

Consolidated Financial Statements of

**THE CORPORATION OF
THE CITY OF VAUGHAN**

And Independent Auditor's Report thereon

Year ended December 31, 2022



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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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

- the consolidated statement of financial position as at December 31, 2022
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of change in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2022, and its consolidated results of operations, its consolidated change in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

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

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

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

We also:

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

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

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



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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

June 20, 2023

THE CORPORATION OF THE CITY OF VAUGHAN

Consolidated Statement of Financial Position

December 31, 2022, with comparative information for 2021

	2022	2021
Financial Assets		
Cash and cash equivalents	\$ 1,052,264,411	\$ 941,488,571
Taxes receivable	70,944,367	72,613,679
Water and sewer billings receivable	25,673,528	24,407,856
Accounts receivable	34,616,364	22,818,662
Other assets	35,355	–
Investments (note 3)	76,844,526	83,512,690
Investment in Hydro Vaughan Corporations (note 4)	633,845,671	636,561,054
	<u>1,894,224,222</u>	<u>1,781,402,512</u>
Financial Liabilities		
Accounts payable and accrued liabilities	148,232,315	131,104,445
Accrued interest on long-term liabilities	36,632	53,737
Employee future benefits (note 5)	177,655,055	166,762,499
Deposits and deferred revenue (note 6(a))	43,101,931	41,558,716
Deferred revenue - obligatory reserve funds (note 6(b))	831,281,344	721,061,150
Debenture and other debt (note 7)	63,351,251	58,814,023
Note payable (note 8)	3,303,523	3,303,523
	<u>1,266,962,051</u>	<u>1,122,658,093</u>
Net financial assets	627,262,171	658,744,419
Non-Financial Assets		
Tangible capital assets (note 9)	9,774,342,160	9,387,175,371
Prepaid expenses	4,851,622	1,859,458
	<u>9,779,193,782</u>	<u>9,389,034,829</u>
Contractual rights (note 15)		
Commitments (note 16)		
Contingencies (note 17)		
Accumulated surplus (note 10)	<u>\$ 10,406,455,953</u>	<u>\$ 10,047,779,248</u>

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE CITY OF VAUGHAN

Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2022, with comparative information for 2021

	Budget (note 13)	2022	2021
Revenue (note 12):			
Property taxation	\$ 228,950,629	\$ 228,352,343	\$ 224,200,805
Taxation from other governments	1,570,000	1,319,583	1,378,170
Municipal accommodation tax	1,500,000	2,834,267	1,315,783
User charges	51,798,487	81,710,328	57,422,511
Water and sewer billings	176,668,343	186,184,291	177,004,837
Government transfers (note 11)	35,213,227	18,542,184	29,056,700
Investment income	4,488,000	11,105,425	4,910,085
Penalties and interest on taxes	6,293,347	8,914,545	8,714,409
Other fees and services	3,871,124	6,370,771	7,835,863
Contributions from developers	149,759,083	92,485,614	51,996,723
Contributed assets (note 9(b))	–	285,437,065	184,837,997
Hydro Vaughan Corporations (note 4):			
Share of net earnings	14,450,000	14,304,243	23,517,485
Interest on notes receivable	–	3,450,220	3,450,220
	674,562,240	941,010,879	775,641,588
Expenses (note 12):			
General government	183,488,477	51,402,894	32,777,524
Protection to persons and property	96,221,960	105,732,762	97,832,785
Transportation services	148,705,721	65,525,254	76,734,303
Environmental services	244,816,511	225,624,803	221,128,707
Health services	273,097	143,714	120,580
Social and family services	362,696	162,699	98,727
Recreation and cultural services	153,942,516	104,949,686	91,965,746
Planning and development	43,036,776	27,819,008	24,918,355
	870,847,754	581,360,820	545,576,727
Annual surplus (deficit) before the undernoted	(196,285,514)	359,650,059	230,064,861
Adjustment for the decrease of the City's equity interest in the net assets of Alectra Inc. (note 4)	–	(973,354)	(1,103,860)
Annual surplus (deficit)	(196,285,514)	358,676,705	228,961,001
Accumulated surplus, beginning of year	10,047,779,248	10,047,779,248	9,818,818,247
Accumulated surplus, end of year	\$ 9,851,493,734	\$ 10,406,455,953	\$ 10,047,779,248

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE CITY OF VAUGHAN

Consolidated Statement of Change in Net Financial Assets

Year ended December 31, 2022, with comparative information for 2021

	Budget (note 13)	2022	2021
Annual surplus (deficit)	\$ (196,285,514)	\$ 358,676,705	\$ 228,961,001
Amortization of tangible capital assets	–	81,958,943	79,520,353
Proceeds on disposal of tangible capital assets	–	4,544,317	117,560
Loss on disposal of tangible capital assets	–	1,554,053	9,673,501
Acquisition of tangible capital assets	–	(475,224,102)	(273,424,337)
	(196,285,514)	(28,490,084)	44,848,078
Change in prepaid expenses	–	(2,992,164)	3,138,298
Increase (decrease) in net financial assets	(196,285,514)	(31,482,248)	47,986,376
Net financial assets, beginning of year	658,744,419	658,744,419	610,758,043
Net financial assets, end of year	\$ 462,458,905	\$ 627,262,171	\$ 658,744,419

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE CITY OF VAUGHAN

Consolidated Statement of Cash Flows

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 358,676,705	\$ 228,961,001
Items not involving cash:		
Amortization of tangible capital assets	81,958,943	79,520,353
Loss on disposal of tangible capital assets	1,554,053	9,673,501
Contributed tangible capital assets	(285,437,065)	(184,837,997)
Share of net earnings of Hydro Vaughan Corporations	(14,304,243)	(23,517,485)
Decrease in equity interest in net assets of Alectra Inc.	973,354	1,103,860
Change in non-cash assets and liabilities:		
Decrease (increase) in taxes receivable	1,669,312	(13,824,248)
Decrease (increase) in water and sewer billings receivable	(1,265,672)	932,292
Increase in accounts receivable	(11,797,702)	(3,060,506)
Decrease (increase) in other assets	(35,355)	-
Increase in accounts payable and accrued liabilities	17,127,870	7,943,099
Decrease in accrued interest on long-term liabilities	(17,105)	(19,958)
Increase in employee future benefits	10,892,556	11,781,150
Increase in deposits and deferred revenue	1,543,215	8,184,393
Increase in deferred revenue - obligatory reserve funds	110,220,194	101,072,639
Decrease (increase) in prepaid expenses	(2,992,164)	3,138,298
	<u>268,766,896</u>	<u>227,050,392</u>
Capital activities:		
Proceeds on disposal of tangible capital assets	4,544,317	117,560
Cash used to acquire tangible capital assets	(189,787,037)	(88,586,340)
	<u>(185,242,720)</u>	<u>(88,468,780)</u>
Financing activities:		
Debenture and other debt repaid	(5,223,772)	(5,733,697)
Debenture and other debt incurred	9,761,000	-
	<u>4,537,228</u>	<u>(5,733,697)</u>
Investing activities:		
Decrease (increase) in investments, net	6,668,164	(1,134,175)
Dividend and return of capital from Hydro Vaughan Corporations	16,046,272	14,771,904
	<u>22,714,436</u>	<u>13,637,729</u>
Increase in cash and cash equivalents	110,775,840	146,485,644
Cash and cash equivalents, beginning of year	941,488,571	795,002,927
Cash and cash equivalents, end of year	<u>\$ 1,052,264,411</u>	<u>\$ 941,488,571</u>
Supplemental cash flow information:		
Interest paid	\$ 1,226,592	\$ 380,915
Interest and dividends received	46,152,249	26,516,251

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements

Year ended December 31, 2022

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

1. Significant accounting policies:

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

(a) Basis of consolidation:

(i) Consolidated entities:

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

The consolidated financial statements include:

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

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

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(ii) Investments in government business enterprises:

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

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

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

(iv) Trust funds:

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

(b) Basis of accounting:

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

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

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(c) Cash and cash equivalents:

Cash and cash equivalents consist of deposits in banks, certificates of deposits and investments with original maturities of three months or less. Cash and cash equivalents are recorded at cost with write down to market when there is a decrease in value.

(d) Investments:

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

(e) Government transfers:

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

(f) Deposits and deferred revenue:

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

(g) Deferred revenue - obligatory reserve funds:

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

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(h) Pension, vacation entitlements and employee benefits:

The City accounts for its participation in the Ontario Municipal Employees Retirement System ("OMERS"), a multi-employer public sector pension fund, as a defined contribution plan. The City does not recognize any share of the pension plan deficit based on the fair market value of OMERS assets, as this is a joint responsibility of all Ontario municipalities and their employees.

Vacation entitlements are accrued for as the entitlements are earned.

Other post-employment benefits and compensated absences are accrued in accordance with the projected benefit method prorated on service and management's best estimate of salary escalation and retirement ages of employees. Actuarial valuations, where necessary for accounting purposes, are performed triennially. The discount rate used to determine the accrued benefit obligation is determined by reference to the market interest rates at the measurement date on high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments. Unamortized actuarial gains or losses are amortized on a straight-line basis over the expected average remaining service life of the related employee groups.

Unamortized actuarial gains/losses for event-triggered liabilities, such as those determined as claims related to the Workplace Safety and Insurance Board ("WSIB"), are recognized immediately.

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

A full actuarial valuation of the post-retirement non-pension benefit obligation and the WSIB obligation was completed as at January 1, 2020 for 2020, 2021 and 2022 in accordance with the financial reporting guidelines established by PSAB.

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(i) Taxation and related revenue:

Property tax bills are prepared by the City based on assessment rolls issued by the Municipal Property Assessment Corporation. Tax rates are established annually by City Council, incorporating amounts to be raised for local services, the requisition made by the Region in respect of regional services and amounts the City is required to collect on behalf of the Province of Ontario in respect of education taxes.

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

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

(j) Municipal accommodation tax:

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

(k) Investment income:

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

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(l) Segment disclosures:

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

(m) Non-financial assets:

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

(i) Tangible capital assets:

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

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

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

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(ii) Contributions of tangible capital assets:

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

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

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

(iv) Interest capitalization:

The City capitalizes interest costs associated with the acquisition or construction of a tangible capital asset.

(v) Leased tangible capital assets:

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

(n) Assets:

The assets standard provides additional guidance on the definition of assets and what is meant by economic resources, control, past transactions and events from which future economic benefits are to be obtained. For the year ended December 31, 2022, all material assets have been disclosed and reported within this definition.

(o) Contingent assets:

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

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(p) Contractual rights:

PS 3380 requires disclosure of information pertaining to future rights to economic resources arising from contracts or agreements that will result in both an asset and revenues in the future. Note 15 provides disclosure regarding the nature, extent and timing of contractual rights.

(q) Related party disclosures:

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

There were no material related party transactions to disclose for the year ended December 31, 2022.

(r) Inter-entity transactions:

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

There were no material inter-entity transactions to disclose for the year ended December 31, 2022.

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(s) Use of estimates:

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

The full extent of the impact that the COVID-19 pandemic, including government and regulatory responses to the pandemic, will have on the Canadian economy and the City's operations remains uncertain at this time. Actual results could differ from these estimates.

(t) Presentation of budget information:

The 2022 budget figures, as presented in these consolidated financial statements, consist of the operating, capital, and water, wastewater and stormwater budgets as approved by City Council.

(u) Future accounting pronouncements:

These standards and amendments were not yet effective for the year ended December 31, 2022, and have therefore not been applied in preparing these consolidated financial statements. Management is currently assessing the impact of the following accounting standards updates on the future consolidated financial statements.

- (i) PS 3280, Asset Retirement Obligations, addresses the recognition, measurement, presentation and disclosure of legal obligations associated with retirement of tangible capital assets in productive use. This standard is effective for fiscal years beginning on or after April 1, 2022 (the City's December 31, 2023 year-end).

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

- (ii) PS 1201, Financial Statement Presentation requires entities to present a new statement of remeasurement gains and losses separate from the consolidated statement of operations and accumulated surplus. This new statement includes unrealized gains and losses arising from remeasurement of financial instruments and items denominated in foreign currencies and any other comprehensive income that arises when a government includes the results of government business enterprises and partnerships. This standard is effective for fiscal years beginning on or after April 1, 2022 and applies when PS 3450, Financial Instruments, and PS 2601, Foreign Currency Translation, are adopted (the City's December 31, 2023 year-end).
- (iii) PS 3450, Financial Instruments, establishes the standards on accounting for and reporting all types of financial instruments including derivatives. The effective date of this standard has been deferred and is now effective for fiscal periods beginning on or after April 1, 2022 (the City's December 31, 2023 year-end).
- (iv) PS 2601, Foreign Currency Translation, establishes the standards on accounting for and reporting transactions that are denominated in a foreign currency. The effective date of this standard has been deferred and is now effective for fiscal periods beginning on or after April 1, 2022 (the City's December 31, 2023 year-end). A public sector entity adopting this standard must also adopt the new financial instruments standard.
- (v) PS 3041, Portfolio Investments, replaces PS 3040 - Portfolio Investments. The standard provides revised guidance on accounting for, and presentation and disclosure of portfolio investments to conform to PS 3450 - Financial Instruments. The distinction between temporary and portfolio investments has been removed in the new standard, and upon adoption, PS 3030 - Temporary Investments, will no longer apply. This standard is effective for fiscal years beginning on or after April 1, 2022 (the City's December 31, 2023 year-end).

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(vi) PS 3160, Public Private Partnerships ("P3s"), identifies requirements on how to account for and disclose transactions in which public sector entities procure major infrastructure assets and/or services from private sector entities. Recognition of assets arising from P3 arrangements is ultimately dependent on whether public sector entities control the purpose and use of the assets, access to the future economic benefits and exposure to the risks associated with the assets, and significant residual interest in the asset, if any, at the end of the term of P3s. Measurement of the asset and related liability will also be dependent on the overall model used to compensate the private sector entity. This standard is effective for fiscal years beginning on or after April 1, 2022 (the City's December 31, 2023 year-end).

(vii) PS 3400, Revenue, establishes a single framework to categorize revenues to enhance the consistency of revenue recognition and its measurement. This standard is effective for fiscal years beginning on or after April 1, 2023 (the City's December 31, 2024 year-end).

(viii) Public Sector Guideline 8 Purchased Intangibles, allows public sector entities to recognize intangibles purchased through an exchange transaction. This guideline is effective for fiscal years beginning on or after April 1, 2023 (the City's December 31, 2024 year-end).

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

During 2022, requisitions were made by the district school boards and the Region of York requiring the City to collect property taxes and payments in lieu of property taxes on their behalf. The amounts collected and remitted are not recorded in these consolidated financial statements and are summarized below:

	District school boards	The Region
Property taxes, net of adjustments and write offs	\$ 313,539,449	\$ 394,343,403
Taxation from other governments	758,154	1,080,340
Amounts requisitioned and remitted	\$ 314,297,603	\$ 395,423,743

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

3. Investments:

Investments consist of government and financial institution bonds and have effective interest rates of 1.91% to 2.55% (2021 - 1.9% to 2.55%) with maturity dates from June 2, 2023 – December 15, 2025 (2021 - March 2, 2022 - December 15, 2025). Market value of investments costing \$76,844,526 (2021 - \$83,512,690) is \$76,298,118 (2021 - \$85,712,059) at December 31, 2022.

As at December 31, 2022, the City's investments measured at amortized cost exceed market value, representing a temporary decline in market value but no decline in the amortized cost value reported. There is no impairment due to the low-risk nature of the investments, the high credit ratings of the issuers, and the City's intention to hold these investments to their maturities.

4. Investment in Hydro Vaughan Corporations:

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

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

	Interest held	
	2022	2021
Vaughan Holdings Inc. (including 100% ownership of Hydro Vaughan Energy Corporation and 20.5% (2021 - 20.5%) share interest in Alectra)	100%	100%
1446631 Ontario Inc.	100%	100%

The shareholder ownership structure of Alectra is as follows:

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

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

4. Investment in Hydro Vaughan Corporations (continued):

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

Financial position	2022	2021
Assets		
Current	\$ 27,577,571	\$ 22,083,003
Investments	608,100,115	616,062,410
Other	247,299	217,052
Total assets	\$ 635,924,985	\$ 638,362,465
Liabilities		
Current	\$ 2,079,314	\$ 1,801,411
Total liabilities	2,079,314	1,801,411
Shareholder's equity		
Share capital	196,859,952	196,859,952
Retained earnings and contributed surplus	436,985,719	439,701,102
Total shareholder's equity	633,845,671	636,561,054
Total liabilities and shareholder's equity	\$ 635,924,985	\$ 638,362,465

Results of operations:

	2022	2021
Revenue	\$ 14,640,830	\$ 23,836,049
Expenses	336,587	318,564
Net income	\$ 14,304,243	\$ 23,517,485

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

4. Investment in Hydro Vaughan Corporations (continued):

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

	2022	2021
Equity	\$ 548,843,001	\$ 551,558,384
Notes receivable	84,133,025	84,133,025
Accrued interest on notes receivable	869,645	869,645
Investment in Hydro Vaughan Corporations	\$ 633,845,671	\$ 636,561,054

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

	2022	2021
Equity pickup in Hydro Vaughan Corporations	\$ 14,304,243	\$ 23,517,485
Decrease in equity interest	(973,354)	(1,103,860)
Return of capital	(973,354)	(1,103,860)
Dividend	(15,072,918)	(13,668,044)
Net change in investment in Hydro Vaughan Corporations	(2,715,383)	7,641,721
Opening investment in Hydro Vaughan Corporations	636,561,054	628,919,333
Closing investment in Hydro Vaughan Corporations	\$ 633,845,671	\$ 636,561,054

Notes receivable of \$84,133,025 includes an unsecured note receivable from Alectra in the amount of \$78,236,285, repayable within 90 days following demand by the City. The note receivable was renegotiated in 2017 and now bears interest at an annual rate of 4.41% down from 5.58%. The remaining \$5,896,740 portion of the note receivable represents an amount due from Vaughan Holdings Inc. without interest and no specified terms of repayment.

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

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

5. Employee future benefits:

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

	2022	2021
Post-retirement non-pension benefits (d)	\$ 156,478,984	\$ 147,920,163
Vacation entitlements (c)	12,715,871	11,466,436
WSIB (b)	8,460,200	7,375,900
	<u>\$ 177,655,055</u>	<u>\$ 166,762,499</u>

(a) Pension:

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

The City is current with all payments to OMERS. As at December 31, 2022, OMERS has a deficit of \$6.7 billion (2021 - \$3.1 billion). If actuarial surpluses are not available to offset the existing deficit and subsidize future contributions, increases in contributions will be required in the future. The date of the most recent filed actuarial valuation for funding purposes for the OMERS Primary Pension Plan was December 31, 2021. The next required filing of an actuarial valuation for funding purposes will be performed with a date no later than December 31, 2024.

Total OMERS contributions amounted to \$32,823,992 in 2022 (2021 - \$32,017,443), of which \$16,411,996 (2021 - \$16,008,721) 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 \$8,460,200 (2021 - \$7,375,900) 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

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

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 \$12,715,871 (2021 - \$11,466,436).

(d) Post-retirement non-pension benefits:

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

The projected benefit liability for active employees and retirees at December 31, 2022 of \$156,478,984 (2021 - \$147,920,163) and the expense for the year ended December 31, 2022 of \$11,257,341 (2021 - \$11,121,827) was determined by actuarial valuation using a discount rate of 3.0% (2021 - 3.0%).

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

	2022	2021
Accrued benefit obligation, beginning of year	\$ 147,198,934	\$ 138,521,766
Service cost	6,739,761	6,858,104
Interest cost	4,577,683	4,323,825
Benefits paid	(2,698,520)	(2,504,761)
Accrued benefit obligation, end of year	155,817,858	147,198,934
Unamortized actuarial gain	661,126	721,229
Accrued benefit liability	\$ 156,478,984	\$ 147,920,163

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

5. Employee future benefits (continued):

Components of benefit expense:

	2022	2021
Service cost	\$ 6,739,761	\$ 6,858,104
Interest cost	4,577,683	4,323,825
Amortization of actuarial gain	(60,103)	(60,102)
Benefit expense	\$ 11,257,341	\$ 11,121,827

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

(i) Interest (discount) rate:

The rate used to discount future benefits in the City's 2022 actuarial study is assumed to be 3.0% (2021 - 3.0%) per annum reflecting Canadian Municipal bond yields and lending rates.

(ii) Salary levels:

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

(iii) Medical costs:

Medical costs are assumed to increase at 4.40% annually from 2022 to 2024, increase at 5.30% annually from 2025 to 2034, increase at 4.60% annually from 2035 to 2039, and increase at 4.0% annually from 2040 and thereafter.

(iv) Dental costs:

Dental costs are assumed to increase at 4.70% annually from 2022 to 2024, increase at 5.60% annually from 2025 to 2029, increase at 5.30% annually from 2030 to 2034, increase at 4.60% annually from 2035 to 2039, and increase at 4.00% annually in 2040 and thereafter.

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

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

6. Deferred revenue:

(a) Deposits and deferred revenue:

Deposits and deferred revenue as at December 31, 2022 is \$43,101,931 (2021 - \$41,558,716) and is made up of development security deposits and unearned recreation and licensing revenue.

(b) Deferred revenue - obligatory reserve funds:

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

	2022	2021
Recreational land (The Planning Act)	\$ 160,782,970	\$ 140,642,489
Development Charges Act	564,840,246	507,326,081
Sub-divider contributions	48,867,165	20,736,354
Federal gas tax	26,909,004	31,245,510
Building Standards Act	28,353,994	19,582,751
Ontario grants	1,527,965	1,527,965
	\$ 831,281,344	\$ 721,061,150

Deferred revenue - obligatory reserve funds continuity schedule:

	Opening balance	Received	Recognized as revenue	Interest allocated	Closing balance
Recreational land (The Planning Act)	\$ 140,642,489	\$ 40,225,038	\$ (23,217,122)	\$ 3,132,565	\$ 160,782,970
Development Charges Act	507,326,081	117,856,067	(71,803,791)	11,461,889	564,840,246
Sub-divider contributions	20,736,354	27,788,849	(392,966)	734,928	48,867,165
Federal gas tax	31,245,510	9,712,227	(14,721,963)	673,230	26,909,004
Building Standards Act	19,582,751	9,921,156	(1,727,801)	577,888	28,353,994
Ontario grants	1,527,965	-	-	-	1,527,965
	\$ 721,061,150	\$ 205,503,337	\$ (111,863,643)	\$ 16,580,500	\$ 831,281,344

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

7. Debenture and other debt:

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

	2022	2021
Debenture debt issued by the Region on the City's behalf:		
Serial debt	\$ 7,022,400	\$ 11,475,498
Debt payable to YMCA for construction of City Library and City Recreation Space in the Vaughan Metropolitan Centre	56,328,851	47,338,525
	<u>\$ 63,351,251</u>	<u>\$ 58,814,023</u>

Issuance of debenture is approved by by-law. Interest rates range from 2.19% to 2.64% and maturity dates range from September 2024 to November 2026. 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 2017, the City entered into an agreement with the YMCA of Greater Toronto to be a funding partner for the construction of a YMCA, City Library and City Recreation Space in the Vaughan Metropolitan Centre. The YMCA entered into a financing agreement with Ontario Infrastructure and Lands Corporation to obtain a construction loan for the project that converted to a term loan on July 29, 2022. The City is responsible for payment of all interest and principal in respect of its agreed upon share of the financed project costs and is the guarantor of the YMCA's obligations under the financing agreement. The YMCA's liability amounts to \$9,509,947 (2021 - \$18,484,632). The term loan is a non-revolving fixed rate loan bearing interest at 4.15% with principal and interest payments due over an amortization period of 20 years, maturing July 2042. The YMCA's obligations are in good standing and no loss has been recognized.

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

7. Debenture and other debt (continued):

Principal payments are as follows:

	YMCA	Region	Total
2023	\$ 1,904,813	\$ 2,208,400	\$ 4,113,213
2024	1,985,384	2,208,400	4,193,784
2025	2,069,362	1,302,800	3,372,162
2026	2,156,893	1,302,800	3,459,693
2027	2,248,127	–	2,248,127
2028 - 2042	45,964,272	–	45,964,272
	<u>\$ 56,328,851</u>	<u>\$ 7,022,400</u>	<u>\$ 63,351,251</u>

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

	2022	2021
Principal payments	\$ 5,223,772	\$ 5,733,697
Interest	1,226,592	380,915
	<u>\$ 6,450,364</u>	<u>\$ 6,114,612</u>

8. Note payable:

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

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

9. Tangible capital assets:

2022	Cost				Accumulated amortization				Net book value, December 31, 2022
	Balance, beginning of year	Acquisitions	Disposals and adjustments	Balance, end of year	Balance, beginning of year	Amortization	Disposals and adjustments	Balance, end of year	
Land	\$ 6,840,466,225	\$ 277,408,372	\$ (4,435,397)	\$ 7,113,439,200	\$ -	\$ -	\$ -	\$ -	\$ 7,113,439,200
Land improvements	227,202,716	7,004,290	-	234,207,006	109,687,469	6,693,378	-	116,380,847	117,826,159
Buildings and facilities	402,035,346	12,627,499	(707,670)	413,955,175	170,471,265	11,722,034	(482,516)	181,710,783	232,244,392
Machinery and equipment	48,331,718	4,102,221	(1,770,782)	50,663,157	28,424,567	3,758,716	(1,770,782)	30,412,501	20,250,656
Vehicles	39,596,009	304,196	(679,586)	39,220,619	24,232,895	2,142,594	(679,586)	25,695,903	13,524,716
Furniture and fixtures	14,726,938	1,418,677	-	16,145,615	8,834,525	838,367	-	9,672,892	6,472,723
Information technology	13,820,614	1,306,213	-	15,126,827	9,991,216	1,459,660	-	11,450,876	3,675,951
Leasehold improvements	3,110,393	24,012,408	-	27,122,801	2,605,328	287,942	-	2,893,270	24,229,531
Roads infrastructure	1,136,578,888	20,679,977	(2,076)	1,157,256,789	561,917,905	31,623,618	(2,076)	593,539,447	563,717,342
Water and sewer infrastructure	1,863,218,801	25,971,789	(126,761)	1,889,063,829	464,744,544	22,943,117	(71,610)	487,616,051	1,401,447,778
Building under capital lease	-	47,972,670	-	47,972,670	-	489,517	-	489,517	47,483,153
Assets under construction	178,997,437	52,415,790	(1,382,668)	230,030,559	-	-	-	-	230,030,559
	\$ 10,768,085,085	\$ 475,224,102	\$ (9,104,940)	\$ 11,234,204,247	\$ 1,380,909,714	\$ 81,958,943	\$ (3,006,570)	\$ 1,459,862,087	\$ 9,774,342,160

2021	Cost				Accumulated amortization				Net book value, December 31, 2021
	Balance, beginning of year	Acquisitions	Disposals and adjustments	Balance, end of year	Balance, beginning of year	Amortization	Disposals and adjustments	Balance, end of year	
Land	\$ 6,670,208,998	\$ 170,257,227	\$ -	\$ 6,840,466,225	\$ -	\$ -	\$ -	\$ -	\$ 6,840,466,225
Land improvements	222,638,719	4,563,997	-	227,202,716	102,875,789	6,811,680	-	109,687,469	117,515,247
Buildings and facilities	386,816,284	16,310,595	(1,091,533)	402,035,346	160,027,807	11,349,338	(905,880)	170,471,265	231,564,081
Machinery and equipment	48,879,644	2,995,238	(3,543,164)	48,331,718	28,109,015	3,820,706	(3,505,154)	28,424,567	19,907,151
Vehicles	35,494,596	5,006,288	(904,875)	39,596,009	22,804,405	2,296,621	(868,131)	24,232,895	15,363,114
Furniture and fixtures	14,205,503	521,435	-	14,726,938	8,057,048	777,477	-	8,834,525	5,892,413
Information technology	12,324,357	1,496,257	-	13,820,614	8,628,316	1,362,900	-	9,991,216	3,829,398
Leasehold improvements	3,110,393	-	-	3,110,393	2,588,525	16,803	-	2,605,328	505,065
Roads infrastructure	1,077,049,164	72,962,932	(13,433,208)	1,136,578,888	540,065,809	30,379,815	(8,527,719)	561,917,905	574,660,983
Water and sewer infrastructure	1,842,876,928	22,216,038	(1,874,165)	1,863,218,801	443,162,723	22,705,013	(1,123,192)	464,744,544	1,398,474,257
Assets under construction	205,777,299	(22,905,670)	(3,874,192)	178,997,437	-	-	-	-	178,997,437
	\$ 10,519,381,885	\$ 273,424,337	\$ (24,721,137)	\$ 10,768,085,085	\$ 1,316,319,437	\$ 79,520,353	\$ (14,930,076)	\$ 1,380,909,714	\$ 9,387,175,371

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

9. Tangible capital assets (continued):

(a) Assets under construction:

Assets under construction having a value of \$230,030,559 (2021 - \$178,997,437) 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 \$94,380,750 (2021 - \$95,110,705).

(b) Contributed tangible capital assets:

Contributed tangible capital assets have been recognized at fair market value at the date of contribution. The value of contributed assets received during the year is \$285,437,065 (2021 - \$184,837,997) comprising land and land improvements of \$256,798,933 (2021 - \$166,639,473), buildings and facilities of nil (2021 - \$4,402,080), roads infrastructure of \$7,869,740 (2021 - \$4,561,486), and water and wastewater and stormwater infrastructure of \$20,768,392 (2021 - \$9,234,958).

(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) Leased tangible capital assets:

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

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

10. Accumulated surplus:

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

	2022	2021
Surplus (deficit):		
Investment in tangible capital assets	\$ 9,774,342,160	\$ 9,387,175,371
Amounts to be recovered in future years:		
From future revenue	(123,381,737)	(121,063,505)
From reserves and reserve funds on hand	(47,508,244)	(44,653,555)
Investment in Hydro Vaughan Corporations (note 4)	633,845,671	636,561,054
Other	(248,750,700)	(213,375,313)
	<u>9,988,547,150</u>	<u>9,644,644,052</u>
Reserves set aside for specific purposes by City Council:		
Vehicle replacement	5,124,821	4,348,760
Fire equipment replacement	6,785,074	5,097,723
General working capital	13,885,445	17,244,746
Tax rate stabilization	10,145,477	11,833,581
Waterworks	71,044,960	78,923,841
State of good repair water	77,427	75,836
Wastewater (sanitary sewers)	83,090,672	63,897,519
Stormwater reserve	27,214,141	44,327,671
Keele Valley landfill	520,375	509,556
Heritage Fund	3,779,724	4,305,372
Vaughan Hospital	6,691,415	-
Employee benefits	47,508,244	44,653,555
Buildings	21,573,599	19,511,491
Roads infrastructure	5,834,718	6,444,196
Sale of public lands	9,119,210	8,931,751
Parks infrastructure	6,518,173	6,204,693
Winterization	5,635,624	5,519,776
Other	28,924,555	28,178,826
Debenture payments	13,518,607	10,990,967
Engineering	13,092,052	8,876,127
Planning	13,169,313	7,314,478
City Hall Funding	30,989	30,352
Expenditure reserve	684,694	2,475,964
Capital from taxation	23,939,494	23,438,415
	<u>417,908,803</u>	<u>403,135,196</u>
	<u>\$ 10,406,455,953</u>	<u>\$ 10,047,779,248</u>

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

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:

	2022	2021
Provincial grants:		
Protection services	\$ –	\$ 11,103,895
Transportation services	–	186,673
Environmental services	–	264,564
Recreation and cultural services	868,949	221,661
Planning and development	1,009,687	692,504
	<u>1,878,636</u>	<u>12,469,297</u>
Federal grants:		
General government	154,397	149,665
Transportation services	4,963,355	11,484,339
Environmental services	4,084,627	1,263,116
Recreation and cultural services	3,533,176	2,590,431
Planning and development	3,927,993	1,099,852
	<u>16,663,548</u>	<u>16,587,403</u>
	<u>\$ 18,542,184</u>	<u>\$ 29,056,700</u>

During 2021, the City received and recognized as revenue a total of \$10,913,944 in COVID-19 related funding from the provincial government. No such amounts were received in 2022.

12. Segmented information:

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

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

12. Segmented information (continued):

2022	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	\$ 37,708,922	\$ 38,298,849	\$ 23,734,761	\$ 81,726,516	\$ 110,990	\$ 38,015,201	\$ 10,076,687	\$ –	\$ 229,671,926
Municipal accommodation tax	–	–	–	–	–	–	2,834,267	–	2,834,267
User charges	3,568,786	30,029,903	646,323	2,957,495	139,214	16,393,247	27,975,360	–	81,710,328
Water and sewer billings	–	–	–	186,184,291	–	–	–	–	186,184,291
Government transfers	154,397	–	4,963,355	4,084,627	–	4,402,125	4,937,680	–	18,542,184
Investment income	1,823,356	1,851,881	1,147,657	3,951,757	5,367	1,838,165	487,242	–	11,105,425
Penalties and interest on taxes	1,463,644	1,486,541	921,247	3,172,154	4,308	1,475,532	391,119	–	8,914,545
Other fees and services	84,463	12,703	1,017,574	29,765	–	1,801,589	3,424,677	–	6,370,771
Contributions from developers	131,467	419,519	39,920,573	–	–	49,907,606	2,106,449	–	92,485,614
Contributed assets	–	–	263,952,390	20,893,832	–	590,843	–	–	285,437,065
Hydro Vaughan Corporations	–	–	–	–	–	–	–	17,754,463	17,754,463
	44,935,035	72,099,396	336,303,880	303,000,437	259,879	114,424,308	52,233,481	17,754,463	941,010,879
Expenses (income):									
Salaries and benefits	58,501,790	77,811,106	9,522,222	9,741,726	44,911	59,297,228	21,056,550	–	235,975,533
Goods and services	28,171,476	4,336,183	18,337,349	158,227,955	189,788	17,337,279	2,008,069	–	228,608,099
Long-term debt interest	982,034	–	244,558	–	–	–	–	–	1,226,592
Other	(4,017,989)	10,384,416	(776,237)	8,581,948	36,621	(390,863)	(1,448,351)	–	12,369,545
Corporate support allocation	3,589,390	10,343,583	3,478,382	22,938,945	35,093	9,612,998	2,702,845	(52,701,236)	–
Loss on disposal of tangible capital assets	921,651	18,534	6,944	99,928	–	506,996	–	–	1,554,053
Amortization of tangible capital assets	7,412,385	2,465,357	32,709,519	23,795,895	–	15,575,787	–	–	81,958,943
Other capital related	8,543,393	373,583	2,002,517	2,238,406	–	3,010,261	3,499,895	–	19,668,055
	104,104,130	105,732,762	65,525,254	225,624,803	306,413	104,949,686	27,819,008	(52,701,236)	581,360,820
Annual surplus (deficit) before the undernoted	(59,169,095)	(33,633,366)	270,778,626	77,375,634	(46,534)	9,474,622	24,414,473	70,455,699	359,650,059
Adjustment for the decrease of the City's equity interest in the net assets of Alectra (note 4)	–	–	–	–	–	–	–	(973,354)	(973,354)
Annual surplus (deficit)	\$ (59,169,095)	\$ (33,633,366)	\$ 270,778,626	\$ 77,375,634	\$ (46,534)	\$ 9,474,622	\$ 24,414,473	\$ 69,482,345	\$ 358,676,705

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

12. Segmented information (continued):

2021	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	\$ 31,043,973	\$ 37,113,749	\$ 29,109,850	\$ 83,887,169	\$ 83,196	\$ 34,888,035	\$ 9,453,003	\$ –	\$ 225,578,975
Municipal accommodation tax	–	–	–	–	–	–	1,315,783	–	1,315,783
User charges	2,365,032	24,243,436	533,643	2,616,503	174,266	5,064,730	22,424,901	–	57,422,511
Water and sewer billings	–	–	–	177,004,837	–	–	–	–	177,004,837
Government transfers	149,665	11,103,895	11,671,012	1,527,680	–	2,812,092	1,792,356	–	29,056,700
Investment income	675,721	807,840	633,621	1,825,938	1,811	759,394	205,760	–	4,910,085
Penalties and interest on taxes	1,199,270	1,433,752	1,124,551	3,240,670	3,214	1,347,770	365,182	–	8,714,409
Other fees and services	1,905,922	(104,702)	2,102,172	511,450	5,843	3,334,881	80,297	–	7,835,863
Contributions from developers	149,897	128,282	37,184,292	–	–	12,705,655	1,828,597	–	51,996,723
Contributed assets	–	–	167,467,192	16,027,720	–	1,343,085	–	–	184,837,997
Hydro Vaughan Corporations	–	–	–	–	–	–	–	26,967,705	26,967,705
	37,489,480	74,726,252	249,826,333	286,641,967	268,330	62,255,642	37,465,879	26,967,705	775,641,588
Expenses (income):									
Salaries and benefits	52,951,077	75,403,398	7,638,658	9,839,029	49,292	50,484,510	20,338,645	–	216,704,609
Goods and services	21,476,463	4,967,973	18,759,290	153,888,659	108,435	14,407,952	1,267,766	–	214,876,538
Long-term debt interest	–	–	380,915	–	–	–	–	–	380,915
Other	(4,737,924)	3,742,815	(662,227)	8,860,638	36,446	(29,224)	(1,773,181)	–	5,437,343
Corporate support allocation	2,391,183	10,098,101	3,327,301	22,539,424	25,134	8,196,528	2,477,508	(49,055,179)	–
Loss on disposal of tangible capital assets	32,446	92,354	7,152,112	1,052,295	–	1,242,664	101,630	–	9,673,501
Amortization of tangible capital assets	6,426,055	2,457,438	31,534,016	23,499,446	–	15,548,839	54,559	–	79,520,353
Other capital related	3,293,403	1,070,706	8,604,238	1,449,216	–	2,114,477	2,451,428	–	18,983,468
	81,832,703	97,832,785	76,734,303	221,128,707	219,307	91,965,746	24,918,355	(49,055,179)	545,576,727
Annual surplus (deficit) before the undernoted	(44,343,223)	(23,106,533)	173,092,030	65,513,260	49,023	(29,710,104)	12,547,524	76,022,884	230,064,861
Adjustment for the decrease of the City's equity interest in the net assets of Alectra (note 4)	–	–	–	–	–	–	–	(1,103,860)	(1,103,860)
Annual surplus (deficit)	\$ (44,343,223)	\$ (23,106,533)	\$ 173,092,030	\$ 65,513,260	\$ 49,023	\$ (29,710,104)	\$ 12,547,524	\$ 74,919,024	\$ 228,961,001

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

12. Segmented information (continued):

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

(a) General government:

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

(b) Protection to persons and property:

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

(c) Transportation services:

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

(d) Environmental services:

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

(e) Health, social and family services:

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

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

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 Services Department. The Corporation of the City of Vaughan Public Library Board provides library services through its various library facilities. The maintenance of the City's parks network is provided by the Parks, Forestry and Horticulture Operations Department and maintenance of the City's recreation facilities is provided by the Building and Facilities Department.

(g) Planning and development:

Planning and development consist of the administration and operations of the Development Planning and Policy Planning and Special Programs Departments as it relates to the development of the City through development planning services, policy planning and urban design services.

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

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

13. Budget data:

The budget data presented in these consolidated financial statements is based upon the 2022 operating and capital budgets approved by City Council on December 9, 2021. 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	\$ 333,201,050
Water, wastewater and stormwater budget	179,615,039
Capital budget	403,609,945
Add (less):	
Transfers from other funds	(235,318,176)
Proceeds from debt issue	(11,339,922)
Other adjustments	(2,300,035)
Hospital levy	7,094,339
	<u>674,562,240</u>
Expenses:	
Operating budget	333,201,050
Water, wastewater and stormwater budget	179,615,039
Capital budget	403,609,945
Add (less):	
Transfers to other funds	(43,425,629)
Debt principal payments	(6,946,885)
Other adjustments	(2,300,105)
Hospital levy	7,094,339
	<u>870,847,754</u>
Annual deficit	<u>\$ (196,285,514)</u>

14. Trust funds:

Trust funds administered by the City amounting to \$1,751,782 (2021 - \$1,670,497) are presented in a separate financial statement of trust balances and operations. As such balances are held in trust by the City for the benefit of others, they are not presented as part of the City's consolidated financial position and consolidated financial activities.

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

15. Contractual rights:

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

The City has a number of federal and provincial funding agreements with estimated future funding of \$44.3 million (for the period 2023 to 2025). The City has also entered into a number of third-party contracts to provide shared services with estimated future recoveries of \$9.5 million (for the period 2023 to 2037). Future revenue from lease agreements for City-owned properties is approximately \$2.5 million (for the period 2023 to 2032).

16. Commitments:

(a) Lease and operating commitments:

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

2023	\$ 41,007,427
2024	37,063,092
2025	28,835,986
2026	20,416,853
2027	11,761,547
Thereafter	11,505,053
	<hr/>
	\$ 150,589,958

(b) Loan guarantees:

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

- (i) for the accumulated sum not exceeding \$5.0 million with the Ontario Soccer Association. The loan balance as at December 31, 2022 is \$2.6 million (2021 - \$3.0 million), is in good standing and no loss has been recognized.

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

16. Commitments (continued):

(ii) for the total obligations outstanding under the Financing Agreement between the YMCA of Greater Toronto Area and Ontario Infrastructure and Lands Corporation in connection with the construction of a YMCA, City Library and City Recreation Space in the Vaughan Metropolitan Centre, amounts of which are disclosed in note 7.

(c) Joint services agreement:

Pursuant to a joint service agreement between PowerStream and the City, which was continued by Alectra and the City, Alectra charges the City, at agreed rates, for various administrative functions. In addition, the City performs certain shared services which are charged to Alectra. The total commitment under the agreement for 2022 was \$1.7 million in net charges to the City by Alectra. A new five-year agreement was finalized in 2016 before the merger with Alectra in February 2017. An amendment was made effective January 1, 2022 to allow the agreement to continue through December 31, 2024. Alectra has opted out of billing services for the City after the end of the agreement. The City is pursuing other options for billing in 2025 and beyond.

(d) Capital commitments:

The City has entered into a number of contractual agreements for capital works obtaining City Council and other approvals as required. The total value of approved and outstanding capital commitments at December 31, 2022 is approximately \$228.22 million. Expenditures relating to capital works are recorded in the year in which they are incurred and measurable as a result of receipt of goods or services under/or the creation of a legal obligation.

17. Contingencies:

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

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

18. Acquisition of Sports Village Facility:

On November 30, 2022, the City acquired the Sports Village Facility from Mentana Group Inc. for \$9.4 million. The purchase includes the facility, building, equipment, and working capital for a total consideration of \$7.0 million in cash, and payout of \$2.4 million outstanding construction loan to terminate the loan agreement held by Mentana Group Inc. for the building.

The following table provides the breakdown of net assets acquired of the Sports Village Facility operations as at November 30, 2022.

Financial assets:	
Cash	\$ 9,959
Accounts receivable	643,744
Inventory	32,001
	<u>685,704</u>
Non-financial assets:	
Prepaid expenses	48,065
Building and equipment	9,230,629
	<u>9,278,694</u>
Total assets	9,964,398
Financial liabilities:	
Accrued liabilities	9,959
Deferred revenue	525,761
	<u>535,720</u>
Total liabilities	535,720
Net assets acquired	<u>\$ 9,428,678</u>

The consolidated financial statements include the results of operations of the Sports Village Facility for the month of December 2022.