

**CITY OF VAUGHAN**

**EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 7, 2016**

Item 1, Report No. 7, of the Finance, Administration and Audit Committee, which was adopted without amendment by the Council of the City of Vaughan on June 7, 2016.

**1                      2015 DRAFT CONSOLIDATED FINANCIAL STATEMENTS**

**The Finance, Administration and Audit Committee recommends:**

- 1)        That the recommendation contained in the following report of the Chief Financial Officer and City Treasurer and the Director of City Financial Services/Deputy Treasurer, dated May 30, 2016, be approved, subject to amending the recommendation to read as follows in accordance with Communication C2, memorandum from the Chief Financial Officer and City Treasurer, dated May 27, 2016:**
  - 1.        That the 2015 Draft Consolidated Financial Statements, Kleinburg Business Improvement Area, Trust Fund Financial Statements and the Statement of Revenue and Expenditures and Fund Balance of the Mayor's Golf and Gala Events (Attachment 1) be approved;**
  - 2.        That the 2015 Draft Vaughan Public Library Board Financial Statements (Attachment 1) be approved subject to approval by the Vaughan Public Library Board;**
  - 3.        That the KPMG Audit Findings Report for the year end December 2015 (Attachment 2), be received;**
- 2)        That the presentation of Mr. Kevin Travers, KPMG, on behalf of the City, be received; and**
- 3)        That Communication C1, memorandum from the Chief Financial Officer/City Treasurer and the Director, Financial Planning & Development Finance/Deputy City Treasurer, dated May 23, 2016, be received.**

**Recommendation**

The Chief Financial Officer and City Treasurer and the Director of City Financial Services/Deputy Treasurer recommend:

- 1.    That the 2015 Draft Consolidated Financial Statements, Vaughan Public Library Board, Kleinburg Business Improvement Area, Trust Fund Financial Statements and the Statement of Revenues and Expenditures and Fund Balance of the Mayor's Golf and Gala Events(Attachment 1) be approved; and**
- 2.    That the KPMG Audit Findings Report for the year ended December 2015 (Attachment 2) be received.**

**Contribution to Sustainability**

The statutory financial statements are a requirement prescribed by the *Municipal Act, 2001* that show the results of operations for the fiscal year and the financial position at the end of the fiscal year.

The objective of the City's financial planning process is to develop a multi-year budget that balances the need to maintain existing services, accommodate growth requirements and undertake corporate initiatives against the City's capacity to fund them. The City's financial management policies and practices are based on best practices to maintain the City's strong financial position.

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#### **Item 1, Finance Report No. 7 – Page 2**

These statutory financial statements illustrate the success of the City of Vaughan in achieving their financial goals and maintaining the City's strong financial position.

#### **Economic Impact**

The statutory financial statements are a requirement of the *Municipal Act, 2001*. Statutory financial statements are prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) for governments as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada. These financial statements illustrate the financial position of the City at the end of the 2015 fiscal year, the results of operations for the 2015 fiscal year, the change in net financial assets and the change in the City's cash flow in 2015 with additional detail provided in the notes to the financial statements. The financial statements are prepared on a different basis than the annual budget.

#### **Communications Plan**

An advertisement will be placed in the local paper when the financial statements are approved by Council. The advertisement will indicate that the 2015 Consolidated Financial Statements and Trust Fund Statement are available for pick up at the City and in addition the financial statements will be published on the City's web page <https://www.vaughan.ca/cityhall/accounting>.

#### **Purpose**

To receive the financial review of the City's 2015 Draft Consolidated Financial Statements, to approve the City's 2015 Draft Consolidated Financial Statements, Vaughan Public Library Board Financial Statements, Kleinburg Business Improvement Area Financial Statements, the Statement of Revenue and Expenditures and Fund Balances of the Mayor's Golf and Gala Events, and the Trust Fund Financial Statements and to receive KPMG's Audit Findings Report for 2015.

#### **Background - Analysis and Options**

The City's Draft Consolidated Financial Statements have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) for governments as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada.

The City's Draft Consolidated Financial Statements incorporate the financial results of

- The City of Vaughan
- Vaughan Public Library Board
- Kleinburg Business Improvement Area
- Hydro Vaughan Corporations

The City's Trust Financial Statements are separate and are not included in the City's consolidated financial results. These statements are not part of the Consolidated Statements because they include assets held in trust by the City for other uses (ie. cemetery perpetual care).

Also included are separate Financial Statements for the Library Board and the Board of Management for the Kleinburg Business Improvement Area as well as a Statement of Revenues and Expenditures and Fund Balance of the Mayor's Gala and Golf Events.

#### **Unqualified Audit Opinion**

The City has received an "unqualified" audit opinion from KPMG on all of the statutory financial statements. This means that we are following all of the rules, and our financial statements present fairly, in all material respects, the financial position of the entity audited as at December

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### EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 7, 2016

#### Item 1, Finance Report No. 7 – Page 3

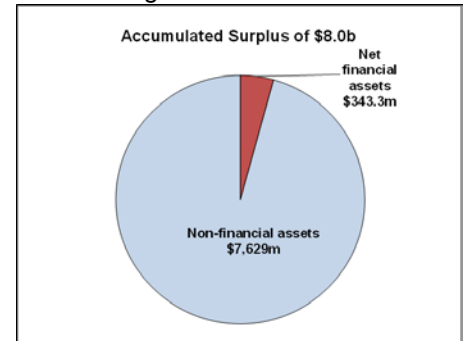
31, 2015 and its results of operations and accumulated surplus, its change in net financial assets and its cash flows for the 2015 year in accordance with public sector accounting standards.

#### **2015 Draft Financial Statements:**

##### Consolidated Statement of Financial Position:

The statement of financial position highlights four key figures that describe the financial position of the City at the financial statement date:

- a) The cash resources of the City are its cash and cash equivalents ending 2015 at \$477.1 m (2014 – \$468.8 m).
- b) The net financial resources/net debt position of the City is calculated as the difference between its financial assets and financial liabilities. Unlike many governments, the City is in a positive net financial resource position at December 31, 2015 of \$343.3m (2014 - \$338.7m).
- c) The non-financial assets of the City are assets that are, by nature, normally for use in the provision of services and include purchased, constructed, contributed, developed or leased tangible capital assets, inventories of supplies, and prepaid expenses. At the end of 2015, the City has non-financial assets totalling \$7.6b (2014 \$7.3b).
- d) The total net assets is the sum of the City's net financial resources and the total non-financial assets and is also called the accumulated surplus (explained below).



##### Consolidated Statement of Financial Activities:

The statement of operations reports the surplus or deficit from operations in the accounting period. The statement displays the revenues that it has recognized in the period, the cost of City services provided and the difference between them. Our annual surplus for 2015 for statutory purposes was \$303.7m (2014 - \$234.8m).

This statement also presents the City's accumulated surplus which is equal to the total net assets on the Statement of Financial Position. The accumulated surplus or deficit of the city is calculated as the sum of the net financial assets (debt) of the City and its non-financial assets and is also calculated by adding the 2015 annual surplus to the 2014 accumulated surplus. The City's Net Asset/Accumulated Surplus position at the end of 2015 is \$8.0b (2014 - \$7.7 b) itemized as follows:

	2015 (\$b)	2014 (\$b)
Investment in tangible capital assets	7.6	7.3
Investment in Hydro Vaughan Corporations	0.4	0.4
Discretionary Reserves	0.2	0.2
Amounts to be recovered in future years	-0.1	-0.1
Other	-0.1	-0.1
	<u>8.0</u>	<u>7.7</u>

## CITY OF VAUGHAN

### **EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 7, 2016**

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##### Consolidated Statement of Change in Net Financial Assets:

The statement of change in net financial assets reports information that is important in understanding changes in the financial assets and liabilities of the City. This measure is displayed by reporting the items that explain the difference between the operating surplus or deficit and the change in net financial assets for the period.

##### Cash Flow:

The statement of cash flow reports the change in cash and cash equivalents in the accounting period, and how the City financed its activities in the period and met its cash requirements. The City cash and cash equivalent position continues to be strong as illustrated below:

	2015 (\$m)	2014 (\$m)
Cash provided by (used in):		
Operating Activities	71.0	117.1
Capital Activities (acquisition & disposal of tangible capital assets)	-55.2	-40.9
Financing Activities (debt incurred and repaid)	-13.4	-4.5
Investment Activities (changes in investment portfolio and hydro)	5.9	28.5
Net Change in Cash	8.3	100.2
Cash, Beginning of the Year	468.8	368.6
Cash, End of the Year	477.1	468.8

##### **Budget Presentation vs. Statutory Presentation**

The City's statutory financial statements are presented in a different manner than the 2016 Budget and 2017-18 Plan.

The statutory financial statements must comply with Provincial Statutory Reporting and use an accrual basis of accounting whereas the Operating, Water and Wastewater and Capital Budgets approved by Council are intended to set tax and utility rates and are prepared on a cash basis of accounting.

The major differences between the two presentations are:

1. The City's 2016 Budget and 2017-18 Plan is developed excluding amortization on tangible capital assets. The statutory financial statements present the net book value of the City's tangible capital assets on the Statement of Financial Position and includes annual amortization to recognize the use of tangible capital assets in the current year in the Statement of Operations and Accumulated Surplus.
2. Council has chosen not to include amortization expense in the tax levy requirements in accordance with *Regulation 284/09 of the Municipal Act, 2001*. The City's Infrastructure Replacement Reserve Contribution Policy requires that a portion of the expected replacement cost of these assets be raised through taxation each year to help smooth out potential large tax increases in the years of replacement.

## CITY OF VAUGHAN

### EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 7, 2016

#### Item 1, Finance Report No. 7 – Page 5

3. The majority of the City's assets are initially funded by the development industry and treated as contributed assets on the City's financial statements. Contributed assets are valued based on construction costs and are recognized in the financial statements as revenue in the year assumption occurs.
4. The City's 2016 Budget and 2017-18 Plan excludes future post-employment benefit costs except for actual post-employment benefit payments as they are funded from taxation. However, post-employment benefits on the statutory financial statements represent the retirement benefits that have accrued over the service life of the City's employees to date but not yet paid. These are expensed over the life of the employees as they render the service. The result is a difference between the budget and the statutory statements due to the gap between the current funding and the liability for post-employment benefits.
5. The City's 2016 Budget and 2017-18 Plan includes dividends paid by the Hydro Corporations to the City. The consolidated financial statements exclude dividends received, but include an equity pickup of the 2015 income based on the percentage holdings of the hydro corporation by the City of Vaughan.

A reconciliation of the major differences between the Consolidated 4<sup>th</sup> Quarter Report ending December 31, 2015 and the Consolidated Statement of Financial Position is provided below:

#### **Reconciliation of the City of Vaughan's PSAB Surplus to Operating Surplus**

<b>2015 City of Vaughan Operating Surplus on Fund Basis - Quarterly Statements</b>	<b>\$</b>	<b>-</b>
<b>Add</b>		
Contributed tangible capital assets		319.6
Water & wastewater revenue		116.8
Other: capital revenues, VBEC		37.0
Share of net earnings of Hydro Vaughan Corporations		11.1
Vaughan Holdings Inc. dividends paid to City of Vaughan		(8.4)
Investment in Hydro Vaughan Corporations		4.0
<b>Less:</b>		
Amortization		(67.9)
Other PSAB Adjustments		(14.9)
Water & wastewater expenditures		(106.8)
Post employment benefits		(6.0)
Other: financing and transfers		19.3
<b>2015 City of Vaughan Annual Surplus on PSAB Basis - Statutory F/S</b>	<b>\$</b>	<b>303.7</b>

#### **Relationship to Term of Council Service Excellence Strategy Map (2014-2018)**

On Sept. 30, 2015, Council approved a refreshed strategic plan. The plan provides a focused set of priorities for the corporation to deliver on our mission of citizens first through service excellence. The refreshed direction is presented in the form of a Service Excellence Strategy Map. The 2015 Draft Consolidated Financial Statements indicate that the City continues to follow sustainable fiscal policies and manage City assets while meeting Council's target tax rates (no greater than 3%).

#### **Regional Implications**

There are no Regional implications associated in the report.

**CITY OF VAUGHAN**

**EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 7, 2016**

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**Conclusion**

The City of Vaughan's 2015 Consolidated Financial Statements, the Financial Statements of the Vaughan Public Library Board, the Board of Management of the Kleinburg Business Improvement Area, the Trust Fund and the Statement of Revenues and Expenditures and Fund Balance of the Mayor's Gala and Golf Events present fairly, in all material respects, the financial position of each entity as at December 31, 2015 and the results of operations and accumulated surplus, the change in net financial assets and the cash flows for each entity for the year ended December 31, 2015 in accordance with public sector accounting standards.

**Attachments**

1. 2015 Draft City Consolidated Financial Statement Package which includes the City's Consolidated Financial Statements, the Vaughan Public Library Board Financial Statements, the Statement of Revenue and Expenditures and Fund Balances of the Mayor's Golf and Gala Events, the Kleinburg Business Improvement Area Financial Statements. Also included, but not incorporated in the City's Consolidated Financial Statements, are the Trust Fund Financial Statements.
2. 2015 Audit Findings Report – KPMG LLP

**Report prepared by:**

Nancy Yates, CPA, CA, BComm  
Accounting Manager

(A copy of the attachments referred to in the foregoing have been forwarded to each Member of Council and a copy thereof is also on file in the office of the City Clerk.)



<b>C 1</b>
<b>COMMUNICATION</b>
FAA - <u>May 30/16</u>
ITEM - <u>1</u>

DATE: MAY 23, 2016

TO: MAYOR AND MEMBERS OF COUNCIL

FROM: LAURA MIRABELLA-SIDDALL, CHIEF FINANCIAL OFFICER/CITY TREASURER  
LLOYD NORONHA, DIRECTOR, FINANCIAL PLANNING & DEVELOPMENT  
FINANCE/DEPUTY CITY TREASURER

RE: FINANCE, ADMINISTRATION AND AUDIT COMMITTEE, ITEM 1

**2015 DRAFT CONSOLIDATED FINANCIAL STATEMENTS**

**Purpose**

The purpose of this communication is to update Council on the actual year end position as of December 31, 2015 versus the budgeted year end position.

**Background – Analysis**

At the April 4, 2016 Finance Administration and Audit Committee (Rpt No. 5, Item 4), staff reported on the City's unaudited financial results for the year ended December 31, 2015. At that time it was reported that 2015 finished in a net overall favourable position of \$0.2 million and that this surplus was transferred to the Winterization reserve. The report noted that this position could change based on the ensuing Audit.

During the Audit, it was identified that \$0.4M of Ice Storm assistance that was originally planned to be received, but not approved by the Ministry of Municipal Affairs and Housing, was not reversed in the accounting system. The City recorded \$10.2M of accounts receivable and received \$9.8M relating to the incremental costs for emergency response and recovery incurred during the 2013 ice storm. As a result, this \$0.4M uncollectible portion of the 2014 estimated receivable has now been reversed.

The following table illustrates the year end position as a result of the final entry to reverse the receivable that will not be collected:

	Unaudited	Audited
<b>Revenue</b>		
YTD Budget	258.7	258.7
YTD Actual	259.1	259.1
Variance	0.4	0.4
%	0.15%	0.15%
<b>Expenditure</b>		
YTD Budget	258.7	258.7
YTD Actual	258.9	259.3
Variance	(0.2)	(0.6)
%	-0.08%	-0.23%
<b>Net fav. / (unfav.) variance</b>	0.2	(0.2)
<b>Reserve Contributions/(Adjustments)</b>	0.2	(0.2)
<b>Surplus/ (Deficit)</b>	0.0	0.0



The reversal results in expenditures finishing the year \$0.6 million greater than plan. As a result, the City's overall financial position is a deficit of \$0.2 million. As the City's position was no longer in a surplus position, the \$0.2 million contribution to the Winterization reserve was reversed and a draw of \$0.2 million from the Working Capital Reserve per the Consolidated Reserve Policy was processed.

### **Conclusion**

At December 31, 2015, the City ended in a balanced position. City operations ended in a \$0.2 million deficit, requiring a draw from the Working Capital Reserve. This margin of deficit is still considered to be a reasonable variance in the context of the overall operating budget.

### **Prepared by:**

Jackie Lee Macchiusi, CPA, CGA  
Senior Manager, Corporate Financial Planning and Analytics

Respectfully submitted,

A handwritten signature in cursive script that reads 'Laura Mirabella-Siddall'.

Laura Mirabella-Siddall, CPA, CA  
Chief Financial Officer/City Treasurer

A handwritten signature in cursive script that reads 'Lloyd Noronha'.

Lloyd Noronha, CPA, CMA  
Director of Financial Planning and Development Finance/Deputy City Treasurer





## memorandum

**DATE:** May 27, 2016  
**TO:** Mayor and Members of Council  
**FROM:** Chief Financial Officer and City Treasurer  
**RE:** **Item 1 – Finance, Administration and Audit Committee – May 30, 2016**  
**2015 Draft Consolidated Financial Statements**  
**Modification to Recommendations**

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<b>C</b> <u>2</u>
<b>COMMUNICATION</b>
<b>FAA -</b> <u>May 30/16</u>
<b>ITEM -</b> <u>1</u>

### Recommendation:

That the recommendations contained in the report of the Chief Financial Officer and City Treasurer and the Director of City Financial Services/Deputy Treasurer be amended to read as follows:

1. That the 2015 Draft Consolidated Financial Statements, Kleinburg Business Improvement Area, Trust Fund Financial Statements and the Statement of Revenue and Expenditures and Fund Balance of the Mayor's Golf and Gala Events (Attachment 1) be approved;
2. That the 2015 Draft Vaughan Public Library Board Financial Statements (Attachment 1) be approved subject to approval by the Vaughan Public Library Board; and
3. That the KPMG Audit Findings Report for the year end December 2015 (Attachment 2) be received.

### Background:

The date of the next Library Board meeting to approve the 2015 financial statements for the Vaughan Public Library Board has not been confirmed. In order to avoid delay in obtaining Council's approval of the respective financial statements set out in the report of the Chief Financial Officer and City Treasurer and the Director of Financial Services/Deputy Treasurer, it is recommended that the recommendations in the report reflect Council's approval of the 2015 Draft Vaughan Public Library Board Financial Statements subject to the approval of those statements by the Library Board. In the unanticipated event that the Library Board modifies the statements in any way, Council would be required to review them once again.

Prepared by:

Nancy Yates CPA, CA, BComm

Respectfully submitted,

Laura Mirabella-Siddall  
Chief Financial Officer/City Treasurer

**2015 DRAFT CONSOLIDATED FINANCIAL STATEMENTS****Recommendation**

The Chief Financial Officer and City Treasurer and the Director of City Financial Services/Deputy Treasurer recommend:

1. That the 2015 Draft Consolidated Financial Statements, Vaughan Public Library Board, Kleinburg Business Improvement Area, Trust Fund Financial Statements and the Statement of Revenues and Expenditures and Fund Balance of the Mayor's Golf and Gala Events(Attachment 1) be approved; and
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**Contribution to Sustainability**

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The objective of the City's financial planning process is to develop a multi-year budget that balances the need to maintain existing services, accommodate growth requirements and undertake corporate initiatives against the City's capacity to fund them. The City's financial management policies and practices are based on best practices to maintain the City's strong financial position.

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**Economic Impact**

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**Communications Plan**

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**Purpose**

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### **Background - Analysis and Options**

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### **Unqualified Audit Opinion**

The City has received an "unqualified" audit opinion from KPMG on all of the statutory financial statements. This means that we are following all of the rules, and our financial statements present fairly, in all material respects, the financial position of the entity audited as at December 31, 2015 and its results of operations and accumulated surplus, its change in net financial assets and its cash flows for the 2015 year in accordance with public sector accounting standards.

### **2015 Draft Financial Statements:**

#### **Consolidated Statement of Financial Position:**

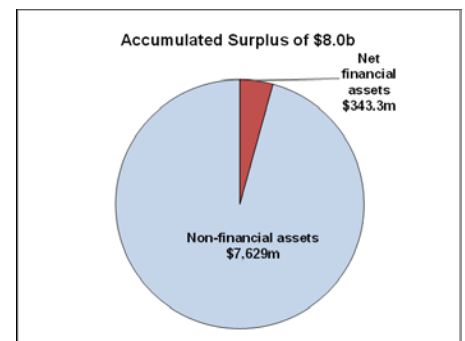
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Cash Flow:

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### **Budget Presentation vs. Statutory Presentation**

The City's statutory financial statements are presented in a different manner than the 2016 Budget and 2017-18 Plan.

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The major differences between the two presentations are:

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5. The City's 2016 Budget and 2017-18 Plan includes dividends paid by the Hydro Corporations to the City. The consolidated financial statements exclude dividends received, but include an equity pickup of the 2015 income based on the percentage holdings of the hydro corporation by the City of Vaughan.

A reconciliation of the major differences between the Consolidated 4<sup>th</sup> Quarter Report ending December 31, 2015 and the Consolidated Statement of Financial Position is provided below:

### **Reconciliation of the City of Vaughan's PSAB Surplus to Operating Surplus**

<b>2015 City of Vaughan Operating Surplus on Fund Basis - Quarterly Statements</b>	<b>\$</b>	<b>-</b>
<b>Add</b>		
Contributed tangible capital assets		319.6
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<b>Less:</b>		
Amortization		(67.9)
Other PSAB Adjustments		(14.9)
Water & wastewater expenditures		(106.8)
Post employment benefits		(6.0)
Other: financing and transfers		19.3
<b>2015 City of Vaughan Annual Surplus on PSAB Basis - Statutory F/S</b>	<b>\$</b>	<b>303.7</b>

### **Relationship to Term of Council Service Excellence Strategy Map (2014-2018)**

On Sept. 30, 2015, Council approved a refreshed strategic plan. The plan provides a focused set of priorities for the corporation to deliver on our mission of citizens first through service excellence. The refreshed direction is presented in the form of a Service Excellence Strategy Map. The 2015 Draft Consolidated Financial Statements indicate that the City continues to follow sustainable fiscal policies and manage City assets while meeting Council's target tax rates (no greater than 3%).

### **Regional Implications**

There are no Regional implications associated in the report.

### **Conclusion**

The City of Vaughan's 2015 Consolidated Financial Statements, the Financial Statements of the Vaughan Public Library Board, the Board of Management of the Kleinburg Business Improvement Area, the Trust Fund and the Statement of Revenues and Expenditures and Fund Balance of the Mayor's Gala and Golf Events present fairly, in all material respects, the financial position of each entity as at December 31, 2015 and the results of operations and accumulated surplus, the change in net financial assets and the cash flows for each entity for the year ended December 31, 2015 in accordance with public sector accounting standards.

### **Attachments**

1. 2015 Draft City Consolidated Financial Statement Package which includes the City's Consolidated Financial Statements, the Vaughan Public Library Board Financial Statements, the Statement of Revenue and Expenditures and Fund Balances of the Mayor's Golf and Gala Events, the Kleinburg Business Improvement Area Financial Statements. Also included, but not incorporated in the City's Consolidated Financial Statements, are the Trust Fund Financial Statements.

2. 2015 Audit Findings Report – KPMG LLP

**Report prepared by:**

Nancy Yates, CPA, CA, BComm  
Accounting Manager

Respectfully submitted,

Laura Mirabella-Siddall  
Chief Financial Officer & City Treasurer

Dean Ferraro  
Director of City Financial Services/Deputy Treasurer

Consolidated Financial Statements of

**THE CORPORATION OF THE  
CITY OF VAUGHAN**

Year ended December 31, 2015



## 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, 2015, 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.

### *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, 2015, 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.

**DRAFT**

Chartered Professional Accountants, Licensed Public Accountants

June 7, 2016  
Toronto, Canada

# THE CORPORATION OF THE CITY OF VAUGHAN

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

December 31, 2015, with comparative information for 2014

	2015	2014
<b>Financial Assets</b>		
Cash and cash equivalents	\$ 477,086,983	\$ 468,805,689
Taxes receivable	41,199,883	37,658,991
Water and sewer billings receivable	17,283,211	19,247,285
Accounts receivable	17,893,807	25,419,067
Investments (note 3)	19,847,806	21,277,130
Investment in Hydro Vaughan Corporations (note 4)	371,108,289	360,517,255
	<u>944,419,979</u>	<u>932,925,417</u>
<b>Financial Liabilities</b>		
Accounts payable and accrued liabilities	112,229,224	119,463,243
Accrued interest on long-term liabilities	214,579	204,826
Employee future benefits (note 5)	98,839,524	92,700,150
Deposits and deferred revenue	22,968,356	23,556,186
Deferred revenue - obligatory reserve funds (note 6)	309,178,328	287,217,244
Debenture and other debt (note 7)	54,385,241	67,768,761
Note payable (note 8)	3,303,523	3,303,523
	<u>601,118,775</u>	<u>594,213,933</u>
Net financial assets	343,301,204	338,711,484
<b>Non-Financial Assets</b>		
Tangible capital assets (note 9)	7,628,327,598	7,330,467,277
Prepaid expenses	1,355,943	102,776
	<u>7,629,683,541</u>	<u>7,330,570,053</u>
Commitments (note 15)		
Contingencies (note 16)		
Subsequent event (note 17)		
Accumulated surplus (note 10)	<u>\$ 7,972,984,745</u>	<u>\$ 7,669,281,537</u>

See accompanying notes to consolidated financial statements.

# THE CORPORATION OF THE CITY OF VAUGHAN

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

Year ended December 31, 2015, with comparative information for 2014

	Budget (note 13) (note 1(o))	2015	2014
Revenue:			
Property taxation	\$ 177,281,069	\$ 176,315,063	\$ 169,670,167
Taxation from other governments	1,500,000	1,442,479	1,441,786
User charges	41,817,790	45,390,370	47,771,813
Water and sewer billings	118,043,561	116,821,822	105,474,555
Government transfers (note 11)	15,585,296	6,787,287	16,890,119
Investment income	3,331,000	4,481,137	5,564,706
Penalties and interest on taxes	5,150,000	5,138,681	5,197,719
Other fees and services	249,050	7,349,071	3,861,777
Contributions from developers	41,684,390	26,985,061	25,811,181
Contributed assets (note 9(b))	–	319,564,543	230,083,624
Hydro Vaughan Corporations (note 4):			
Share of net earnings	7,998,500	11,055,474	6,953,948
Interest on notes receivable	4,700,000	4,717,933	4,717,933
	417,340,656	726,048,921	623,439,328
Expenses:			
General government	27,937,860	32,517,882	31,098,884
Protection to persons and property	68,440,991	69,779,170	73,188,568
Transportation services	57,724,218	67,030,868	73,059,609
Environmental services	156,461,945	153,091,328	137,539,236
Health services	166,934	137,073	182,972
Social and family services	336,047	1,199,782	296,165
Recreational and cultural services	102,564,415	85,271,628	79,231,319
Planning and development	23,512,399	17,306,452	18,147,458
	437,144,809	426,334,183	412,744,211
	(19,804,153)	299,714,738	210,695,117
Adjustment for the increase of the City's equity interest in the net assets of PowerStream Holdings Inc. (note 4)	–	3,988,470	24,153,552
Annual surplus (deficit)	(19,804,153)	303,703,208	234,848,669
Accumulated surplus, beginning of year	7,669,281,537	7,669,281,537	7,434,432,868
Accumulated surplus, end of year	\$ 7,649,477,384	\$ 7,972,984,745	\$ 7,669,281,537

See accompanying notes to consolidated financial statements.

# THE CORPORATION OF THE CITY OF VAUGHAN

## **DRAFT** Consolidated Statement of Change in Net Financial Assets

Year ended December 31, 2015, with comparative information for 2014

	Budget (note 13) (note 1(o))	2015	2014
Annual surplus (deficit)	\$ (19,804,153)	\$ 303,703,208	\$ 234,848,669
Amortization of tangible capital assets	–	67,864,956	65,550,135
Proceeds on disposal of tangible capital assets	–	296,105	1,063,651
Loss on disposal of tangible capital assets	–	9,023,284	5,050,360
Acquisition of tangible capital assets	–	(375,044,666)	(272,031,873)
	(19,804,153)	5,842,887	34,480,942
Use (acquisition) of prepaid expenses	–	(1,253,167)	606
Increase (decrease) in net financial assets	(19,804,153)	4,589,720	34,481,548
Net financial assets, beginning of year	338,711,484	338,711,484	304,229,936
Net financial assets, end of year	\$ 318,907,331	\$ 343,301,204	\$ 338,711,484

See accompanying notes to consolidated financial statements.

# THE CORPORATION OF THE CITY OF VAUGHAN

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

Year ended December 31, 2015, with comparative information for 2014

	2015	2014
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 303,703,208	\$ 234,848,669
Items not involving cash:		
Amortization of tangible capital assets	67,864,956	65,550,135
Loss on disposal of tangible capital assets	9,023,284	5,050,360
Contributed tangible capital assets	(319,564,543)	(230,083,624)
Deduct share of net earnings of Hydro Vaughan Corporations	(11,055,474)	(6,953,948)
Increase of the City's equity interest in the net assets of PowerStream Holdings Inc.	(3,988,470)	(24,153,552)
Change in non-cash assets and liabilities:		
Accounts receivable	7,525,260	(3,237,641)
Accounts payable and accrued liabilities	(7,234,019)	34,242,428
Accrued interest on long-term liabilities	9,753	(53,016)
Prepaid expenses	(1,253,167)	606
Taxes receivable	(3,540,892)	16,628,711
Water and sewer billings receivable	1,964,074	(1,003,060)
Deferred revenue - obligatory reserve funds	21,961,084	16,674,931
Employee future benefits	6,139,374	6,795,011
Deposits and deferred revenue	(587,830)	2,780,289
	70,966,598	117,086,299
Capital activities:		
Proceeds on disposal of tangible capital assets	296,105	1,063,651
Cash used to acquire tangible capital assets	(55,480,123)	(41,948,249)
	(55,184,018)	(40,884,598)
Financing activities:		
Debenture and other debt repaid	(13,383,520)	(9,929,670)
Debenture and other debt incurred	—	5,400,035
	(13,383,520)	(4,529,635)
Investing activities:		
Decrease in investments	1,429,324	35,837,622
Investment in Hydro Vaughan Corporations (note 4)	4,452,910	(7,343,417)
	5,882,234	28,494,205
Increase in cash and cash equivalents	8,281,294	100,166,271
Cash and cash equivalents, beginning of year	468,805,689	368,639,418
Cash and cash equivalents, end of year	\$ 477,086,983	\$ 468,805,689
Supplemental cash flow information:		
Interest paid	\$ 3,006,246	\$ 3,005,991
Interest and dividends received	20,739,297	24,624,011

See accompanying notes to consolidated financial statements.

# THE CORPORATION OF THE CITY OF VAUGHAN

## **DRAFT** Notes to Consolidated Financial Statements

Year ended December 31, 2015

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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

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

Year ended December 31, 2015

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

#### (ii) Investments in government business enterprises:

The City's investments in Hydro Vaughan Energy Corporation, Vaughan Holdings Inc., 1446631 Ontario Inc. and PowerStream Holdings Inc. ("PowerStream"), 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 interorganizational 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 schools 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

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

Year ended December 31, 2015

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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

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

Year ended December 31, 2015

---

### **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 and federal gas tax revenue under a Municipal Funding Agreement with the Association of Municipalities of Ontario for the transfer of federal gas tax revenue. 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 benefits was completed in December 2014, in accordance with the financial reporting guidelines established by PSAB. An actuarial valuation of the WSIB obligation was done as at December 31, 2013.

# THE CORPORATION OF THE CITY OF VAUGHAN

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

Year ended December 31, 2015

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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

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

Year ended December 31, 2015

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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

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

Year ended December 31, 2015

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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 2015 budget figures, as presented in these consolidated financial statements, consist of the operating, capital, and water and wastewater budgets as approved by City Council.

#### (p) Adoption of new accounting policy:

The City adopted PSAB Standard PS 3260, Liability for Contaminated Sites ("PS 3260"), effective January 1, 2015. Under PS 3260, 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. This standard relates to sites that are not in productive use and sites in productive use where an unexpected event resulted in contamination. The City adopted this standard on a retroactive basis and there were no adjustments as a result of the adoption of this standard.

# THE CORPORATION OF THE CITY OF VAUGHAN

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

Year ended December 31, 2015

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

#### (q) Future accounting pronouncements:

These standards and amendments are not yet effective for the year ended December 31, 2015, 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.

PS 3450, Financial Instruments, establishes recognition, measurement and disclosure requirements for derivative and non-derivative financial instruments for public sector entities. The standard requires fair value measurement of derivatives and portfolio investments that are equity instruments quoted in an active market. All other non-derivative financial instruments will be measured at cost or amortized cost. A government can elect to record other financial assets or liabilities on a fair value basis, if they manage and evaluate the asset and liability groups on that basis. Unrealized gains and losses are presented in the new statement of remeasurement gains and losses. New requirements clarify when financial liabilities can be derecognized. Disclosure of the nature and extent of risks arising from holding financial instruments is also required. This section is effective for fiscal years beginning on or after April 1, 2019. Early adoption is permitted.

PS 2601, Foreign Currency Translation, was issued in June 2011 and replaces the existing PS 2600, Foreign Currency Translation. This standard has been revised to ensure consistency with the financial instruments standard. The standard requires that non-monetary items denominated in a foreign currency that are included in the fair value category are adjusted to reflect the exchange rate at the consolidated financial statement date. Unrealized exchange gains and losses are presented in the new statement of remeasurement gains and losses. This section is effective for fiscal years beginning on or after April 1, 2019. Early adoption is permitted.

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

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

Year ended December 31, 2015

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

During 2015, 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 financial statements and are summarized below:

	District school boards	The Region
Property taxes	\$ 284,262,599	\$ 307,759,046
Taxation from other governments	459,869	662,817
Amounts requisitioned and remitted	\$ 284,722,468	\$ 308,421,863

### **3. Investments:**

Investments consist of government and financial institution bonds and have effective interest rates of 3.65% to 5.03% (2014 - 3.65% to 5.03%) with maturity dates from March 5, 2016 to June 30, 2021 (2014 - March 8, 2015 to June 30, 2021). Market value of investments costing \$19,847,806 (2014 - \$21,277,130) is \$20,434,788 (2014 - \$22,234,915) at December 31, 2015.

### **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.

In 2013, the City restructured its holdings in the Hydro Vaughan Corporations. The City of Vaughan ownership of the Hydro Vaughan Corporations is as follows:

	Interest held	
	2015	2014
Vaughan Holdings Inc. (formerly Hydro Vaughan Holdings Inc., including 45.315% share interest in PowerStream)	100%	100%
1446631 Ontario Inc.	100%	100%

# THE CORPORATION OF THE CITY OF VAUGHAN

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

Year ended December 31, 2015

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

Vaughan Holdings Inc. ("VHI") was dissolved as at June 30, 2013. On the same date, VHI transferred the rights to its assets and the assumption of its liabilities to Hydro Vaughan Holdings Inc., which was subsequently renamed Vaughan Holdings Inc. As part of the reorganization, the City of Vaughan transferred 100% of its shareholdings in Hydro Vaughan Energy Corporation to the new Vaughan Holdings Inc. The City of Vaughan retained 100% ownership in 1446631 Ontario Inc.

The shareholders of PowerStream are the City of Vaughan (through its wholly owned subsidiary, Vaughan Holdings Inc.), the City of Markham (through its wholly owned subsidiary, Markham Enterprises Corporation) and the City of Barrie (through its wholly owned subsidiary, Barrie Hydro Holdings Inc.) with share interests of 45.315%, 34.185% and 20.5%, respectively.

PowerStream's authorized share capital is made up of an unlimited number of common shares and an unlimited number of Class A non-voting shares, all of which are without nominal or par value.

On November 1, 2013, an Unanimous Shareholders Agreement was signed between PowerStream and its shareholders, superceding the existing revised Subscription Agreement of PowerStream Inc.

In 2015, PowerStream issued an additional 6,068 common shares for \$15,000,096. The number of shares issued to each shareholder as at December 31, 2015 is as follows:

	2015	2014	Total number of shares
Vaughan Holdings Inc.	2,750	51,181	53,931
Markham Enterprises Corporation	2,074	38,610	40,684
Barrie Hydro Holdings Inc.	1,244	23,154	24,398
	6,068	112,945	119,013

# THE CORPORATION OF THE CITY OF VAUGHAN

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

Year ended December 31, 2015

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

The maximum amount of Class A common shares that are available under a subscription agreement with the shareholders is 100,000. The number of Class A share issued to each shareholder of PowerStream for 2015 and 2014 is as follows:

	2015	2014
Vaughan Holdings Inc.	—	16,088
Markham Enterprises Corporation	—	9,181
Barrie Hydro Holdings Inc.	—	5,505

Total number of Class A common shares as at year end:

	2015	2014
Vaughan Holdings Inc.	45,313	45,313
Markham Enterprises Corporation	34,184	34,184
Barrie Hydro Holdings Inc.	20,500	20,500



# THE CORPORATION OF THE CITY OF VAUGHAN

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

Year ended December 31, 2015

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

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.

	2015	2014
<b>Assets</b>		
Current assets	\$ 257,922,088	\$ 275,869,851
Capital assets	1,125,171,000	1,035,498,000
Investment in joint venture	8,169,000	7,536,000
Other assets	212,650,957	198,024,286
Goodwill	42,605,000	42,543,000
	<u>1,646,518,045</u>	<u>1,559,471,137</u>
<b>Liabilities</b>		
Current liabilities	403,746,641	353,182,311
Long-term debt	347,408,000	347,288,000
Employee future benefits and other liabilities	18,311,000	17,362,000
Promissory note due to the City of Markham	75,451,000	75,451,000
Promissory note due to the City of Barrie	20,000,000	20,000,000
Deferred revenue	138,405,000	120,651,000
Other	17,711,000	16,849,000
	<u>1,021,032,641</u>	<u>950,783,311</u>
Net assets	625,485,404	608,687,826
City of Markham's proportionate share of the net assets of PowerStream	(159,017,381)	(155,137,792)
City of Barrie's proportionate share of the net assets of PowerStream	(95,359,734)	(93,032,779)
City's equity interest in net assets	<u>\$ 371,108,289</u>	<u>\$ 360,517,255</u>

# THE CORPORATION OF THE CITY OF VAUGHAN

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

Year ended December 31, 2015

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

	2015	2014
Revenue	\$ 1,215,810,284	\$ 1,111,987,676
Expenses	1,191,375,031	1,096,769,731
Net earnings	24,435,253	15,217,945
City of Markham's share of the net earnings of PowerStream	(8,364,044)	(5,166,037)
City of Barrie's share of the net earnings of PowerStream	(5,015,735)	(3,097,960)
City's share of net earnings	\$ 11,055,474	\$ 6,953,948

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

	2015	2014
Share capital	\$ 174,397,159	\$ 166,420,219
Notes receivable	84,133,025	84,133,025
Accrued interest on notes receivable	9,902,383	9,902,383
Retained earnings and contributed surplus:		
Opening balance	78,141,667	81,489,405
Net earnings	11,055,474	6,953,948
Less dividends	(9,931,035)	(10,301,686)
Closing balance	79,266,106	78,141,667
Portion of dividends and interest paid from PowerStream retained in Vaughan Holdings Inc.	23,409,616	21,919,961
Equity in Hydro Vaughan Corporations	\$ 371,108,289	\$ 360,517,255

# THE CORPORATION OF THE CITY OF VAUGHAN

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

Year ended December 31, 2015

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

Notes receivable of \$84,133,025 includes an unsecured note receivable from PowerStream in the amount of \$78,236,285, repayable 90 days following demand by the City. The note receivable bears interest at an annual rate of 5.58% and at the City's request, 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 PowerStream.

### **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 \$26,327,509 in 2015 (2014 - \$23,435,468), of which \$13,112,771 (2014 - \$11,597,357) 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 \$983,465 (2014 - \$860,100) 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.

# THE CORPORATION OF THE CITY OF VAUGHAN

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

Year ended December 31, 2015

## 5. Employee future benefits (continued):

### (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 \$5,130,059 (2014 - \$5,120,050).

### (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, 2015 of \$92,726,000 (2014 - \$86,720,000) and the expense for the year ended December 31, 2015 of \$7,339,000 (2014 - \$6,855,000) was determined by actuarial valuation using a discount rate of 4.25% (2014 - 4.25%).

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

	2015	2014
Accrued benefit obligation:		
Balance, end of prior year	\$ 86,720,000	\$ 80,573,000
Actuarial gain	(7,924,000)	(8,601,000)
Service cost	4,488,000	4,305,000
Interest cost	3,511,000	3,227,000
Unamortized actuarial gain	7,264,000	7,924,000
Benefits paid	(1,333,000)	(708,000)
Projected accrued benefit obligation, end of year, as determined by actuarial valuation	\$ 92,726,000	\$ 86,720,000

Components of benefit expense:

	2015	2014
Service cost	\$ 4,488,000	\$ 4,305,000
Interest cost	3,511,000	3,227,000
Amortization of actuarial gain	(660,000)	(677,000)
Benefit expense	\$ 7,339,000	\$ 6,855,000

# THE CORPORATION OF THE CITY OF VAUGHAN

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

Year ended December 31, 2015

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

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

(i) General:

Future general inflation levels measured by changes in the Consumer Price Index ("CPI"), were assumed as 2.0% in 2015 and thereafter.

(ii) Interest (discount) rate:

The discount rate for 2015 corresponds to the assumed CPI rate plus an assumed real rate of return of 2.25% (2014 - 2.25%).

(iii) Salary levels:

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

(iv) Medical costs:

Medical costs were assumed to increase at the CPI rate plus a further increase of 4.70% in 2015 graded down by 0.30% in 2016 and thereafter.

(v) Dental costs:

Dental costs were assumed to increase at the CPI rate plus a further increase of 2.6% thereafter.

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

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

	2015	2014
Post-retirement non-pension benefits	\$ 92,726,000	\$ 86,720,000
Vacation entitlements	5,130,059	5,120,050
WSIB	983,465	860,100
	<b>\$ 98,839,524</b>	<b>\$ 92,700,150</b>

# THE CORPORATION OF THE CITY OF VAUGHAN

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

Year ended December 31, 2015

### 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:

	2015	2014
Recreational land (The Planning Act)	\$ 66,314,933	\$ 56,191,773
Development Charges Act	193,819,217	183,027,621
Sub-divider contributions	9,965,098	9,338,007
Federal gas tax	22,792,894	20,682,401
Building Standards Act	13,710,629	15,279,247
Ontario Roads and Bridges Fund	671,015	688,794
Investing in Ontario Act	1,904,542	2,009,401
	<b>\$ 309,178,328</b>	<b>\$ 287,217,244</b>

Deferred revenue - obligatory reserve funds continuity schedule:

	Opening balance	Received	Recognized as revenue	Other	Closing balance
Recreational land (The Planning Act)	\$ 56,191,773	\$ 10,351,426	\$ (921,157)	\$ 692,891	\$ 66,314,933
Development Charges Act	183,027,621	35,323,512	(26,022,429)	1,490,513	193,819,217
Sub-divider contributions	9,338,007	1,766,509	(1,202,857)	63,439	9,965,098
Federal gas tax	20,682,401	8,347,875	(6,486,712)	249,330	22,792,894
Building Standards Act	15,279,247	—	(1,735,489)	166,871	13,710,629
Ontario Roads and Bridges Fund	688,794	—	(17,779)	—	671,015
Investing in Ontario Act	2,009,401	—	(104,859)	—	1,904,542
	<b>\$ 287,217,244</b>	<b>\$ 55,789,322</b>	<b>\$ (36,491,282)</b>	<b>\$ 2,663,044</b>	<b>\$ 309,178,328</b>

# THE CORPORATION OF THE CITY OF VAUGHAN

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

Year ended December 31, 2015

### **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:

	2015	2014
Debenture debt issued by the Region:		
Serial debt	\$ 35,098,883	\$ 40,426,780
Sinking fund debt	10,086,643	15,419,998
Debt payable to York Major Holdings Inc. for McNaughton Road extension, principal portion	—	282,386
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 \$7,474,096 and \$1,673,752, respectively	9,147,848	11,208,723
Debt payable to Bellshire Woods Estate Inc., principal portion	51,867	151,059
Debt payable to Ventana Homes, principal portion	—	279,815
	<b>\$ 54,385,241</b>	<b>\$ 67,768,761</b>

Debenture and other debt has been approved by bylaw. 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.

In 2005, the City entered into an agreement with York Major Holdings Inc. for the City to pay its share of the construction of the McNaughton Road extension. The obligation is without interest and the last payment was made in 2015. The agreement included \$1,500,000 in development charge credits to be applied against future building permits. Development charge credits of \$769,600 were used in 2015 and there is no future obligation to York Major Holdings Inc.

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 instalments through 2019 as noted below.

# THE CORPORATION OF THE CITY OF VAUGHAN

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

Year ended December 31, 2015

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

In 2011, the City entered into a promissory note agreement with Bellshire Woods Estate Inc. for the City to pay for the annual shelter leasehold improvements. The obligation will bear interest at 6% per annum, calculated monthly. The principal and interest payments are due monthly, with the first payment being made on July 1, 2011 and the last payment to be made on June 1, 2016.

In 2011, the City entered into an agreement with Ventana Homes for the City to pay for the design and construction of a (600/450 mm) diameter sanitary sewer on Dufferin Street, Teston Road and within an easement on City owned lands at the southeast corner of Dufferin Street and Teston Road as a component of the external municipal services for the lands. The obligation is without interest and the last instalment was paid in 2015.

Principal payments in the amount of \$54,365,241, less interest earned on sinking funds, are repayable as follows:

	Block 11 Landowners' Group.	Bellshire Woods Estates Inc.	York Region	Total
2016	\$ 8,701,598	\$ 51,867	\$ 9,301,796	\$ 18,055,261
2017	148,750	—	6,472,994	6,621,744
2018	148,750	—	5,335,897	5,484,647
2019	148,750	—	5,375,897	5,524,647
2020	—	—	4,430,898	4,430,898
2021 - 2024	—	—	9,392,396	9,392,396
Interest on sinking funds	—	—	4,875,648	4,875,648
	\$ 9,147,848	\$ 51,867	\$ 45,185,526	\$ 54,385,241

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

	2015	2014
Principal payments, including contributions to the sinking fund	\$ 13,383,520	\$ 9,929,670
Interest	3,015,999	3,018,119
	\$ 16,399,519	\$ 12,947,789



# THE CORPORATION OF THE CITY OF VAUGHAN

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

Year ended December 31, 2015

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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

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

Year ended December 31, 2015

### 9. Tangible capital assets:

	Cost				Accumulated amortization				Net book value, December 31, 2015
	Balance, beginning of year	Acquisitions	Disposals and adjustments	Balance, end of year	Balance, beginning of year	Amortization	Disposals and adjustments	Balance, end of year	
2015									
Land	\$ 5,159,041,716	\$ 221,903,941	\$ 232,914	\$ 5,380,712,743	\$ —	\$ —	\$ —	\$ —	\$ 5,380,712,743
Land improvements	165,923,500	5,035,204	597,845	170,360,859	68,849,739	5,705,341	467,618	74,087,462	96,273,397
Buildings and building improvements	328,452,736	9,693,651	376,563	337,769,824	98,892,409	10,056,225	272,805	108,675,829	229,093,995
Machinery and equipment	33,793,305	3,215,077	1,968,591	35,039,791	18,403,960	2,977,522	1,940,990	19,440,492	15,599,299
Vehicles	29,041,662	2,343,819	624,062	30,761,419	18,275,585	1,983,119	624,063	19,634,641	11,126,778
Furniture and fixtures	9,703,021	528,381	—	10,231,402	4,546,953	518,859	—	5,065,812	5,165,590
Information technology	4,469,047	1,421,991	279,982	5,611,056	3,204,740	635,239	279,983	3,559,996	2,051,060
Leasehold improvements	3,110,393	—	—	3,110,393	2,140,097	177,239	—	2,317,336	793,057
Roads infrastructure	894,965,279	47,823,574	11,548,161	931,240,692	384,577,520	26,227,774	4,667,439	406,137,855	525,102,837
Water and sewer infrastructure	1,550,123,446	66,543,378	369,655	1,616,297,169	319,850,524	19,583,638	222,348	339,211,814	1,277,085,355
Assets under construction	70,584,699	16,535,650	1,796,862	85,323,487	—	—	—	—	85,323,487
	\$ 8,249,208,804	\$ 375,044,666	\$ 17,794,635	\$ 8,606,458,835	\$ 918,741,527	\$ 67,864,956	\$ 8,475,246	\$ 978,131,237	\$ 7,628,327,598

	Cost				Accumulated amortization				Net book value, December 31, 2014
	Balance, beginning of year	Acquisitions	Disposals and adjustments	Balance, end of year	Balance, beginning of year	Amortization	Disposals and adjustments	Balance, end of year	
2014									
Land	\$ 4,959,449,414	\$ 199,783,189	\$ 190,887	\$ 5,159,041,716	\$ —	\$ —	\$ —	\$ —	\$ 5,159,041,716
Land improvements	159,572,060	6,636,091	284,651	165,923,500	63,823,032	5,250,870	224,163	68,849,739	97,073,761
Buildings and building improvements	323,292,282	6,134,940	974,486	328,452,736	89,600,029	9,910,650	618,270	98,892,409	229,560,327
Machinery and equipment	33,010,155	3,976,278	3,193,128	33,793,305	18,574,412	2,841,220	3,011,672	18,403,960	15,389,345
Vehicles	29,163,746	84,624	206,708	29,041,662	16,412,457	2,069,836	206,708	18,275,585	10,766,077
Furniture and fixtures	9,089,382	710,016	96,377	9,703,021	4,107,271	536,059	96,377	4,546,953	5,156,068
Information technology	5,220,920	524,653	1,276,526	4,469,047	3,785,096	694,783	1,275,139	3,204,740	1,264,307
Leasehold improvements	3,110,393	—	—	3,110,393	1,962,858	177,239	—	2,140,097	970,296
Roads infrastructure	868,709,406	34,302,441	8,046,568	894,965,279	364,936,824	25,177,792	5,537,096	384,577,520	510,387,759
Water and sewer infrastructure	1,513,972,342	36,290,864	139,760	1,550,123,446	301,018,335	18,891,686	59,497	319,850,524	1,230,272,922
Assets under construction	89,729,764	77,544,889	96,689,954	70,584,699	—	—	—	—	70,584,699
	\$ 7,994,319,864	\$ 365,987,985	\$ 111,099,045	\$ 8,249,208,804	\$ 864,220,314	\$ 65,550,135	\$ 11,028,922	\$ 918,741,527	\$ 7,330,467,277

# THE CORPORATION OF THE CITY OF VAUGHAN

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

Year ended December 31, 2015

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### **9. Tangible capital assets (continued):**

#### **(a) Assets under construction:**

Assets under construction having a value of \$85,323,487 (2014 - \$70,584,699) 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 \$23,407,080 (2014 - \$93,956,112).

#### **(b) Contributed tangible capital assets:**

Contributed capital assets have been recognized at fair value at the date of contribution. The value of contributed assets received during the year is \$319,564,543 (2014 - \$230,083,624), comprising land and land improvements of \$223,802,777 (2014 - \$178,769,815), roads infrastructure of \$38,423,454 (2014 - \$19,285,288), water and sewer infrastructure of \$53,361,043 (2014 - \$32,028,521), building and building improvements of \$3,977,269 (2014 - nil) and assets under construction of nil (2014 - nil).

#### **(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

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

Year ended December 31, 2015

### 10. Accumulated surplus (deficit):

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

	2015	2014
Surplus (deficit):		
Investment in tangible capital assets	\$ 7,628,327,598	\$ 7,330,467,277
Amounts to be recovered in future years:		
From future revenue	(115,508,964)	(119,827,214)
From reserves and reserve funds on hand	(22,617,141)	(22,944,390)
Investment in Hydro Vaughan Corporations (note 4)	371,108,289	360,517,255
Other	(105,322,937)	(102,013,400)
	7,755,986,845	7,446,199,528
Reserves set aside for specific purposes by City Council:		
Vehicle replacement	4,805,354	5,009,849
Fire equipment replacement	4,283,564	4,596,184
General working capital	19,587,395	23,685,995
Tax rate stabilization	59,697	1,433,158
Waterworks	48,008,537	45,473,682
Wastewater (sanitary sewers)	46,322,464	43,180,253
Keele Valley landfill	1,623,739	1,543,038
Heritage Fund	2,728,165	2,625,150
Employee benefits	22,617,141	22,944,390
Buildings	19,455,209	17,383,862
Roads infrastructure	7,647,216	7,454,151
Sale of public lands	6,386,789	5,621,027
Parks infrastructure	7,784,572	7,896,552
Winterization	679,738	672,032
Other	12,235,613	11,132,353
Debenture payments	5,958,926	9,534,621
Engineering	2,834,633	7,395,444
Planning	996,663	985,365
City Hall Funding	27,925	25,684
Expenditure reserve	2,954,560	4,489,219
	216,997,900	223,082,009
	\$ 7,972,984,745	\$ 7,669,281,537

# THE CORPORATION OF THE CITY OF VAUGHAN

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

Year ended December 31, 2015

## 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:

	2015	2014
Provincial grants:		
General government	\$ 111,491	\$ –
Protection services	(433,665)	10,227,484
Transportation services	–	(102,866)
Recreation and cultural services	217,097	261,266
Planning and development	312,859	116,827
	207,782	10,502,711
Federal grants:		
General government	3,171	353,836
Transportation services	4,653,878	4,798,953
Environmental services	1,590,928	824,899
Recreation and cultural services	321,528	409,720
Planning and development	10,000	–
	6,579,505	6,387,408
	\$ 6,787,287	\$ 16,890,119

## 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

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

Year ended December 31, 2015

### 12. Segmented Information (continued):

2015	General government	Protection to persons and property	Transportation services	Environmental services	Health, social and family services	Recreation and cultural services	Planning and development	Corporate transfers	Consolidated total
Revenue:									
Property and other taxation	\$ 26,784,022	\$ 26,750,561	\$ 25,696,971	\$ 58,689,132	\$ 512,497	\$ 32,689,754	\$ 6,634,605	\$ —	\$ 177,757,542
User charges	5,323,601	3,209,498	2,275,682	1,828,713	112,135	19,240,325	13,400,416	—	45,390,370
Water and sewer billings	—	—	—	116,821,822	—	—	—	—	116,821,822
Investment income	675,206	674,362	647,802	1,479,508	12,920	824,085	167,254	—	4,481,137
Other fees and services	806,710	307,406	(182,145)	436,381	3,320,242	872,281	1,788,196	—	7,349,071
Government transfers	114,662	(433,665)	4,653,878	1,590,928	—	538,625	322,859	—	6,787,287
Penalties and interest on taxes	774,282	773,315	742,858	1,696,607	14,815	945,008	191,796	—	5,138,681
Contributions from developers	—	414,573	4,037,901	10,055,076	—	11,592,724	884,787	—	26,985,061
Hydro Vaughan Corporations	—	—	—	—	—	—	—	15,773,407	15,773,407
Contributed assets	—	—	—	—	—	—	—	319,564,543	319,564,543
	34,478,483	31,696,050	37,872,947	192,598,167	3,972,609	66,702,802	23,389,913	335,337,950	726,048,921
Expenditures:									
Salaries and benefits	35,743,988	56,566,646	8,247,275	7,971,944	43,140	45,575,162	14,083,816	—	168,231,971
Goods and services	22,126,441	3,989,307	16,805,586	108,752,841	216,877	17,117,031	907,471	—	169,915,554
Long-term debt interest	—	6,371	2,898,281	111,347	—	—	—	—	3,015,999
Other	531,171	100,275	56,822	(44,537)	927,735	811,035	20,653	—	2,403,154
Corporate support allocation	2,478,792	7,370,335	3,139,179	14,631,266	149,103	7,777,544	1,802,348	(37,348,567)	—
Loss on disposal of tangible capital assets	800	(6,192)	7,086,215	1,563,526	—	378,935	—	—	9,023,284
Amortization	5,566,809	1,668,069	27,370,803	20,025,823	—	13,229,669	3,783	—	67,864,956
Other capital related	3,418,448	84,359	1,426,707	79,118	—	382,252	488,381	—	5,879,265
	69,866,449	69,779,170	67,030,868	153,091,328	1,336,855	85,271,628	17,306,452	(37,348,567)	426,334,183
Annual surplus (deficit) before the undernoted	(35,387,966)	(38,083,120)	(29,157,921)	39,506,839	2,635,754	(18,568,826)	6,083,461	372,686,517	299,714,738
Adjustment for the increase of the City's equity interest in the net assets of PowerStream (note 4)	—	—	—	—	—	—	—	3,988,470	3,988,470
Annual surplus (deficit)	\$ (35,387,966)	\$ (38,083,120)	\$ (29,157,921)	\$ 39,506,839	\$ 2,635,754	\$ (18,568,826)	\$ 6,083,461	\$ 376,674,987	\$ 303,703,208

# THE CORPORATION OF THE CITY OF VAUGHAN

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

Year ended December 31, 2015

### 12. Segmented information (continued):

2014	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	\$ 24,803,747	\$ 27,623,970	\$ 28,242,527	\$ 53,316,889	\$ 184,815	\$ 30,112,336	\$ 6,827,669	\$ —	\$ 171,111,953
User charges	9,405,379	3,020,503	2,247,826	1,707,412	139,554	18,087,466	13,163,673	—	47,771,813
Water and sewer billings	—	—	—	105,474,555	—	—	—	—	105,474,555
Investment income	806,639	898,355	918,471	1,733,911	6,010	979,278	222,042	—	5,564,706
Other fees and services	387,318	9,587	10,986	251,932	—	980,921	2,221,033	—	3,861,777
Government transfers	353,836	10,227,484	4,696,087	824,899	—	670,986	116,827	—	16,890,119
Penalties and interest on taxes	753,442	839,109	857,899	1,619,560	5,614	914,696	207,399	—	5,197,719
Contributions from developers	—	1,533,706	11,139,530	2,198,159	—	10,421,599	518,187	—	25,811,181
Hydro Vaughan Corporations	—	—	—	—	—	—	—	11,671,881	11,671,881
Contributed assets	—	—	—	—	—	—	—	230,083,624	230,083,624
	36,510,361	44,152,714	48,113,326	167,127,317	335,993	62,167,282	23,276,830	241,755,505	623,439,328
Expenditures:									
Salaries and benefits	32,858,542	51,827,080	8,228,113	5,801,340	80,334	42,568,197	14,273,986	—	155,637,592
Goods and services	20,604,761	13,018,116	24,613,751	99,532,734	190,492	14,919,491	1,346,978	—	174,226,323
Long-term debt interest	—	—	2,837,040	115,936	—	—	—	—	2,952,976
Other	3,030,285	93,562	222,175	(94,740)	158,850	784,169	15,852	—	4,210,153
Corporate support allocation	2,449,079	7,293,496	3,796,714	12,177,918	49,461	6,562,750	1,748,006	(34,077,424)	—
Loss on disposal of tangible capital assets	129,722	(801,493)	5,054,108	117,038	—	550,985	—	—	5,050,360
Amortization	5,577,473	1,610,612	26,315,370	19,264,987	—	12,777,910	3,783	—	65,550,135
Other capital related	526,446	147,195	1,992,338	624,023	—	1,067,817	758,853	—	5,116,672
	65,176,308	73,188,568	73,059,609	137,539,236	479,137	79,231,319	18,147,458	(34,077,424)	412,744,211
Annual surplus (deficit) before the undernoted	(28,665,947)	(29,035,854)	(24,946,283)	29,588,081	(143,144)	(17,064,037)	5,129,372	275,832,929	210,695,117
Adjustment for the increase of the City's equity interest in the net assets of PowerStream (note 4)	—	—	—	—	—	—	—	24,153,552	24,153,552
Annual surplus (deficit)	\$ (28,665,947)	\$ (29,035,854)	\$ (24,946,283)	\$ 29,588,081	\$ (143,144)	\$ (17,064,037)	\$ 5,129,372	\$ 299,986,481	\$ 234,848,669

# THE CORPORATION OF THE CITY OF VAUGHAN

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

Year ended December 31, 2015

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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 services, 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

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

Year ended December 31, 2015

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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

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

Year ended December 31, 2015

### 13. Budget data:

The audited budget data presented in these consolidated financial statements is based upon the 2015 operating and capital budgets approved by City Council on April 1, 2015. 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	\$ 258,736,947
Water budget	52,708,620
Wastewater budget	66,447,050
Capital budget	92,695,052
Less:	
Transfers from other funds	(48,332,717)
Proceeds from debt issue	(4,010,135)
Hospital levy	7,094,339
Hydro dividends	(7,998,500)
	417,340,656
Expenses:	
Operating budget	258,736,947
Water budget	47,104,968
Wastewater budget	59,244,188
Capital budget	92,695,052
Less:	
Transfers to other funds	(15,657,069)
Debt principal payments	(12,073,616)
Transfer of hospital levy	7,094,339
	437,144,809
Annual deficit	\$ (19,804,153)

### 14. Trust funds:

Trust funds administered by the City amounting to \$586,567 (2014 - \$520,618) 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 financial activities.

# THE CORPORATION OF THE CITY OF VAUGHAN

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

Year ended December 31, 2015

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### **15. Commitments:**

#### (a) Lease and operating commitments:

The City Council has entered into a number of long-term contractual agreements and operating commitments, such as waste collection, snow clearing, etc., obtaining City Council and other approvals as required. For these lease and operating commitments, minimum payments have been estimated to aggregate \$48.3 million over the next five years. Expenses relating to these agreements are recorded in the year in which the payments are made.

#### (b) Loan guarantees:

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

- (i) For the accumulated sum, not exceeding \$2.0 million with the Ontario Soccer Association; and
- (ii) For the accumulated sum, not exceeding \$4.5 million with the Mentena Development Group.

#### (c) Joint services agreement:

Pursuant to a joint service agreement between Powerstream and the City, PowersStream charged the City, at agreed rates, for various administrative functions. In addition, the City performs certain shared services which are charged to PowerStream. The total commitment under the agreement for 2015 is \$1.7 million in charges to the City by PowerStream. A new five-year agreement will be finalized in 2016.

#### (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, 2015 is approximately \$168.8 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.

# THE CORPORATION OF THE CITY OF VAUGHAN

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

Year ended December 31, 2015

---

### **15. Commitments (continued):**

#### (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. 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. This cost will be recovered through a special tax levy of 5.45%.

### **16. Contingencies:**

#### Unsettled legal claims and potential other claims:

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

### **17. Subsequent event:**

Subsequent to year-end on March 24, 2016, the proposed merger of PowerStream with certain utility companies in Ontario was approved by all of the municipality shareholders subject to obtaining final regulatory approval.

***DRAFT #4***  
***May 9, 2016***

Financial Statements of

**THE CORPORATION OF THE  
CITY OF VAUGHAN PUBLIC  
LIBRARY BOARD**

Year ended December 31, 2015

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of The Corporation of the City of Vaughan Public Library Board, which comprise the statement of financial position as at December 31, 2015, the statements of operations and accumulated surplus (deficit), change in net debt 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 Financial Statements*

Management is responsible for the preparation and fair presentation of these 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Corporation of the City of Vaughan Public Library Board as at December 31, 2015, and its results of operations, its changes in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

**DRAFT**

Chartered Professional Accountants, Licensed Public Accountants

# THE CORPORATION OF THE CITY OF VAUGHAN PUBLIC LIBRARY BOARD

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

December 31, 2015, with comparative information for 2014

	2015	2014
<b>Financial Assets</b>		
Cash	\$ 3,714	\$ 3,603
Due from the City of Vaughan	28,465	144,231
	<u>32,179</u>	<u>147,834</u>
<b>Financial Liabilities</b>		
Accounts payable and accrued liabilities	90,561	157,527
Employee future benefits (note 2(b))	6,257,000	6,181,000
Deferred revenue	24,495	1,138
	<u>6,372,056</u>	<u>6,339,665</u>
Net debt	(6,339,877)	(6,191,831)
<b>Non-Financial Assets</b>		
Prepaid expenses	82,877	10,831
Tangible capital assets (note 3)	6,338,062	6,115,438
	<u>6,420,939</u>	<u>6,126,269</u>
Accumulated surplus (deficit) (note 4)	\$ 81,062	\$ (65,562)

See accompanying notes to financial statements.

# THE CORPORATION OF THE CITY OF VAUGHAN PUBLIC LIBRARY BOARD

## ***DRAFT*** Statement of Operations and Accumulated Surplus (Deficit)

Year ended December 31, 2015, with comparative information for 2014

	Budget 2015 (note 5)	Actual 2015	Actual 2014
Revenue:			
Municipal contributions for operations	\$ 12,996,287	\$ 14,216,999	\$ 13,990,223
Province of Ontario grants	145,200	213,985	146,544
Fees, rental and sundry	320,500	308,523	285,934
	13,461,987	14,739,507	14,422,701
Expenses:			
Salaries and wages	9,254,867	8,716,737	8,123,550
Employee benefits	2,019,620	1,999,545	1,728,944
General administration	631,430	626,322	568,496
Maintenance and repairs	504,990	535,265	418,638
Periodicals	303,800	376,677	329,531
Utilities	338,750	314,104	285,546
Office furniture and technology	176,930	195,527	293,817
Cleaning services	110,500	94,525	90,314
Programmes	50,300	54,215	52,854
Supplies	48,800	47,536	42,998
Consulting and outside services	22,000	2,327	17,409
Amortization of tangible capital assets (note 3)	—	1,630,103	1,582,827
	13,461,987	14,592,883	13,534,924
Annual surplus	—	146,624	887,777
Accumulated deficit, beginning of year	(65,562)	(65,562)	(953,339)
Accumulated surplus (deficit), end of year	\$ (65,562)	\$ 81,062	\$ (65,562)

See accompanying notes to financial statements.



# THE CORPORATION OF THE CITY OF VAUGHAN PUBLIC LIBRARY BOARD

## ***DRAFT*** Statement of Change in Net Debt

Year ended December 31, 2015, with comparative information for 2014

	2015	2014
Annual surplus	\$ 146,624	\$ 887,777
Prepaid expenses	(72,046)	10,264
Acquisition of tangible capital assets	(1,852,727)	(2,444,604)
Amortization of tangible capital assets	1,630,103	1,582,827
Decrease (increase) in net debt	(148,046)	36,264
Net debt, beginning of year	(6,191,831)	(6,228,095)
Net debt, end of year	\$ (6,339,877)	\$ (6,191,831)

See accompanying notes to financial statements.

# THE CORPORATION OF THE CITY OF VAUGHAN PUBLIC LIBRARY BOARD

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

Year ended December 31, 2015, with comparative information for 2014

	2015	2014
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 146,624	\$ 887,777
Items not involving cash:		
Amortization of tangible capital assets	1,630,103	1,582,827
Increase in employee future benefits	76,000	(26,000)
Change in non-cash assets and liabilities:		
Accounts payable and accrued liabilities	(66,966)	(70,250)
Prepaid expenses	(72,046)	10,264
Due from the City of Vaughan	115,766	80,878
Deferred revenue	23,357	(32,646)
	1,852,838	2,432,850
Capital activities:		
Purchase of tangible capital assets	(1,852,727)	(2,444,604)
Increase (decrease) in cash	111	(11,754)
Cash, beginning of year	3,603	15,357
Cash, end of year	\$ 3,714	\$ 3,603

See accompanying notes to financial statements.

# THE CORPORATION OF THE CITY OF VAUGHAN PUBLIC LIBRARY BOARD

## ***DRAFT*** Notes to Financial Statements

Year ended December 31, 2015

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

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

The financial statements of The Corporation of the City of Vaughan Public Library Board (the "Library") are prepared in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada.

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

Revenue and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as they become available and measurable; expenses are the cost of goods and services and are recognized when acquired in the year, whether or not payments have been made or invoices received.

#### **(c) Non-financial assets:**

##### **(i) Tangible capital assets:**

Tangible capital assets are non-financial assets having physical substance that are not generally available to the Library for use in discharging its existing liabilities and are held for use in the provision of services. These assets are significant economic resources that are not intended for sale in the ordinary course of business and have an estimated useful life that extends beyond the current year.

# THE CORPORATION OF THE CITY OF VAUGHAN PUBLIC LIBRARY BOARD

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

Year ended December 31, 2015

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

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, are amortized on a straight-line basis over their estimated useful lives as follows:

---

Books	7 years
Audiovisual materials	7 years
Furniture and fixtures	10 years
Equipment	5 - 10 years

---

#### (ii) Contributions of tangible capital assets:

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

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

The Library does not own any notable works of art and historical treasures at its branches. Typically, these assets are deemed worthy of preservation because of the social rather than financial benefits that they provide to the community. The historic costs of art and treasures are not determinable or relevant to their significance; hence, a valuation is not assigned to these assets nor would they be disclosed of in the financial statements.

#### (iv) 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.

# THE CORPORATION OF THE CITY OF VAUGHAN PUBLIC LIBRARY BOARD

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

Year ended December 31, 2015

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

#### (v) Land and buildings:

The land and buildings that the Library uses are owned by The Corporation of the City of Vaughan and are not recorded as tangible capital assets in the Library's financial statements.

#### (d) Government transfers:

Government transfers are recognized in the 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.

#### (e) Deferred revenue:

Contributions for which the related expenses have not been incurred are recorded as deferred revenue and recognized as revenue in the year in which the related expenses are incurred.

#### (f) Vacation entitlements:

Vacation entitlements, which have been earned but are untaken, form part of the employee future benefits in these financial statements.

#### (g) Pension and post-retirement non-pension benefits:

The Library 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 Library actuarially determines the cost of the post-retirement non-pension benefits using the projected benefit method prorated on service and based on management's best estimated assumptions. Under this method, the projected post-retirement non-pension benefit is deemed to be earned on a pro rata basis over the years of service in the attribution period commencing at date of hire, and ended at the earliest age the employee could retire and qualify for benefits. Compensated absence and termination benefits that do not vest or accumulate are recognized as an expense when the event occurs.

# THE CORPORATION OF THE CITY OF VAUGHAN PUBLIC LIBRARY BOARD

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

Year ended December 31, 2015

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

#### (h) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the year. Significant estimates include assumptions used in estimating provisions for accrued liabilities, and in performing actuarial valuations of employee future benefits.

In addition, the Library's implementation of the PSAB Section 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.

#### (i) Presentation of budget information:

The Library completes an operating budget review each year. The approved budget figures for 2015 are reflected on the statement of operations and accumulated surplus (deficit) and in note 5. Actual revenue and expenses may differ significantly from annual budgets.

### **2. Employee future benefits:**

#### (a) Pensions:

The Library 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 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 \$1,483,000 in 2015 (2014 - \$1,340,902), of which \$741,500 (2014 - \$670,451) represented the Library's portion.

# THE CORPORATION OF THE CITY OF VAUGHAN PUBLIC LIBRARY BOARD

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

Year ended December 31, 2015

### **2. Employee future benefits (continued):**

#### **(b) Post-retirement non-pension benefits:**

The Library 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 rendered the services.

The projected benefit obligation for active employees and retirees at December 31, 2015 of \$5,916,000 (2014 - \$5,881,000) and the expense for the year ended December 31, 2015 of \$118,000 (2014 - \$23,000) was determined by actuarial valuation using a discount rate of 4.25% (2014 - 4.25%).

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

	2015	2014
Accrued benefit obligation:		
Balance, beginning of year	\$ 5,881,000	\$ 5,915,000
Actuarial loss	(2,645,000)	(2,941,000)
Service	194,000	186,000
Interest	144,000	133,000
Unamortized actuarial gain	2,425,000	2,645,000
Benefits paid	(83,000)	(57,000)
Projected accrued benefit obligation, end of year, as determined by actuarial valuation	\$ 5,916,000	\$ 5,881,000
Components of benefit expense:		
Service	\$ 194,000	\$ 186,000
Interest	144,000	133,000
Amortization of actuarial loss	(220,000)	(296,000)
Benefit expense	\$ 118,000	\$ 23,000

# THE CORPORATION OF THE CITY OF VAUGHAN PUBLIC LIBRARY BOARD

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

Year ended December 31, 2015

### 2. Employee future benefits (continued):

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

	2015	2014
Post-retirement non-pension benefits	\$ 5,916,000	\$ 5,881,000
Vacation pay	341,000	300,000
	<b>\$ 6,257,000</b>	<b>\$ 6,181,000</b>

### 3. Tangible capital assets:

Cost	Balance, December 31, 2014	Additions	Disposals	Balance, December 31, 2015
Books	\$ 7,040,060	\$ 1,016,063	\$ 922,324	\$ 7,133,799
Audiovisual materials	3,312,400	542,997	377,602	3,477,795
Furniture and fixtures	1,550,982	284,615	—	1,835,597
Equipment	773,549	9,052	—	782,601
<b>Total</b>	<b>\$ 12,676,991</b>	<b>\$ 1,852,727</b>	<b>\$ 1,299,926</b>	<b>\$ 13,229,792</b>

Accumulated amortization	Balance, December 31, 2014	Amortization expense	Disposals	Balance, December 31, 2015
Books	\$ 3,308,882	\$ 1,012,418	\$ 922,324	\$ 3,398,976
Audiovisual materials	1,510,838	485,014	377,602	1,618,250
Furniture and fixtures	1,256,969	48,569	—	1,305,538
Equipment	484,864	84,102	—	568,966
<b>Total</b>	<b>\$ 6,561,553</b>	<b>\$ 1,630,103</b>	<b>\$ 1,299,926</b>	<b>\$ 6,891,730</b>



# THE CORPORATION OF THE CITY OF VAUGHAN PUBLIC LIBRARY BOARD

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

Year ended December 31, 2015

### 3. Tangible capital assets (continued):

Net book value	2015	2014
Books	\$ 3,734,823	\$ 3,731,178
Audiovisual materials	1,859,545	1,801,562
Furniture and fixtures	530,059	294,013
Equipment	213,635	288,685
Total	\$ 6,338,062	\$ 6,115,438

### 4. Accumulated surplus (deficit):

Accumulated surplus (deficit) consists of the following:

	2015	2014
Surplus invested in tangible capital assets (note 3)	\$ 6,338,062	\$ 6,115,438
Unfunded employee benefits (note 2)	(6,257,000)	(6,181,000)
	\$ 81,062	\$ (65,562)

### 5. Budget information:

The audited budget information presented in these financial statements is based upon the 2015 operating and capital budgets approved by the Library on September 18, 2014. 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 financial statements.

	Budget amount
Revenue:	
Approved operating budget	\$ 13,461,987
Approved capital budget	36,227,754
	49,689,741
Less eliminate capital expense budget	36,227,754
Total revenue and expense	\$ 13,461,987

***DRAFT #3***  
***May 6, 2016***

Financial Statements of

**BOARD OF MANAGEMENT FOR  
THE KLEINBURG BUSINESS  
IMPROVEMENT AREA**

Year ended December 31, 2015

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Board of Management for the Kleinburg Business Improvement Area, which comprise the statement of financial position as at December 31, 2015, the statements of operations and accumulated surplus, changes 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 Financial Statements*

Management is responsible for the preparation and fair presentation of these 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Board of Management for the Kleinburg Business Improvement Area as at December 31, 2015, and its results of operations, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

**DRAFT**

Chartered Professional Accountants, Licensed Public Accountants

June 7, 2016  
Toronto, Canada

# BOARD OF MANAGEMENT FOR THE KLEINBURG BUSINESS IMPROVEMENT AREA

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

December 31, 2015, with comparative information for 2014

	2015	2014
<b>Financial Assets</b>		
Cash	\$ 29,568	\$ 15,487
<b>Financial Liabilities</b>		
Accounts payable and accrued liabilities	7,066	1,951
Net financial assets	22,502	13,536
<b>Non-Financial Assets</b>		
Prepaid expenses	10,113	11,757
Commitment (note 3)		
Accumulated surplus	\$ 32,615	\$ 25,293

See accompanying notes to financial statements.

# BOARD OF MANAGEMENT FOR THE KLEINBURG BUSINESS IMPROVEMENT AREA

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

Year ended December 31, 2015, with comparative information for 2014

	Budget 2015	Actual 2015	Actual 2014
Revenue:			
Kleinburg Business Improvement			
Area special area levy	\$ 40,000	\$ 40,000	\$ 40,000
Event dollars raised	13,674	23,263	16,389
	53,674	63,263	56,389
Expenses:			
Advertising and marketing	37,000	27,559	34,685
Special events	2,860	17,977	8,114
Christmas decoration replacement	8,000	5,655	—
Website management	—	565	1,895
Insurance	1,500	1,474	1,445
Donation	—	1,948	6,147
Miscellaneous	4,314	763	625
	53,674	55,941	52,911
Annual surplus	—	7,322	3,478
Accumulated surplus, beginning of year	25,293	25,293	21,815
Accumulated surplus, end of year	\$ 25,293	\$ 32,615	\$ 25,293

See accompanying notes to financial statements.

# BOARD OF MANAGEMENT FOR THE KLEINBURG BUSINESS IMPROVEMENT AREA

## ***DRAFT*** Statement of Changes in Net Financial Assets

Year ended December 31, 2015, with comparative information for 2014

	Budget 2015	Actual 2015	Actual 2014
Net financial assets, beginning of year	\$ 13,536	\$ 13,536	\$ 5,346
Annual surplus, being change in net financial assets	–	7,322	3,478
Acquisition and use of prepaid expenses	–	1,644	4,712
Net financial assets, end of year	\$ 13,536	\$ 22,502	\$ 13,536

See accompanying notes to financial statements.

# BOARD OF MANAGEMENT FOR THE KLEINBURG BUSINESS IMPROVEMENT AREA

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

Year ended December 31, 2015, with comparative information for 2014

	2015	2014
Cash provided by (used in):		
Operations:		
Annual surplus	\$ 7,322	\$ 3,478
Change in prepaid expenses	1,644	4,712
Change in accounts payable and accrued liabilities	5,115	1,951
Increase in cash	14,081	10,141
Cash, beginning of year	15,487	5,346
Cash, end of year	\$ 29,568	\$ 15,487

See accompanying notes to financial statements.

# BOARD OF MANAGEMENT FOR THE KLEINBURG BUSINESS IMPROVEMENT AREA

## ***DRAFT*** Notes to Financial Statements

Year ended December 31, 2015

---

### **1. Nature of operations:**

The Board of Management for the Kleinburg Business Improvement Area (the "Board") was established by a City of Vaughan bylaw dated May 28, 1984. The principal purpose of the Board is to provide for beautification, maintenance and promotion of the Kleinburg Business Improvement Area.

The Board may not borrow money, and without the prior approval of Municipal Council, may not incur indebtedness beyond the current year.

### **2. Significant accounting policies:**

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

The financial statements of the Board are prepared by management in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

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

Revenue and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as they become available and measurable; expenses are the costs of goods or services and are recognized when acquired in the year, whether or not payments have been made or invoices received.

#### **(c) Government transfers:**

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



# BOARD OF MANAGEMENT FOR THE KLEINBURG BUSINESS IMPROVEMENT AREA

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

Year ended December 31, 2015

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

### (d) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

### (e) Budget information:

The audited budget information presented in these financial statements is based on the budget approved by City Council on October 20, 2015.

## **3. Commitment:**

During 2015, the Board entered into a contract to purchase marketing services. Total payments due under the terms of this contract in 2016 are \$14,133.

***DRAFT #1***  
***May 6, 2016***

Financial Statements of

**THE CORPORATION OF THE CITY OF  
VAUGHAN TRUST FUNDS**

Year ended December 31, 2015

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of The Corporation of the City of Vaughan Trust Funds, which comprise the statement of financial position as at December 31, 2015, the statement of financial activities and changes in fund balance for the year then ended, and note, comprising a summary of significant accounting policies and other explanatory information.

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

Management is responsible for the preparation and fair presentation of these 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Corporation of the City of Vaughan Trust Funds as at December 31, 2015, and its results of operations and its changes in fund balance for the year then ended in accordance with Canadian public sector accounting standards.

**DRAFT**

Chartered Professional Accountants, Licensed Public Accountants

June 7, 2016  
Toronto, Canada

# THE CORPORATION OF THE CITY OF VAUGHAN TRUST FUNDS

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

December 31, 2015, with comparative information for 2014

	2015	2014
<b>Financial Assets</b>		
Cash	\$ 526,189	\$ 450,357
Due from The Corporation of the City of Vaughan	60,378	70,261
	<b>\$ 586,567</b>	<b>\$ 520,618</b>
<b>Fund Balance</b>		
	<b>\$ 586,567</b>	<b>\$ 520,618</b>
	<b>\$ 586,567</b>	<b>\$ 520,618</b>

See accompanying note to financial statements.

# THE CORPORATION OF THE CITY OF VAUGHAN

## TRUST FUNDS

### ***DRAFT*** Statement of Financial Activities and Changes in Fund Balance

Year ended December 31, 2015, with comparative information for 2014

		2015	2014
	Cemetery perpetual care	Total	Total
Sources of funds:			
Capital receipts - sale of plots/markers	\$ 65,949	\$ 65,949	\$ 75,928
Interest earned	5,571	5,571	5,666
	71,520	71,520	81,594
Use of funds:			
Maintenance	5,571	5,571	5,666
Net activity	65,949	65,949	75,928
Fund balance, beginning of year	520,618	520,618	444,690
Fund balance, end of year	\$ 586,567	\$ 586,567	\$ 520,618

See accompanying note to financial statements.

# THE CORPORATION OF THE CITY OF VAUGHAN TRUST FUNDS

***DRAFT*** Note to Financial Statements

Year ended December 31, 2015

---

**1. Significant accounting policies:**

(a) General:

These financial statements reflect the fund balance and operations of the trust funds administered by The Corporation of the City of Vaughan (the "City").

The City administers the Perpetual Care Trust Fund in accordance with the provisions of the Cemeteries Act of Ontario.

(b) Basis of accounting:

Capital receipts and withdrawals on the statement of financial activities and changes in fund balance are reported on the cash basis of accounting. Other items are reported on an accrual basis.

***DRAFT #3***  
***May 6, 2016***

Statement of Revenue and Expenditures and  
Fund Balance of

**THE CORPORATION OF THE  
CITY OF VAUGHAN**  
MAYOR'S GALA AND GOLF EVENTS

Year ended December 31, 2015

## INDEPENDENT AUDITORS' REPORT

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

We have audited the statement of revenue and expenditures and fund balance of the Mayor's Gala and Golf Events, and notes, comprising significant accounting policies and other explanatory information for the year ended December 31, 2015 for The Corporation of the City of Vaughan. The financial statement has been prepared by management in accordance with the basis of accounting in note 1 to the financial statement.

### *Management's Responsibility for the Financial Statement*

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the basis of accounting in note 1 to the financial statement; this includes determining that the basis of accounting is an acceptable basis for the preparation of this financial statement in the circumstances, and for such internal control as management determines is necessary to enable the preparation of the financial statement that is free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

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



*Basis for Qualified Opinion*

In common with many events run by charitable organizations, the Mayor's Gala and Golf Events derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of revenue was limited to the amounts recorded in the records of the Mayor's Gala and Golf Events. Therefore, we were not able to determine whether, as at and for the years ended December 31, 2015 and December 31, 2014, any adjustments might be necessary to revenue, total surplus from Mayor's Gala Event and Mayor's Golf Tournament, and fund balance, end of year reported in the statement of revenue and expenditures and fund balance. This caused us to qualify our audit opinion on the financial statements as at and for the year ended December 31, 2014.

*Qualified Opinion*

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial information in the statement of revenue and expenditures and fund balance is prepared, in all material respects, in accordance with the basis of accounting in note 1 to the financial statement.

*Basis of Accounting*

Without modifying our opinion, we draw attention to note 1 to the financial statement, which describes the basis of accounting. The financial statement is prepared for information purposes only. As a result, the financial statement may not be suitable for another purpose.

**DRAFT**

Chartered Professional Accountants, Licensed Public Accountants

June 7, 2016  
Toronto, Canada

# THE CORPORATION OF THE CITY OF VAUGHAN

## MAYOR'S GALA AND GOLF EVENTS

### ***DRAFT*** Statement of Revenue and Expenditures and Fund Balance

Year ended December 31, 2015, with comparative information for 2014

	2015	2014
<b>Mayor's Gala Event</b>		
Revenue:		
Revenue received by City, net of harmonized sales tax	\$ 491,930	\$ 578,763
Expenditures:		
Mayor's Gala Event	139,842	151,765
City administration recovery (note 2)	48,468	47,030
Professional fees	38,581	63,404
	<u>226,891</u>	<u>262,199</u>
Surplus from Mayor's Gala Event	265,039	316,564
<b>Mayor's Golf Tournament</b>		
Revenue:		
Revenue received by City, net of harmonized sales tax	210,066	202,327
Expenditures:		
Mayor's Golf Tournament	68,759	81,866
Professional fees	2,671	4,395
	<u>71,430</u>	<u>86,261</u>
Surplus from Mayor's Golf Tournament	138,636	116,066
Total surplus from Mayor's Gala Event and Mayor's Golf Tournament	403,675	432,630
Balance carried forward from previous years	459,669	27,040
Total funds available for distribution	863,344	459,670
City distributions to qualified recipients (note 3)	587,350	—
Fund balance, end of year	<u>\$ 275,994</u>	<u>\$ 459,670</u>

See accompanying notes to statement of revenue and expenditures and fund balance.

# THE CORPORATION OF THE CITY OF VAUGHAN

## MAYOR'S GALA AND GOLF EVENTS

### ***DRAFT*** Notes to Statement of Revenue and Expenditures and Fund Balance

Year ended December 31, 2015

---

**1. Basis of accounting:**

The financial statement is prepared by management in a manner consistent with Canadian generally accepted accounting principles ("GAAP") for governments as recommended by the Public Sector Accounting Board. Management has interpreted GAAP to be the recognition and measurement principles for Public Sector Accounting Standards in the Chartered Professional Accountants of Canada Handbook. Recognition and measurement principles relate specifically to revenue and expenditures, and not the presentation principles or the presentation of all the financial statements and note disclosures required by Public Sector Accounting Standards for a complete set of financial statements.

**2. City administration recovery:**

The Corporation of the City of Vaughan charges the Mayor's Gala and Golf Events a set amount as recovery of internal labour costs spent on administering the Mayor's Gala and Golf Events.

**3. City distributions to qualified recipients:**

Under a resolution by City Council, recipients for the net proceeds raised from the Mayor's Gala and Golf Events include, but are not limited to, Vaughan based charities, not-for-profit organizations, community groups and disaster relief assistance. During 2015, distributions were made to these qualified recipients.



cutting through complexity

AUDIT

# The Corporation of the City of Vaughan

**Audit Findings Report**  
**For year ended December 31, 2015**

*KPMG LLP*

Chartered Professional Accountants,  
Licensed Public Accountants

April 28, 2016

[kpmg.ca](http://kpmg.ca)



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At KPMG, we are **passionate** about earning your **trust**. We take deep **personal accountability**, individually and as a team, to deliver **exceptional service and value** in all our dealings with you.

At the end of the day, we measure our success from the **only perspective that matters – yours.**

# Executive summary

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## Purpose of this report\*

The purpose of this Audit Findings Report is to assist you, as a member of the City's Finance and Administration Committee, in your review of the results of our audit of the consolidated financial statements (the "financial statements") of the Corporation of the City of Vaughan ("the City") as at and for the year ended December 31, 2015.

We appreciate the assistance of management and staff in conducting our audit. We trust that this audit findings report is of assistance to you, and we look forward to discussing our findings and answering your questions.

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## Changes from the Audit Plan

There have been no significant changes regarding our audit from the Audit Planning Report previously provided to management.

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## Finalizing the audit

As of April 28, 2016, we have completed the audit of the City's financial statements, with the exception of certain remaining procedures, which include amongst others:

- Receipt of a bank confirmation.
- Receipt of signed management representation letters (to be signed upon City Council approval of the consolidated and related entity financial statements);
- Updating our discussions regarding subsequent events, including receipt of the final legal enquiry letter;
- Completing our discussions with the Finance and Administration Committee; and
- Obtaining evidence of City Council's approval of the financial statements.

We will update you on significant matters, if any arising from the completion of the audit, including the completion of the above procedures. Our auditors' report will be dated upon the completion of any remaining procedures.

---

## Adjustments and differences

We identified two adjustments that were communicated to management and subsequently corrected in the financial statements.

*See page 11.*

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## Critical accounting estimates

Overall, we are satisfied with the reasonability of critical accounting estimates.

We believe management's process for identifying critical accounting estimates and developing estimates for these balances to be adequate. We did not identify any indicators of possible management bias.

Accounting estimates are disclosed as such in note 1(n) to the financial statements.

\* This Audit Findings Report should not be used for any other purpose or by anyone other than the Finance and Administration Committee. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this Audit Findings Report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

# Audit risks and results

Inherent risk of material misstatement is the susceptibility of a balance or assertion to misstatement which could be material, individually or when aggregated with other misstatements, assuming that there are no related controls.

## Significant financial reporting risks

## Our significant findings from the audit

Fraud risk from revenue recognition

This is a presumed fraud risk. The risk resides with development charges revenue, particularly with respect to revenue recognition on an accrual basis and cut-off of fiscal periods.

In order to address the presumed fraud risk from revenue recognition, we performed various audit procedures over the City's process for recognizing development charges revenue, including:

- Evaluated the design and implementation and tested the operating effectiveness of selected relevant controls, including those relating to the tracking and reporting of capital project expenditures.

Other audit procedures included:

- Tested development charges cash receipts and their deferral.
- Obtained the deferred revenue continuity schedule and selected samples for testing to determine if the original development charges received in prior years were used to fund capital expenditures in the current year and in accordance with the appropriate legislation. Based on our procedures, we conclude that the development charges recorded as revenue in fiscal 2015 were used to fund capital projects.
- Review recognition considerations for the other revenue streams.
- We did not identify any issues related to fraud risk associated with revenue recognition.

Risk of management override of controls

This is a presumed fraud risk. As the risk is not rebuttable, our audit methodology incorporated the required procedures in professional standards to address this risk.

These procedures included:

- Testing of journal entries and other adjustments
- Performing a retrospective review of significant estimates
- Evaluating the business rationale of significant unusual transactions.

We did not identify any issues or concerns regarding management override of controls.

# Areas of audit focus and results

Significant findings from the audit regarding other areas of focus are as follows:

Areas of focus	Our significant findings from the audit
Investment in Hydro Vaughan Corporations	<ul style="list-style-type: none"> <li>• The City recognizes its investment in Hydro Vaughan Corporations using the modified equity method.</li> <li>• We reviewed the criteria under Public Sector Accounting Standards ("PSA Standards") PS 3070 – Investment in Government Business Enterprises and noted the City's investment in Hydro Vaughan Corporations continues to meet all criteria of the section and therefore it is appropriate to continue to record the investment using the modified equity method of accounting.</li> <li>• Summary of transactions affecting investment in share capital:             <ul style="list-style-type: none"> <li>• During the 2015 year, the City increased its share capital in Vaughan Holdings Inc. ("VHI") through the purchase of \$6.8M of common shares.</li> <li>• Through VHI, the City also increased its share capital in PowerStream through the purchase of \$6.8M of common shares.</li> <li>• VHI received a \$2.8M capital dividend from PowerStream, which was recorded as a reduction to VHI's investment in PowerStream. Similarly, VHI issued a capital dividend, also for \$2.8M to the City, which reduced the City's investment in Hydro Vaughan Corporations under the modified equity method.</li> </ul> </li> <li>• We reviewed the VHI Board minutes documenting each share purchase and issuance, verified the transactions between each of the respective entities, and performed a reconciliation of the amounts reported in the financial statements of the City, VHI, and PowerStream.</li> <li>• Relevant note disclosure describing the additional equity investments are included in note 4 of the City's financial statements.</li> <li>• As PowerStream is considered a significant component of the City, and as PowerStream is audited by another firm of Chartered Professional Accountants, professional standards require that we review the audit working papers of the significant component auditor. This has taken place with no issues noted following our review.</li> <li>• Based on the work performed, KPMG concludes that management has appropriately reflected its investment in Hydro Vaughan Corporations using modified equity accounting in accordance with PS 3070 for fiscal 2015.</li> </ul>



#### Areas of focus

#### Our significant findings from the audit

##### Employee Future Benefits

- Included in employee future benefits that are provided by the City, which will require funding in future periods, are post-retirement non-pension benefits and WSIB.
- The post-retirement non-pension benefits include certain health, dental and life insurance benefits for retired employees. The WSIB benefits include benefits under the Workplace Safety and Insurance Board Act.
- The liability of these future benefits has been determined by two separate actuarial valuations:
  - For post-retirement non-pension benefits, a full actuarial valuation was performed in 2014 for the 3 years of 2014 to 2016.
  - For WSIB, a valuation was performed in 2013 for the 3 years of 2013 to 2015 and updated in 2014. The projected liability for 2015 based on the last valuation report was used to adjust the liability in the current year.
- Post-retirement non-pension benefits:
  - We reviewed the 2014 actuarial valuation report obtained in the prior year, which remains relevant as the valuation was not required to be updated in the current year. We obtained written confirmation from management's experts, the actuaries, and performed an evaluation of the competence, capabilities, and objectivity of the actuaries, as required by professional standards when using their work as audit evidence.
  - Our procedures included an assessment of management's estimates and assumptions used in determining the valuation of the liability. Please refer also to page 8 for our comments on accounting estimates.
- We did not note any issues and we find the measurement and disclosures of post-retirement non-pension benefits liability to be appropriate.

# Accounting estimates

Management is required to disclose information in the consolidated financial statements about the assumptions it makes about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to carrying amounts of assets and liabilities within the next financial year. Generally, these are considered to be “accounting estimates.”

We have summarized our assessment of the subjective areas.

We believe management’s process for identifying accounting estimates is considered adequate.

Estimate	KPMG comments
Contingent liabilities	<ul style="list-style-type: none"> <li>PSA Standard – PS 3300 Contingent Liabilities requires that the City recognize a liability when “...it is likely that a future event will confirm that a liability has been incurred at the date of the financial statements; and the amount can be reasonably estimated.”</li> <li>At any point in time, the City is subject to a number of matters which could potentially result in the determination of a contingent liability as defined above, including, but not limited to matters such as legal claims, contract settlement accruals, etc.</li> <li>We reviewed the City’s assessments of contingent liabilities and the process employed to develop and record the estimated liabilities. Where applicable, we met with the individuals responsible for the process and we are satisfied that the methodology used is consistent with the approach taken in prior years and has been appropriately reviewed.</li> <li>As these items are resolved, it is possible that the final amounts recorded for these liabilities may change, however the amounts currently recorded represent management’s best estimates of exposure given the information presently available.</li> </ul>
Ontario Ice Storm Assistance Program	<ul style="list-style-type: none"> <li>In the prior year financial statements, the City recorded \$10.2M of accounts receivable from the Ministry of Municipal Affairs and Housing (the “Ministry”) under the Province of Ontario’s Ice Storm Assistance Program (the Program).</li> <li>The receivable was related to incremental costs for emergency response and recovery incurred during the 2013 ice storm. At the time that the receivable was recorded and the 2014 financial statements were finalized, this amount represented an estimate with its realization dependant on the Ministry’s approval of the claimed amount.</li> <li>During the current year, we reviewed the letter from the Ministry confirming the approved amount of funds to be transferred under the Program and vouched to cash receipt. The amount approved and received was \$9.8M, which is \$0.4M less than the amount initially recorded.</li> <li>The uncollectible portion of the 2014 estimated receivable had not been reversed therefore we proposed an adjustment, which was corrected by management and reflected in the draft financial statements. Please see page 11.</li> </ul>

Estimate	KPMG comments
Employee future benefits	<ul style="list-style-type: none"> <li>• As described on page 6, the liability for employee future benefits provided by the City is actuarially determined, which requires management's best estimates over certain economic and demographic assumptions. For example, estimates and assumptions include the inflation rate, discount rate, benefit cost trend rates, retirement age and expected average remaining service life. The main actuarial assumptions are described in note 5 to the financial statements.</li> <li>• We performed an assessment of management's estimates and assumptions and we obtained an update letter from the actuary confirming that there were no significant changes to the methods and assumptions used in the 2014 valuation report for the December 31, 2015 fiscal year.</li> <li>• We did not find any issues with management's estimates and assumptions.</li> </ul>
Amortization expense	<ul style="list-style-type: none"> <li>• We have also reviewed the estimated useful lives of the various additions, including transfers from work in progress, to tangible capital assets and conclude that they are reasonable.</li> <li>• Fiscal 2015 amortization expense was recalculated and it was determined that management's calculation of the amortization expense was appropriate.</li> </ul>

# Other matters

Professional standards require us to communicate Other Matters to City Council, such as those relating to the City's related parties, compliance with new accounting standards, and other significant items encountered during the audit.

We have highlighted below other significant matters that we would like to bring to your attention:

Matter	KPMG comments
Subsequent event PowerStream merger	<ul style="list-style-type: none"> <li>At a special Vaughan City Council meeting October 7, 2015, the City approved a transaction that will see PowerStream merge with hydro-electric distribution companies Enersource and Horizon Utilities and an acquisition of Hydro One Brampton Networks Inc.</li> <li>Vaughan and other municipal shareholders have approved the proposed merger subsequently on March 24, 2016.</li> <li>The proposed merger is still pending regulatory approval by the Ontario Energy Board ("OEB").</li> <li>Based on the proposed merger, the City would own 20.8% of the merged entity.</li> </ul>
Contaminated sites	<ul style="list-style-type: none"> <li>A new standard has been issued establishing a standard for the recognition of liabilities for contaminated sites (PS 3260 Liability for Remediation of Contaminated Sites). This standard is effective for fiscal years beginning on or after April 1, 2014.</li> <li>The fiscal year ended December 31, 2015 is the first year that this standard is applicable to the City. Management elected to adopt the standard on a prospective basis.</li> <li>The standard requires that a liability for remediation of contaminated sites be recognized if the local government is directly responsible, or accepts responsibility, for the remediation, and it is expected that future economic benefits will be given up and a reasonable estimate of the amount can be made.</li> <li>This would only impact the City if a property was determined to be a contaminated site that requires remediation.</li> <li>We reviewed management's policy and methodology to ensure compliance with PS 3260, including review of the City's policy over identification, recognition and measurement of contaminated sites liability for the years ended December 31, 2014 and 2015, and review of City Council meeting minutes to ensure completeness of the contaminated sites inventory.</li> <li>We reviewed the work performed by the City's Environmental Engineer, discussed significant assumptions with management, and inspected supporting documentation to determine if a liability exists under the contaminated sites standard.</li> <li>It was determined by management that a financial liability does not exist with respect to PS 3260. Based on our assessment of the work performed by management, we concur with management's assessment.</li> </ul>

# Performance improvements

During the course of our audit of the financial statements of the City, we have identified an observation that we believe may be of interest to the Finance and Administration Committee. Our observations may include comments on risks, and management's approach to those risks, performance improvement observations or other sector trends and developments. These observations are based on, among other things, our understanding of the affairs and processes of the City, as well as our understanding of many other municipalities and organizations in the same or other sectors.

Observations and insights	
<b>Vaughan Holdings Inc. share certificates</b>	<ul style="list-style-type: none"> <li>• During the current year audit and in prior years, we noted that share certificates have not consistently been issued from VHI to the City, despite numerous share issuances made.</li> <li>• The absence of official share certificates can lead to uncertainty as to the accuracy of historical books and records.</li> <li>• We understand that the City, on behalf of VHI, is working with an external law firm to update the official share register and to create share certificates where appropriate.</li> <li>• We recommend that management continue to work with the external law firm to put into place all share subscription paperwork by the end of 2016 and continue to update the share register on a timely basis going forward.</li> </ul> <p>Management Response:</p> <ul style="list-style-type: none"> <li>• Management will continue to work with an external law firm to ensure that all share subscription paperwork is updated and in place in 2016. Further, all future updates will be completed in a timely manner.</li> </ul>

# Adjustments and differences

Adjustments and differences identified during the audit have been categorized as Corrected “adjustments” or Uncorrected “differences.” These include disclosure adjustments and differences.

Professional standards require that we request of management and the Finance and Administration Committee that all identified adjustments or differences be corrected. We have already made this request of management.

## Corrected adjustments

Attachment II to the management’s representation letter, provided at the end of this report, includes all misstatements identified as a result of the audit, communicated to management and subsequently corrected in the financial statements.

We would like to highlight, however, the following adjustments recorded in the draft financial statements. Amounts below are reported in thousands:

	Income effect	Financial Position		Accumulated surplus
Description	Increase (Decrease)	Assets Increase (Decrease)	Liabilities Increase (Decrease)	Increase (Decrease)
To record asset under construction and accrued liability.	-	967	(967)	-
To reverse the uncollectible portion of 2014 estimated Ice-Storm Receivable, discussed on page 7.	(434)	(434)	-	-
<b>Total</b>	<b>(434)</b>	<b>533</b>	<b>(967)</b>	<b>-</b>

## Uncorrected differences

We did not identify misstatements that remain uncorrected.

# Appendices

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**Appendix 1: Required communications**

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**Appendix 2: Independence**

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**Appendix 3: Audit Quality and Risk Management**

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**Appendix 4: Background and professional standards**

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**Appendix 5: Data & Analytics in the Audit**

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**Appendix 6: Current developments**

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# Appendix 1: Required communications

In accordance with professional standards, there are a number of communications that are required during the course of and upon completion of our audit. These include:

- **Auditors' report** – the conclusion of our audit is set out in our draft auditors' report.
- **Management representation letter** –In accordance with professional standards, a copy of the management representation letter are provided to the Finance and Administration Committee. The management representation letter is attached at the end of this report.



## Appendix 2: Independence

KPMG maintains a system of quality control designed to reflect our drive and determination to deliver independent, unbiased advice and opinions, and also meet the requirements of Canadian professional standards.

We have prepared the following comments to facilitate our discussion with you regarding independence matters arising since our last annual independence letter dated May 25, 2015.

The following summarizes the professional services rendered by us to the City from January 1, 2015 to April 28, 2016:

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### Description of professional services

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Audit of the annual financial statements of:

- The Corporation of the City of Vaughan
- The Corporation of the City of Vaughan Public Library Board
- Board of Management for the Kleinberg Business Improvement Area
- Trust Funds
- Hydro Vaughan Corporations:
  - Vaughan Holdings Inc.
  - Hydro Vaughan Energy Corporation
  - 1446631 Ontario Inc.
- The Corporation of the City of Vaughan Mayor's Gala and Golf Events

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Tax:

- Income tax compliance services for the Hydro Vaughan Corporations
  - Indirect tax advisory services for the Corporation of the City of Vaughan
- 

Professional standards require that we communicate the related safeguards that have been applied to eliminate identified threats to independence or to reduce them to an acceptable level. Although we have policies and procedures to ensure that we did not provide any prohibited services and to ensure that we have not audited our own work, we have applied the following safeguards related to the threats to independence listed above:

- We instituted policies and procedures to prohibit us from making management decisions or assuming responsibility for such decisions
- We obtained management's acknowledgement of responsibility for the results of the work performed by us regarding non-audit services, and we have not made any management decisions or assumed responsibility for such decisions.

# Appendix 3: Audit Quality and Risk Management

KPMG maintains a system of quality control designed to reflect our drive and determination to deliver independent, unbiased advice and opinions, and also meet the requirements of Canadian professional standards.

Quality control is fundamental to our business and is the responsibility of every partner and employee. The following diagram summarises the six key elements of our quality control systems.

Visit <http://www.kpmg.com/Ca/en/services/Audit/Pages/Audit-Quality-Resources.aspx> for more information.

- Other controls include:
  - Before the firm issues its audit report, the Engagement Quality Control Reviewer reviews the appropriateness of key elements of publicly listed client audits.
  - Technical department and specialist resources provide real-time support to audit teams in the field.
- We conduct regular reviews of engagements and partners. Review teams are independent and the work of every audit partner is reviewed at least once every three years.
- We have policies and guidance to ensure that work performed by engagement personnel meets applicable professional standards, regulatory requirements and the firm's standards of quality.
- All KPMG partners and staff are required to act with integrity and objectivity and comply with applicable laws, regulations and professional standards at all times.



- We do not offer services that would impair our independence.
- The processes we employ to help retain and develop people include:
  - Assignment based on skills and experience;
  - Rotation of partners;
  - Performance evaluation;
  - Development and training; and
  - Appropriate supervision and coaching.
- We have policies and procedures for deciding whether to accept or continue a client relationship or to perform a specific engagement for that client.
- Existing audit relationships are reviewed annually and evaluated to identify instances where we should discontinue our professional association with the client.

# Appendix 4: Background and professional standards

## Internal control over financial reporting

As your auditors, we are required to obtain an understanding of internal control over financial reporting (ICFR) relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on internal control. Accordingly, we do not express an opinion on the effectiveness of internal control.

Our understanding of ICFR was for the limited purpose described above and was not designed to identify all control deficiencies that might be significant deficiencies and therefore, there can be no assurance that all significant deficiencies and other control deficiencies have been identified. Our awareness of control deficiencies varies with each audit and is influenced by the nature, timing, and extent of audit procedures performed, as well as other factors.

The control deficiencies communicated to you are limited to those control deficiencies that we identified during the audit.

## Documents containing or referring to the audited financial statements

We are required by our professional standards to read only documents containing or referring to audited financial statements and our related auditors' report that are available through to the date of our auditors' report. The objective of reading these documents through to the date of our auditors' report is to identify material inconsistencies, if any, between the audited financial statements and the other information. We also have certain responsibilities, if on reading the other information for the purpose of identifying material inconsistencies, we become aware of an apparent material misstatement of fact.

We are also required by our professional standards when the financial statements are translated into another language to consider whether each version, available through to the date of our auditors' report, contains the same information and carries the same meaning.

# Appendix 5: Data & Analytics in Audit

## Turning data into value

KPMG continues to make significant investments in our Data & Analytics (D&A) capabilities to help enhance audit quality and provide actionable insight to our clients by unlocking the rich information that businesses hold.

When D&A is applied to the audit, it enables us to test complete data populations and understand the business reasons behind outliers and anomalies. Advancements in D&A tools allow us to analyze data at more granular levels, focusing on higher risk areas of the audit and developing insights you can then leverage to improve compliance, potentially uncover fraud, manage risk and more.

## KPMG is enhancing the audit

The combination of our proven industry experience, technical know-how and external data allows us to focus our audit on the key business risks, while providing relevant insights of value to you.

### FOR THE AUDIT

#### AUDIT QUALITY

- Automated testing of 100% of the population
- Focuses manual audit effort on key exceptions and identified risk areas

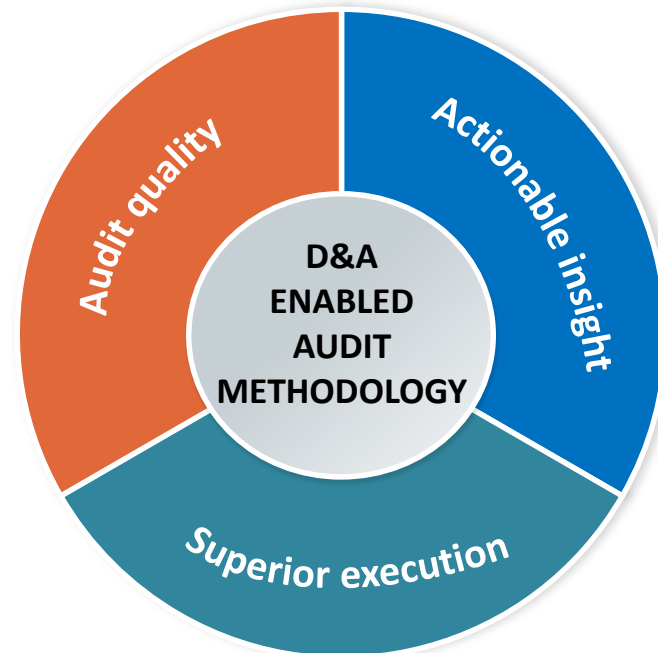
### FOR YOUR BUSINESS

#### ACTIONABLE INSIGHT

- Helping you see your business from a different perspective
- How effectively is your organization using your systems?

## Data & Analytics in the audit

- We utilized data & analytics in the 2015 audit to test manual and automated journal entries by extracting all journal entries recorded in the general ledger system.
- Based on our extractions, we were able to focus our testing on specific risk sub-populations. From these risk areas, we selected a sample of journal entries and verified if they were supported by proper documentation and followed the journal entry initiation and approval controls and process in place.
- We did not find any exceptions in our testing over journal entries.



## Appendix 6: Current developments

The following is a summary of the current developments that are relevant to the Municipality:

Standard	Summary and implications
PS Introduction	<p>This standard provides the standards to be followed by government partnerships. Government business partnerships (with all public sector partners) are to follow the standards applicable to publicly accountable entities in Part I of the <i>CPA Canada Handbook Accounting</i>. Non-business government partnerships with only government partners can choose either PSA Standards or the standards applicable to publicly accountable entities in Part I of the <i>CPA Canada Handbook Accounting</i>. Government partnerships that have one or more private sector partners should use the standards determined by the partners. This section also requires government organizations that meet the new definition of government components to apply the PSA Standards.</p> <p>This standard is effective for fiscal periods beginning on or after January 1, 2017 (the City's December 31, 2017 year end).</p>
PS 3210 Assets	<p>This standard provides a definition of assets and further expands that definition as it relates to control. Assets are defined as follows:</p> <ul style="list-style-type: none"> <li>• They embody future economic benefits that involve a capacity, singly or in combination with other assets, to provide goods and services, to provide future cash inflows, or to reduce cash outflows.</li> <li>• The public sector entity can control the economic resource and access to the future economic benefits.</li> <li>• The transaction or event giving rise to the public sector entity's control has already occurred.</li> </ul> <p>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.</p> <p>This standard is effective for fiscal periods beginning on or after April 1, 2017 (the City's December 31, 2018 year end).</p>
PS 3320 Contingent Assets	<p>This standard defines contingent assets. They have two basis characteristics:</p> <ul style="list-style-type: none"> <li>• An existing condition or situation that is unresolved at the financial statement date.</li> <li>• An expected future event that will resolve the uncertainty as to whether an asset exists.</li> </ul> <p>The standard also has specific disclosure requirements for contingent assets when the occurrence of the confirming event is likely.</p> <p>This standard is effective for fiscal periods beginning on or after April 1, 2017 (the City's December 31, 2018 year end).</p>

Standard	Summary and implications
PS 3380 Contractual Rights	<p>This standard defines contractual rights to future assets and revenue. Information about a public sector entity's contractual rights should be disclosed in notes or schedules to the financial statements and should include descriptions about their nature and extent and the timing. The standard also indicates that the exercise of professional judgment would be required when determining contractual rights that would be disclosed. Factors to consider include, but are not limited to:</p> <ul style="list-style-type: none"> <li>(a) contractual rights to revenue that are abnormal in relation to the financial position or usual business operations; and</li> <li>(b) contractual rights that will govern the level of certain type of revenue for a considerable period into the future.</li> </ul> <p>This standard is effective for fiscal periods beginning on or after April 1, 2017 (the City's December 31, 2018 year end).</p>
PS 2200 Related Party Disclosures	<p>This standard relates to related party disclosures and defines related parties. Related parties could be either an entity or an individual. Related parties exist when one party has the ability to control or has shared control over another party. Individuals that are key management personnel or close family members may also be related parties. Disclosure is only required when the transactions or events between related parties occur at a value different from what would have been recorded if they were not related and the transactions could have a material financial impact on the financial statements. Material financial impact would be based on an assessment of the terms and conditions underlying the transaction, the financial materiality of the transaction, the relevance of the information and the need for the information to enable the users to understand the financial statements and make comparisons.</p> <p>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 has been recognized.</p> <p>This standard is effective for fiscal periods beginning on or after April 1, 2017 (the City's December 31, 2018 year end).</p>
PS 3430 Restructuring Transactions	<p>A restructuring transaction in the public sector differs from an acquisition as they generally include either no or nominal payment. It also differs from a government transfer as the recipient would be required to assume the related program or operating responsibility.</p> <p>The standard requires that assets and liabilities are to be measured at their carrying amount. It also prescribes financial statement presentation and disclosure requirements.</p> <p>This standard is effective for fiscal periods beginning on or after April 1, 2018 (the City's December 31, 2019 year end).</p>
PS 3420 Inter-entity Transactions	<p>This standard relates to the measurement of related party transactions and includes a decision tree to support the standard.</p> <p>Transactions are recorded at carrying amounts with the exception of the following:</p> <ul style="list-style-type: none"> <li>• In the normal course of business – use exchange amount</li> <li>• Fair value consideration – use exchange amount</li> <li>• No or nominal amount – provider to use carrying amount; recipient choice of either carrying amount or value fair.</li> <li>• Cost allocation – use exchange amount</li> </ul> <p>This standard is effective for fiscal periods beginning on or after April 1, 2017 (the City's December 31, 2018 year end).</p>

Standard	Summary and implications
PS 3450 Financial Instruments	<p>A standard has been issued, establishing a standard on accounting for and reporting all types of financial instruments including derivatives. The effective date of this standard has recently been deferred and it is now effective for fiscal periods beginning on or after April 1, 2019 (the City's December 31, 2020 year-end).</p> <p>Implications: This standard will require the City to identify any contracts that have embedded derivatives and recognize these on the consolidated statement of financial position at fair value. Portfolio investments in equity instruments are required to be recorded at fair value. Changes in fair value will be reported in a new financial statement – statement of remeasurement gains and losses. This standard sets out a number of disclosures in the financial statements designed to give the user an understanding of the significance of financial instruments to the City. These disclosures include classes of financial instruments and qualitative and quantitative risk disclosures describing the nature and extent of risk by type. The risks to be considered include credit, currency, interest rate, liquidity, and market risk.</p>
Revised Standard PS 2601 Foreign Currency Translation	<p>A revised standard has been issued establishing standards on accounting for and reporting transactions that are denominated in a foreign currency.</p> <p>The effective date of this standard has been deferred and is effective for fiscal periods beginning on or after April 1, 2019 (the City's December 31, 2020 year-end). Earlier adoption is permitted. An entity early adopting this standard must also adopt the new financial instruments standard.</p> <p>Implications: Exchange gains and losses arising prior to settlement are recognized in a new statement of remeasurement gains and losses.</p>

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Yonge Corporate Centre  
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Canada

June 7, 2016

Ladies and Gentlemen:

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the consolidated financial statements (hereinafter referred to as "financial statements") of the Corporation of the City of Vaughan ("the Entity") as at and for the year ended December 31, 2015.

We confirm that the representations we make in this letter are in accordance with the definitions as set out in **Attachment I** to this letter.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

**GENERAL:**

- 1) We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated November 5, 2015, for:
  - a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework
  - b) providing you with all relevant information, such as all financial records and related data and complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of members of City Council and committees of City Council that may affect the financial statements, and access to such relevant information
  - c) such internal control as management determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error
  - d) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements. Accordingly, there are no unrecorded transactions or side agreements (either written or oral) undisclosed to you.
  - e) identifying and ensuring that the Entity complies with the laws and regulations applicable to its activities.
- 2) The Entity has satisfactory title to all owned assets and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral, except as disclosed in the financial statements.
- 3) We have no knowledge of any plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

**INTERNAL CONTROL OVER FINANCIAL REPORTING:**

- 4) We have communicated to you all deficiencies in the design and implementation or maintenance of internal control over financial reporting of which management is aware.

**FRAUD & NON-COMPLIANCE WITH LAWS AND REGULATIONS:**

- 5) We have disclosed to you:
  - a) the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud



- b) all information in relation to fraud or suspected fraud that we are aware of and that affects the Entity and involves: management, employees who have significant roles in internal control, or others, where the fraud could have a material effect on the financial statements
- c) all information in relation to allegations of fraud, or suspected fraud, affecting the Entity's financial statements, communicated by employees, former employees, analysts, regulators, or others
- d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements, whose effects should be considered when preparing financial statements
- e) all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements
- f) all information in relation to communications from regulatory or governmental authorities or others concerning non-compliance with, or deficiencies in, financial reporting practices that could have a material effect on the financial statements.

#### **COMMITMENTS & CONTINGENCIES:**

- 6) There are no:
  - a) other liabilities that are required to be recognized and no other contingent assets or contingent liabilities that are required to be disclosed in the financial statements in accordance with the relevant financial reporting framework, including liabilities or contingent liabilities arising from illegal acts or possible illegal acts, or possible violations of human rights legislation.
  - b) guarantees, whether written or oral, under which the Entity is contingently liable.

#### **SUBSEQUENT EVENTS:**

- 7) All events subsequent to the date of the financial statements and for which the relevant financial reporting framework requires adjustment or disclosure in the financial statements have been adjusted or disclosed.

#### **RELATED PARTIES:**

- 8) We have disclosed to you the identity of the Entity's related parties.
- 9) We have disclosed to you all the related party relationships and transactions/balances of which we are aware.
- 10) All related party relationships and transactions/balances have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.
- 11) We have no knowledge of any relationship or transaction with related parties that have not been properly accounted for, or adequately disclosed.
- 12) We have provided you with all information concerning related party transactions and amounts receivable from or payable to related parties, including support for any assertion that a transaction with a related party was conducted on terms equivalent to those prevailing in an arm's-length transaction.

#### **ESTIMATES:**

- 13) Measurement methods and significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- 14) Significant estimates, which could change materially within the near term, and all areas of measurement uncertainty have been properly recorded or disclosed in the financial statements.

#### **NON-SEC REGISTRANTS OR NON-REPORTING ISSUERS:**

- 15) We confirm that the Entity is not a Canadian reporting issuer (as defined under any applicable Canadian securities act) and is not a United States Securities and Exchange Commission ("SEC") Issuer (as defined by the Sarbanes-Oxley Act of 2002). We also confirm that the financial statements of the Entity will not be included in the consolidated financial statements of a Canadian reporting issuer audited by KPMG or an SEC Issuer audited by any member of the KPMG organization.

## **EXPERTS/SPECIALISTS:**

- 16) The information provided by us to Collins Barrow and Morneau Shepell ("the experts") and used in the work and findings of the experts are complete and accurate. We agree with the findings of the experts in evaluating employee future benefits, including WSIB, and have adequately considered the qualifications of the experts in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give nor cause any instructions to be given to the experts with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence and objectivity of the experts.

## **MISSTATEMENTS:**

- 17) We approve the corrected misstatements identified by you during the audit described in **Attachment II**.

Yours very truly,

THE CORPORATION OF THE CITY OF VAUGHAN

---

By: Ms. Laura Mirabella-Siddall, Chief Financial Officer and City Treasurer

---

By: Mr. Dean Ferraro, Director of Financial Services and Deputy Treasurer

I have the recognized authority to take, and assert that I have taken, responsibility for the financial statements

cc: Finance and Administration Committee

## **Attachment I – Definitions**

### **MATERIALITY**

Certain representations in this letter are described as being limited to matters that are material. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both.

### **FRAUD & ERROR**

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorization.

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

### **RELATED PARTIES**

In accordance with Canadian public sector accounting standards, a *related party* is defined as:

- when one party has the ability to exercise, directly or indirectly, control, joint control or significant influence over the other. Two or more parties are related when they are subject to common control, joint control or common significant influence. Two not-for-profit organizations are related parties if one has an economic interest in the other. Related parties also include management and immediate family members.

In accordance with Canadian public sector accounting standards, a *related party transaction* is defined as:

- a transfer of economic resources or obligations between related parties, or the provision of services by one party to a related party, regardless of whether any consideration is exchanged. The parties to the transaction are related prior to the transaction. When the relationship arises as a result of the transaction, the transaction is not one between related parties.

**Attachment II**

**Summary of corrected audit misstatements**

							Impact on financial statement captions - DR(CR)							
#	Account #	Account Name	Description / Identified During	Error Type	Amount	Income Effect DR (CR)	Balance Sheet Effect				Cash Flow Effect			
					DR (CR)	Income effect	Accumulated Surplus at period end	Financial Assets	Non-Financial Assets	Financial Liabilities	Operating Activities	Capital Activities	Financing Activities	Investing Activities
1	2000	Accounts payable	To accrue invoice for work-in-progress on Vaughan Hospital performed in 2015.	N/A	\$ (966,652)	\$ -	\$ -	\$ -	\$ -	\$ (966,652)	\$ 966,652	\$ -	\$ -	\$ -
	1500	Tangible capital assets			\$ 966,652	\$ -	\$ -	\$ -	\$ 966,652	\$ -	\$ -	\$ (966,652)	\$ -	\$ -
2	1086	Accounts Receivable	To reverse over-accrual of Ice Storm Receivable for actual amount subsequently received.	N/A	\$ (433,665)	\$ -	\$ -	\$ (433,665)	\$ -	\$ -	\$ 433,665	\$ -	\$ -	\$ -
	4040	Government grants			\$ 433,665	\$ 433,665	\$ 433,665	\$ -	\$ -	\$ -	\$ (433,665)	\$ -	\$ -	\$ -
Total effect of corrected audit misstatements						\$ 433,665	\$ 433,665	\$ (433,665)	\$ 966,652	\$ (966,652)	\$ 966,652	\$ (966,652)	\$ -	\$ -