with cash and cash equivalents is assessed as low because the City's cash deposits and cash equivalents are held by Canadian Schedule 1 Chartered banks.

The City's taxes receivable exposure to credit risk is low given that the City has full priority lien status and the ability to collect outstanding property taxes through legislative processes.

The City's investments are risk-managed under the City's investment policy, which operates within the constraints of the investment guidelines issued by the Ontario Municipal Act and specifically Ontario Regulation 438/97. The City's investment policy puts limits on the permitted investments, including portfolio composition, issuer type and credit quality. The City invests in securities that meet the credit rating requirements established under the Ontario Municipal Act and ensures compliance through ongoing monitoring.

20. Financial instruments and risk management (continued):

Accounts receivable primarily comprise amounts due from secure sources, including other levels of government and municipal residents. The City measures its exposure to credit risk based on how long the amounts have been outstanding. An allowance for doubtful accounts is setup based on collection status and assessment for uncertainty. As at December 31, 2025, the outstanding amounts were as follows:

Accounts receivable before allowance	$ 66,235,721
Less allowance for doubtful account	(254,171)
Accounts receivable	$ 65,981,550

Current	$ 64,741,472
31-60 days	535,741
61-90 days	274,865
91-120 days	29,846
Over 120 days	653,797
	66,235,721
Less allowance for doubtful account	(254,171)
Accounts receivable	$ 65,981,550

(ii) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The City's investment policy operates within the constraints of the investment guidelines issued in the Ontario Municipal Act. Diversification techniques are utilized to minimize risk.

20. Financial instruments and risk management (continued):

(iii) Currency risk:

The City's transactions are mainly carried in Canadian dollars. The City is exposed to foreign currency risk between the Canadian dollar and foreign currency with its purchases in U.S. dollars. Financial instruments subject to foreign currency risk include cash and cash equivalents and accounts payable and accrued liabilities. The risk exposure to currency risk is low as there was a limited number of transactions. All financial assets and liabilities are denominated in Canadian dollars.

(iv) Interest rate risk:

Interest rate risk arises from changes in market interest rates which cause the potential financial loss in the fair value of financial instruments. The City is exposed to this risk in its interest-bearing investments, debenture and other debt, and note payable.

The City mitigates its interest rate risk on its debenture and other debt and note payable through fixed interest rates.

The City mitigates its interest rate risk on its investments by buying securities with varying maturities - both short term (one year and less) and long term (greater than one year).

(v) Other price risk:

Other price risk arises when the fair value of equity funds changes due to a decrease in a stock market index or other risk variables. The City is exposed to this risk in its investment in the structured note.

20. Financial instruments and risk management (continued):

(vi) Liquidity risk:

Liquidity risk is the risk associated with the City's inability to meet its financial obligations as they come due. The City mitigates the risk by monitoring cash flows from operations, the expected outflows and financing activities to ensure it has sufficient funds to meet the current and long-term financial liabilities when due.

The table below shows the financial liabilities and its contractual maturities:

	Due within 1 year	Due between 1 - 5 years	Due beyond 5 years	Total
Accounts payable and accrued liabilities	$ 186,062,782	$ 28,194,679	$ –	$ 214,257,461
Debenture and other debt:				
Debt issued by the Region	5,270,824	11,904,072	21,680,806	38,855,702
Term loan - debt payable to YMCA	2,156,893	7,033,680	41,178,719	50,369,292
	$ 193,490,499	$ 47,132,431	$ 62,859,525	$ 303,482,455