

**CITY OF VAUGHAN
FINANCE, ADMINISTRATION AND AUDIT COMMITTEE
AGENDA**

Wednesday, June 5, 2019

3:00 p.m.

Committee Rooms 242/243

2nd Floor, Vaughan City Hall

2141 Major Mackenzie Drive

Vaughan, Ontario

	Pages
1. CONFIRMATION OF AGENDA	
2. DISCLOSURE OF INTEREST	
3. COMMUNICATIONS	
4. DETERMINATION OF ITEMS REQUIRING SEPARATE DISCUSSION INCLUDING MEMBERS RESOLUTION(S)	
1. 2018 DRAFT CONSOLIDATED FINANCIAL STATEMENTS Report of the Chief Financial Officer and City Treasurer with respect to the above.	3
2. INTERNAL AUDIT REPORT – MTO DRIVER CERTIFICATION SPECIFIED PROCEDURES INSPECTION FOR VAUGHAN FIRE AND RESCUE Report of the Director of Internal Audit with respect to the above.	118
3. INTERNAL AUDIT REPORT – WATER, WASTEWATER AND STORMWATER OPERATIONS AUDIT Report of the Director of Internal Audit with respect to the above.	120
4. 2018 ANNUAL INVESTMENT REPORT Report of the Chief Financial Officer and City Treasurer with respect to the above.	170

5.	2018 DC RESERVE FUND AND SPECIAL FUND STATEMENT Report of the Chief Financial Officer and City Treasurer with respect to the above.	178
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7.	CAPITAL BUDGET AMENDMENT HUNTINGTON ROAD REALIGNMENT AT MAJOR MACKENZIE DRIVE OPPOSITE HIGHWAY 427 NORTH BOUND OFF-RAMP HIGHWAY 427 EXPANSION PROJECT Report of the Deputy City Manager, Planning and Growth Management and the Deputy City Manager, Public Works with respect to the above.	202
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10.	CLOSED SESSION RESOLUTION FOR COMMITTEE OF THE WHOLE (CLOSED SESSION)	
11.	ADJOURNMENT	

ALL APPENDICES ARE AVAILABLE FROM THE CITY CLERK'S OFFICE
PLEASE NOTE THAT THIS MEETING WILL BE AUDIO RECORDED
AND VIDEO BROADCAST

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Finance, Administration and Audit Committee Report

DATE: Wednesday, June 05, 2019

WARD(S): ALL

TITLE: 2018 DRAFT CONSOLIDATED FINANCIAL STATEMENTS

FROM:

Michael Coroneos, Chief Financial Officer and City Treasurer

ACTION: DECISION

Purpose

Council's approval is requested on the 2018 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 Gala and Golf Events and the Trust Fund Financial Statements. The KPMG 2018 Audit Findings report is attached for Council review.

Report Highlights

- The statutory financial statements are a requirement prescribed by the Municipal Act, 2001 that shows the results of operations for the fiscal year and the financial position at the end of the fiscal year.
- These statements have been prepared in accordance with Generally Accepted Accounting Principles for governments as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada.
- The City's statutory financial statements are presented in a different manner than the 2018 budget and 2019-2021 plan, and these differences are explained in this report and in the notes to the financial statements.

Recommendations

1. That the 2018 Draft Consolidated Financial Statements, Vaughan Public Library Board Financial Statements, Board of Management for the Kleinburg Business

Improvement Area Financial Statements, the Statements of Revenue and Expenditures and Fund Balances of the Mayor's Gala and Golf Events and the Trust Fund Financial Statements be approved. (Attachment 2)

2. That the KPMG Audit Findings Report for the year ended December 2018 be received. (Attachment 3)
3. That the 2018 Draft City Consolidated Financial Statement Highlights be received. (Attachment 1)

Background

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:
 - Alectra (21.49% ownership through Vaughan Holdings Inc.)
 - Vaughan Holdings Inc. (100% owned by the City of Vaughan)
 - Hydro Vaughan Energy Corporation (100% owned by Vaughan Holdings Inc.)
 - 1446631 Ontario Inc. (100% owned by the City of Vaughan)

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).

Included are separate Financial Statements for the Vaughan Public Library Board, 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.

The Mayor's Gala and Golf Event statements include funds raised and administered by the City of Vaughan for the 2018 Mayors Gala and Golf events held on June 21st and June 4th respectively. The audited statement does not include \$20 million in additional funds donated by the DeGasperis and Kohn families to the Mackenzie Health Care Foundation. Those funds were directed to and administered by the Mackenzie Health Care Foundation.

Unqualified Audit Opinion

The City has received an “unqualified” audit opinion from KPMG on all of the statutory financial statements. This means that the City is in compliance with Generally Accepted Accounting Principles for governments as recommended by the Public Sector Accounts Board (PSAB). Our financial statements present fairly, in all material respects, the financial position of the entity audited as at December 31, 2018 and its results of operations and accumulated surplus, its change in net financial assets and its cash flows for 2018 in accordance with public sector accounting standards.

2018 Draft Consolidated Statement of Financial Position Overview

The City of Vaughan’s 2018 Consolidated Statement of Financial Position demonstrates a continued strong position, as the City is in a net financial asset position of \$591.7 million (2017 - \$564.5 million).

Major items such as Cash and cash equivalents, Investment in Hydro Vaughan Corporations, Accounts payable and accrued liabilities, Deferred revenue and other items are discussed in Attachment 1 – Highlights.

Financial Statement Presentation Differences from Budget Presentation

The City’s statutory financial statements are presented in a different manner from the 2018 Budget and 2019-2021 Plan.

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

Statements	Budget Approved By Council	Statutory Financial Statements
Purpose	To set the tax rate in accordance with the Municipal Act	To comply with Provincial Statutory Reporting
Basis	Cash basis of accounting	Accrual basis of accounting
Differences	Presents a partial financial picture	Presents full financial picture
	Expense tangible capital assets	Capitalize tangible capital assets
	Reserve contributions / No amortization	Amortization over the useful life of tangible capital assets
	Excludes unfunded liabilities	Includes unfunded liabilities

The major differences between the two presentations are:

1. Amortization

The City's 2018 Budget and 2019-2021 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. 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.

2. Contributed Tangible Capital Assets

The majority of the City's assets are initially funded by the development industry and treated as contributed assets on the City's statutory financial statements. Contributed assets are valued based on construction costs and are recognized in the financial statements as revenue in the year assumption occurs.

3. Post Employment Benefits

The City's 2018 budget and 2019-2021 Plan excludes future post-employment 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.

4. Share of net earnings in Hydro Vaughan Corporations/Dividends

The City's 2018 Budget and 2019-2021 Plan includes dividends paid by the Hydro Corporations to the City. The statutory financial statements exclude dividends received, but include the equity pickup of the 2018 income based on the percentage holdings of the hydro corporation by the City of Vaughan.

A reconciliation of the major differences between the Fiscal Health Report for the year ending December 31, 2018 (presented to Council in May) and the Consolidated Statement of Operations and Accumulated Surplus is provided below:

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

2018 City of Vaughan Operating Surplus on Fund Basis - Quarterly Statements	\$ -
Add:	
Water, Wastewater & Stormwater revenues	150.40
Contributed tangible capital assets	316.24
Share of net earnings in Hydro Vaughan Corporations	25.22
Capital Fund and other revenues	72.00
Contributions from developers	64.59
Less:	
Water, Wastewater & Stormwater expenditures	(137.77)
Investment in Hydro Vaughan Corporations (Solar Capital Dividend)	(2.21)
Amortization	(74.04)
Post Employment Benefits	(11.55)
PSAB adjustments	(45.09)
Annual surplus on a PSAB basis	357.79

Previous Reports/Authority

N/A

Analysis and Options

N/A

Financial Impact

N/A

Broader Regional Impacts/Considerations

N/A

Conclusion

The City of Vaughan's 2018 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, 2018 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, 2018 in accordance with public sector accounting standards.

For more information, please contact: Dean Ferraro, Director of City Financial Services/Deputy Treasurer Ext. 8272 or Nancy Yates, Accounting Manager, Ext. 8984

Attachments

1. 2018 Draft City Consolidated Financial Statement Highlights
2. 2018 Draft City Consolidated Financial Statement Package which includes the City's Consolidated Financial Statements, the Vaughan Public Library Board Financial Statements, the Kleinburg Business Improvement Area Financial Statements and the Statement of Revenue and Expenditures and Fund Balances of the Mayor's Gala and Golf Events. Also included, but not incorporated in the City's Consolidated Financial Statements, are the Trust Fund Financial Statements
3. 2018 Audit Findings Report – KPMG LLP

Prepared by

Nancy Yates CPA, CA, BComm
Accounting Manager, Ext. 8984

Dean Ferraro CPA, CA
Director of Financial Services/Deputy Treasurer, Ext. 8272

FINANCE ADMINISTRATION AND AUDIT COMMITTEE - JUNE 5, 2019**2018 DRAFT CITY CONSOLIDATED FINANCIAL STATEMENT HIGHLIGHTS****Financial Assets****Cash and Cash Investments**

- Cash balance totals \$730.4M (2017, \$495.7M)
- Net increase cash \$234.7M (2017, decrease of \$43.8M)
- Net increase in cash from operating activities \$334.3M (2017, \$139.6M)
- Significant items not involving cash
 - Amortization \$74.0M (2017, \$71.8M)
 - Contributed tangible capital assets \$316.2M (2017, \$440.8M)
 - Assumed assets lower in 2018, Land and land improvements decreased by \$88.6M, roads infrastructure decreased by \$11.9M and water and wastewater infrastructure decreased by \$24.0M.
 - Share of net earnings of Hydro Vaughan Corps \$25.2M (2017, \$12.8M)
 - Increase in deferred revenues – obligatory reserve funds \$208.1M (2017, 37.2M) due to increased prepayment of development charges before new development charge rates implemented
- Net decrease in cash from capital activities \$126.5M (2017 \$101.0M)
 - Cash used to acquire tangible capital assets \$126.6M (2017, \$101.1M)
- Net increase in cash from financing activities \$2.5M (2017, increase \$4.8M)
 - Debenture and other debt repaid \$ 13.6M (2017, \$8.4M)
 - Debenture and other debt incurred \$16.1M (2017, \$13.2M)
 - Debt incurred relates to amount owing re YMCA construction interest
- Net increase in cash from investing activities \$24.4M (2017, decrease \$87.1M)
 - Increase in investments \$1.4M (Increase in 2017, \$43.1M)
 - Increase in cash from Investment in Hydro Vaughan Corporations is \$25.9M made up of repayment of deferred interest on note receivable of \$8.8M, operating dividends on solar and common shares \$12.7M and a capital dividend of \$2.2M on solar shares. In 2017, there was a decrease in cash from Investment in Hydro Vaughan Corporations of \$44.0M due to the equity investment in Vaughan Holdings Inc. (VHI) to finance PowerStream share of purchase of Brampton Hydro in Alectra Merger, \$53.5M offset by Alectra dividends, \$5.9M and capital dividend on Alectra Solar shares, \$1.8M and decrease of City's equity interest in net assets of PowerStream Inc. of \$1.8M.

Taxes Receivable

- Taxes receivable are monies owing from property owners as at December 31st, 2018 and include the City's portion, Regional portion and the Provincial portion for education.
- Taxes receivable totals \$47.8M (2017, \$41.3M)
 - Increase of \$6.5M primarily due to timing.

Water and Wastewater Receivable

- The water and wastewater receivables total \$23.1M (2017, \$18.7M). Increase of \$4.4M primarily due to increase in the accrual due to timing of billing \$3.2M and an increase in December actual in 2017 over 2018 due to higher sales and a rate increase.

Investments

- Investments total \$87.3M (2017, \$85.9M)
 - Increase of \$1.4M primarily related to interest income and accrual

Accounts Receivable

- The City's accounts receivable totals \$22.3M (2017, \$15.8M)
- Comprise a wide range of monies owing from various levels of government, outside agencies, and businesses
 - Increase of \$6.5M mainly due to an increase of \$3.3 in HST receivable and an increase of \$3.1M in miscellaneous receivables

Investment in Hydro Vaughan Corporations

- Investment is increased by share of cash invested and Alectra's net income but is decreased by receipt of dividends.
- Vaughan Holdings Inc. (VHI) – 21.49% share of Alectra
- Hydro Vaughan Energy Corporation – 100% subsidiary of VHI
- 1446631 Ontario Inc. – inactive – 100% owned by COV
- Investment in Hydro Vaughan Corporations is \$635.9M (2017, \$636.5M)
 - Return of capital on Solar Shares – \$2.2M (2017, -\$1.8M)
 - Repayment of deferred interest on note receivable of \$8.8M
 - 2018 Net earnings is \$25.2M (2017, \$12.8M)
- PowerStream Holdings merged with Horizon Holdings and Enersource Holdings on February 1, 2017
- On February 28, 2017, the newly merged company named Alectra acquired Hydro One Brampton Networks
- Ring Fenced Solar business retained as an operating subsidiary of Alectra and existing PowerStream shareholders retain ownership of the economic interests in those assets represent by Class S of Common Shares
- Subsequent event - on January 1, 2019 Alectra amalgamated with Guelph Hydro Electric Systems Inc. VHI's percentage of ownership reduced to 20.5% from 21.49%

LIABILITIES

Accounts Payable and Accrued Liabilities

- City liabilities represent accrued and general liabilities to suppliers and contractors, outside agencies, other governments, as a result of operating fund activity, capital fund activity and legislative financial obligations to the York Region and School Boards
- Balance at December 31, 2018 was \$101.4M (2017, \$103.9M)
 - Decrease of \$2.5M is primarily due to a decrease in the year-end amount owing to the School Boards (\$2.8M) and a reduction of (\$0.7M) in the amount owing to York Region offset by an increase in trade payables and accruals of \$0.7M.

Employee Future Benefit Liability

- Employee Future Benefit Liability totals \$134.2M (2017, \$124.6M)
- Includes:
 - Post retirement non-pension benefits \$120.9M (2017, \$111.9M)
 - Accrued Vacation Pay \$6.6M (2017, \$6.4M)
 - Workplace Safety and Insurance Board (WSIB) \$6.7M (2017, \$6.3)
- Post retirement non-pension benefits are based on 2017 actuarial study
- Represents the retirement benefits that have accrued over the service life of city employees to-date but not yet paid (ie. medical and dental)
- Costs of these benefits are recognized annually in the financial statements as the employees render their service
- A portion of these liabilities that are not funded annually are netted against the

- accumulated surplus
- To fund this liability, Council approved the creation of a reserve for post employee's retirement benefits, which now totals \$25.6M (2017, \$23.4M)
- Vacation entitlement is earned during the course of employment and this liability represents the unused portion
- The WSIB valuation is based on a 2017 actuarial study
- WSIB liability represents the future expected claims and the liability is now \$6.7M due to an increased number of firefighters on WSIB for post-traumatic stress which is now fully funded by WSIB.
- The WSIB reserve is \$1.2M (2017, 1.2M) unchanged from the prior year.

Deposits and Deferred Revenue

- Deposits and Deferred Revenue represent pre-paid funds from developers, builders and other parties held by the City for capital projects to be constructed or various City services to be rendered in the future
- Deposits and deferred revenue total \$40.0M (2017, \$31.9M)
- Increase of \$8.1M is due to development application fees collected in 2018 for applications related to development charge prepayment agreements. The bulk of this work will be completed in 2019.

Deferred Revenue – Obligatory Reserve Fund

- Development Revenue – Obligatory Reserve Fund includes
 - Development charges
 - Cash in-lieu of parkland
 - Sub-divider contributions
 - Funds set aside from building permits under the Building Standards Act
 - Unused gas tax funds and other Provincial and Federal grants
- Funds considered liabilities as they are non-discretionary in terms of use and represent capital work obligations to be constructed by the City in the future

	2018	2017
Recreational land (The Planning Act)	\$ 67,884,484	\$ 63,483,795
Development Charges Act	493,043,286	289,867,550
Subdivider contributions	13,080,990	11,777,937
Federal Gas Tax Revenues	27,395,908	27,029,668
Building Standards Act	12,847,968	15,938,530
Ontario Grants	2,753,115	779,804
	\$ 617,005,751	\$ 408,877,284

Debenture and Other Debt

- Debenture and other debt total \$59.0M (2017, \$56.5M)
- Consists of sinking fund debentures, serial debentures and other development related debt.
- 2018 debt ratio is 2%, well within the Provincial Debt limit of 25% and the City's Debt policy limit of 10%
 - Increase of \$2.5M due to debt repayment of \$13.6M offset by new debt issued in 2018 of \$16.1M which is the debt payable to the YMCA for construction of the City Library and Recreation Space in the Vaughan Metropolitan Centre

Non-Financial Assets

- Non-financial assets are the City's tangible capital assets and prepaid expenses
- Tangible capital assets comprise the land and capital assets that are available and used to provide the necessary services to the citizens of Vaughan
- The tangible capital assets net book value as at December 31, 2018 total \$8.6B (2017, \$8.2B)
- Net book value is comprised of the gross capital asset cost plus additions, less disposals, less the accumulated amortization and adjustments
- Amortization is recorded on a straight-line basis over the estimated useful life of the asset commencing the year the asset is put into service
- The 2018 amortization expense was \$74.0M (2017, \$71.8M)
- Assets under construction totalling \$174.1M (2017, \$126.5M) will not be amortized until the assets are brought into service
 - Refer to Note 9 of the Draft Consolidated Financial Statements for a breakdown of tangible capital assets

Accumulated Surplus

- Consists of:
 - Investment in tangible capital assets
 - Investment in Hydro Vaughan Corporations
 - Discretionary reserves
 - Amounts to be recovered in future years – debt and employee future benefits
 - Opening operating and capital fund balances
- The accumulated surplus at December 31, 2018 is \$9.1B (2017, \$8.8B)
- Discretionary reserves increased to \$302.2M (2017, \$274.4M)
 - Refer to Note 10 of the Draft Consolidated Financial Statements for a further breakdown of the Accumulated Surplus

Annual Surplus

- The Annual Surplus is a result of the accrual basis of accounting as required under Canadian Generally Accepted Accounting Principles (GAAP) for governments as recommended by the Public Sector Accounting Board (PSAB). The cash basis of accounting used in the preparation of the budget (management reporting) will not yield the same result.
 - Statutory financial statements present an annual surplus for the year end December 31, 2018 is \$357.8M (2017, \$688.7M) versus breakeven results in 4th quarter Fiscal Health Report
- Significant differences between Statutory financial statements versus from 4th quarter Fiscal Health Report due to statutory reporting requirements include:
 - Contributed assets \$316.2M (2017, \$440.8M) included in statutory reporting revenue not in Fiscal Health Report
 - Statutory reporting for all Vaughan Hydro Corporations are done on an equity pick up basis, which includes 21.49% of Alectra income less dividends received from Alectra, 100% of VHI net income and 100% of HVEC net loss while 4th quarter results include 75% of Alectra dividends from VHI and do not include the net income or loss of VHI and HVEC
 - Statutory reporting expenses includes amortization of tangible capital assets of \$74.0M (2017, \$71.8M) versus reserve contributions of \$46.0M in 4th quarter Fiscal Health Report
 - Statutory reporting includes an adjustment for the decrease in the City's equity interest in the net assets of Alectra of \$2.2M (2017, decrease \$1.8M) not included in 4th quarter Fiscal Health Report

Audit of the Mayor's Gala and Golf Events Statement of Revenue/Expenses and Fund Balance

- All Gala and Golf revenue and expenses through the City of Vaughan books have always been included in the City's consolidated financial statements
- Note that donations made at the Gala are provided directly to the MacKenzie Health Foundation and are not reflected in the City of Vaughan published results. As such, the audited statement does not include \$20 million donated by the DeGasperi and Kohn families to the Mackenzie Health Care Foundation.
- A total of \$27 million has been raised through Golf and Gala events since 2011 but not all donations flow through the City of Vaughan's books (as noted above).

DRAFT #5
May 14, 2019

Consolidated Financial Statements of

**THE CORPORATION OF THE
CITY OF VAUGHAN**

Year ended December 31, 2018

INDEPENDENT AUDITORS' REPORT

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

Opinion

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

- the consolidated statement of financial position as at December 31, 2018
- 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, 2018, and its consolidated results of operations, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

DRAFT

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

June 12, 2019

THE CORPORATION OF THE CITY OF VAUGHAN

DRAFT Consolidated Statement of Financial Position

December 31, 2018, with comparative information for 2017

	2018	2017
Financial Assets		
Cash and cash equivalents	\$ 730,444,327	\$ 495,713,988
Taxes receivable	47,789,114	41,301,479
Water and sewer billings receivable	23,111,989	18,658,468
Accounts receivable	22,340,589	15,762,980
Investments (note 3)	87,293,174	85,851,094
Investment in Hydro Vaughan Corporations (note 4)	635,860,859	636,514,705
	<u>1,546,840,052</u>	<u>1,293,802,714</u>
Financial Liabilities		
Accounts payable and accrued liabilities	101,371,381	103,930,589
Accrued interest on long-term liabilities	115,548	137,718
Employee future benefits (note 5)	134,218,756	124,575,834
Deposits and deferred revenue	40,032,009	31,939,480
Deferred revenue - obligatory reserve funds (note 6)	617,005,751	408,877,284
Debenture and other debt (note 7)	59,061,732	56,533,676
Note payable (note 8)	3,303,523	3,303,523
	<u>955,108,700</u>	<u>729,298,104</u>
Net financial assets	591,731,352	564,504,610
Non-Financial Assets		
Tangible capital assets (note 9)	8,551,359,525	8,221,834,718
Prepaid expenses	2,408,580	1,374,477
	<u>8,553,768,105</u>	<u>8,223,209,195</u>
Contractual rights (note 15)		
Commitments (note 16)		
Contingencies (note 17)		
Subsequent event (note 18)		
Accumulated surplus (note 10)	<u>\$ 9,145,499,457</u>	<u>\$ 8,787,713,805</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, 2018, with comparative information for 2017

	Budget (note 13) (note 1(o))	2018	2017
Revenue (note 12):			
Property taxation	\$ 200,724,391	\$ 202,262,689	\$ 191,089,555
Taxation from other governments	1,500,000	1,495,421	1,451,643
User charges	51,341,052	55,348,100	63,652,074
Water and sewer billings	159,270,885	150,397,663	133,830,685
Government transfers (note 11)	9,697,300	24,422,947	8,055,260
Investment income	3,929,100	6,132,140	5,590,504
Penalties and interest on taxes	5,200,000	5,736,228	5,308,299
Other fees and services	309,850	7,679,527	12,862,779
Contributions from developers	56,018,259	64,587,558	52,314,732
Contributed assets (note 9(b))	–	316,239,032	440,789,763
Hydro Vaughan Corporations (note 4):			
Share of net earnings	8,260,000	25,221,531	12,762,675
Interest on notes receivable	3,802,000	3,743,683	4,111,033
	500,052,837	863,266,519	931,819,002
Expenses (note 12):			
General government	35,930,938	29,951,241	30,447,430
Protection to persons and property	84,190,489	82,375,193	80,893,279
Transportation services	48,045,441	96,917,361	62,103,431
Environmental services	229,139,702	172,668,608	155,509,826
Health services	121,518	106,593	140,241
Social and family services	303,196	129,210	149,323
Recreation and cultural services	108,262,758	99,380,921	98,635,712
Planning and development	51,634,793	21,740,395	22,634,977
	557,628,835	503,269,522	450,514,219
	(57,575,998)	359,996,997	481,304,783
Gain on merger by Vaughan Holdings Inc. (note 4)	–	–	209,196,347
Adjustment for the decrease of the City's equity interest in the net assets of Alectra Inc. (note 4)	–	(2,211,345)	(1,812,578)
Annual surplus (deficit)	(57,575,998)	357,785,652	688,688,552
Accumulated surplus, beginning of year	8,787,713,805	8,787,713,805	8,099,025,253
Accumulated surplus, end of year	\$ 8,730,137,807	\$ 9,145,499,457	\$ 8,787,713,805

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, 2018, with comparative information for 2017

	Budget (note 13) (note 1(o))	2018	2017
Annual surplus (deficit)	\$ (57,575,998)	\$ 357,785,652	\$ 688,688,552
Amortization of tangible capital assets	–	74,041,429	71,754,674
Proceeds on disposal of tangible capital assets	–	120,100	71,614
Loss on disposal of tangible capital assets	–	39,163,780	2,270,979
Acquisition of tangible capital assets	–	(442,850,116)	(541,862,379)
	(57,575,998)	28,260,845	220,923,440
Acquisition of prepaid expenses	–	(1,034,103)	(761,077)
Increase (decrease) in net financial assets	(57,575,998)	27,226,742	220,162,363
Net financial assets, beginning of year	564,504,610	564,504,610	344,342,247
Net financial assets, end of year	\$ 506,928,612	\$ 591,731,352	\$ 564,504,610

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE CITY OF VAUGHAN

DRAFT Consolidated Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 357,785,652	\$ 688,688,552
Items not involving cash:		
Amortization of tangible capital assets	74,041,429	71,754,674
Loss on disposal of tangible capital assets	39,163,780	2,270,979
Contributed tangible capital assets	(316,239,032)	(440,789,763)
Gain on merger by Vaughan Holdings Inc. (note 4)	–	(209,196,347)
Deduct share of net earnings of Hydro Vaughan Corporations	(25,221,531)	(12,762,675)
Change in non-cash assets and liabilities:		
Increase in accounts receivable	(6,577,609)	(923,641)
Decrease in accounts payable and accrued liabilities	(2,559,208)	(14,558,548)
Increase (decrease) in accrued interest on long-term liabilities	(22,170)	26,394
Increase in taxes receivable	(6,487,635)	(3,809,489)
Increase in prepaid expenses	(1,034,103)	(761,077)
Increase in water and sewer billings receivable	(4,453,521)	(273,346)
Increase in deferred revenue - obligatory reserve funds	208,128,467	37,229,328
Increase in employee future benefits	9,642,922	18,698,059
Increase in deposits and deferred revenue	8,092,529	3,998,145
	334,259,970	139,591,245
Capital activities:		
Proceeds on disposal of tangible capital assets	120,100	71,614
Cash used to acquire tangible capital assets	(126,611,084)	(101,072,616)
	(126,490,984)	(101,001,002)
Financing activities:		
Debenture and other debt repaid	(13,576,921)	(8,424,187)
Debenture and other debt incurred	16,104,977	13,186,416
	2,528,056	4,762,229
Investing activities:		
Increase in investments	(1,442,080)	(43,099,801)
Decrease (increase) in investment in Hydro Vaughan Corporations	25,875,377	(44,002,975)
	24,433,297	(87,102,776)
Increase (decrease) in cash and cash equivalents	234,730,339	(43,750,304)
Cash and cash equivalents, beginning of year	495,713,988	539,464,292
Cash and cash equivalents, end of year	\$ 730,444,327	\$ 495,713,988
Supplemental cash flow information:		
Interest paid	\$ 881,561	\$ 1,266,745
Interest and dividends received	31,740,490	19,110,625

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE CITY OF VAUGHAN

DRAFT Notes to Consolidated Financial Statements

Year ended December 31, 2018

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, 2018

1. Significant accounting policies (continued):

(ii) Investments in government business enterprises:

The City's investments in Vaughan Holdings Inc., Hydro Vaughan Energy Corporation, 1446631 Ontario Inc. and Alectra Inc., collectively referred to as "Hydro Vaughan Corporations", are accounted for on a modified equity basis, consistent with the generally accepted accounting treatment for government business enterprises. On January 31, 2017, PowerStream Holdings Inc. ("PowerStream") merged with Enersource Holdings Inc. ("Enersource") and Horizon Holdings Inc. ("Horizon") to form Alectra Inc. ("Alectra"). 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.

(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, 2018

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, 2018

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. 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 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 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 in February 2018 for 2017, 2018 and 2019 in accordance with the financial reporting guidelines established by PSAB.

THE CORPORATION OF THE CITY OF VAUGHAN

DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

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 and taxes receivable are recognized when they meet the definition of an asset, the tax is authorized and taxable event has occurred. Property assessments and the related property taxes are subject to appeal. Tax adjustments as a result of appeals are recorded when the result of the appeal process is known.

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

(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, 2018

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:

Land improvements	2 - 100 years
Buildings and facilities	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

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:

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, 2018

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 2018 budget figures, as presented in these consolidated financial statements, consist of the operating, capital, and water, wastewater and stormwater budgets as approved by City Council.

THE CORPORATION OF THE CITY OF VAUGHAN

DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

1. Significant accounting policies (continued):

(p) Adoption of new accounting policies:

The City has adopted the following PSAB Standards effective January 1, 2018:

(i) Assets (PS 3210):

PS 3210 provides additional guidance on the definition of assets and what is meant by economic resources, control, past transactions and events and from which future economic benefits are to be obtained. For the year ended December 31, 2018, all material assets have been disclosed and reported within this definition.

(ii) Contingent assets (PS 3320):

PS 3320 introduces a definition for 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. Disclosure of a contingent asset is required under this standard when the occurrence of a confirming future event is likely.

Government funding established through an agreement and not yet received at December 31, 2018 are included in receivables and do not fall within this standard.

(iii) Contractual rights (PS 3380):

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 revenue in the future. Note 15 provides disclosure regarding the nature, extent and timing of contractual rights.

(iv) Related party disclosures (PS 2200):

A related party exists 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.

THE CORPORATION OF THE CITY OF VAUGHAN

DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

1. Significant accounting policies (continued):

For the year ended December 31, 2018, there are no such related party transactions to disclose. The City has a number of city-wide controls, guidelines and policies to mitigate risk that related party transactions are not identified or non-compliant, including policies covering procurement, conflicts of interest, use of City resources, and standards of behaviour.

(v) Inter-entity transactions (PS 3420):

PS 3420 provides guidance on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective. The main features of this new standard deal with the measurement of these transactions. All City transactions are recorded at the exchange amount, being the amount agreed to by both parties. For the year ended December 31, 2018, there were no material inter-entity transactions to disclose.

(q) Future accounting pronouncements:

These standards and amendments were not yet effective for the year ended December 31, 2018, 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 3430, Restructuring Transactions,** requires that assets and liabilities in restructuring transactions be measured at their carrying amount. It also prescribes financial statement presentation and disclosure requirements. This standard is effective for fiscal periods beginning on or after April 1, 2018 (the City's December 31, 2019 year-end).
- (ii) 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 City's December 31, 2020 year-end).

THE CORPORATION OF THE CITY OF VAUGHAN

DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

1. Significant accounting policies (continued):

(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, 2021 (the City's December 31, 2022 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, 2021 (the City's December 31, 2022 year-end). Earlier adoption is permitted. A public sector entity adopting this standard must also adopt the new financial instruments standard.

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

During 2018, 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	\$ 311,643,140	\$ 342,948,003
Taxation from other governments	441,936	666,544
Amounts requisitioned and remitted	\$ 312,085,076	\$ 343,614,547

3. Investments:

Investments consist of government and financial institution bonds and have effective interest rates of 1.83% to 5.03% (2017 - 1.86% to 5.03%) with maturity dates from April 29, 2019 - December 15, 2025 (2017 - September 14, 2018 to December 15, 2025). Market value of investments costing \$87,293,174 (2017 - \$85,851,094) is \$85,663,590 (2017 - \$85,316,459) at December 31, 2018.

THE CORPORATION OF THE CITY OF VAUGHAN

DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

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	
	2018	2017
Vaughan Holdings Inc. (including 100% ownership of Hydro Vaughan Energy Corporation and 21.49% share interest in Alectra)	100%	100%
1446631 Ontario Inc.	100%	100%

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

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

THE CORPORATION OF THE CITY OF VAUGHAN

DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

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.

Financial position	2018	2017
Assets		
Current	\$ 10,060,751	\$ 5,763,979
Investment in Hydro Vaughan Corporations	635,860,859	636,514,705
Other	170,839	123,081
Total assets	\$ 646,092,449	\$ 642,401,765
Liabilities		
Current	\$ 1,007,985	\$ 765,223
Total liabilities	1,007,985	765,223
Shareholders' equity		
Share capital	196,859,952	196,859,952
Retained earnings and contributed surplus	448,224,512	444,776,590
Total shareholders' equity	645,084,464	641,636,542
Total liabilities and shareholders' equity	\$ 646,092,449	\$ 642,401,765

Results of operations and non-operations:

	2018	2017
Revenue	\$ 25,526,142	\$ 13,077,054
Expenses	304,611	314,379
Net income	\$ 25,221,531	\$ 12,762,675

THE CORPORATION OF THE CITY OF VAUGHAN

DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

4. Investment in Hydro Vaughan Corporations (continued):

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

	2018	2017
Equity	\$ 550,858,189	\$ 542,710,019
Notes receivable	84,133,025	84,133,025
Accrued interest on notes receivable	869,645	9,671,661
Investment in Hydro Vaughan Corporations	\$ 635,860,859	\$ 636,514,705

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

	2018	2017
Equity pickup in Hydro Vaughan Corporations	\$ 25,221,531	\$ 12,762,675
Payment of deferred interest	(8,802,015)	—
Gain on merger	—	209,196,347
Increase (decrease) in share capital	(4,422,691)	49,882,539
Dividend	(12,650,671)	(5,879,564)
Net change in investment in Hydro Vaughan Corporations	(653,846)	265,961,997
Opening investment in Hydro Vaughan Corporations	636,514,705	370,552,708
Closing investment in Hydro Vaughan Corporations	\$ 635,860,859	\$ 636,514,705

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

THE CORPORATION OF THE CITY OF VAUGHAN

DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

4. Investment in Hydro Vaughan Corporations (continued):

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

5. Employee future benefits:

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

	2018	2017
Post-retirement non-pension benefits ^(d)	\$ 120,859,117	\$ 111,867,453
Vacation entitlements ^(c)	6,648,433	6,362,681
WSIB ^(b)	6,711,206	6,345,700
	\$ 134,218,756	\$ 124,575,834

(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 \$29,091,253 in 2018 (2017 - \$27,577,358), of which \$14,586,957 (2017 - \$13,856,538) represented the City's portion.

(b) Workplace safety and insurance obligations:

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

An actuarial estimate of future liabilities has been completed and forms the basis for the estimated liability of \$6,711,206 (2017 - \$6,345,700) 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, 2018

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 \$6,648,433 (2017 - \$6,362,681).

(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, 2018 of \$120,859,117 (2017 - \$111,867,453) and the expense for the year ended December 31, 2018 of \$10,895,324 (2017 - \$14,149,446) was determined by actuarial valuation using a discount rate of 3.5% (2017 - 3.5%).

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

	2018	2017
Accrued benefit obligation:		
Balance, end of prior year	\$ 111,867,453	\$ 99,074,000
Actuarial loss	3,337,484	3,594,214
Prior service adjustment	—	3,575,805
Service cost	6,415,204	6,398,164
Interest cost	4,223,391	3,918,747
Unamortized actuarial loss	(3,080,755)	(3,337,484)
Benefits paid	(1,903,660)	(1,355,993)
Projected accrued benefit obligation, end of year, as determined by actuarial valuation	\$ 120,859,117	\$ 111,867,453

THE CORPORATION OF THE CITY OF VAUGHAN

DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

5. Employee future benefits (continued):

Components of benefit expense:

	2018	2017
Service cost	\$ 6,415,204	\$ 6,398,164
Prior service adjustment	—	3,575,805
Interest cost	4,223,391	3,918,747
Amortization of actuarial loss	256,729	256,730
Benefit expense	\$ 10,895,324	\$ 14,149,446

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

(i) Interest (discount) rate:

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

(ii) Salary levels:

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

(iii) Medical costs:

Medical costs were assumed to increase at 6.20% in 2018 decreasing by about 0.25% per year to 4.50% in 2025 and thereafter.

(iv) Dental costs:

Dental costs were assumed to increase at 4.50% in 2018 and thereafter.

(v) Expected average remaining service life of the current active group is assumed to be 13 years.

THE CORPORATION OF THE CITY OF VAUGHAN

DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

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:

	2018	2017
Recreational land (The Planning Act)	\$ 67,884,484	\$ 63,483,795
Development Charges Act	493,043,286	289,867,550
Sub-divider contributions	13,080,990	11,777,937
Federal gas tax	27,395,908	27,029,668
Building Standards Act	12,847,968	15,938,530
Ontario grants	2,753,115	779,804
	\$ 617,005,751	\$ 408,877,284

Deferred revenue - obligatory reserve funds continuity schedule:

	Opening balance	Received	Recognized as revenue	Other	Closing balance
Recreational land (The Planning Act)	\$ 63,483,795	\$ 23,732,266	\$ (20,689,652)	\$ 1,358,075	\$ 67,884,484
Development Charges Act	289,867,550	240,552,764	(44,834,342)	7,457,314	493,043,286
Sub-divider contributions	11,777,937	592,377	(468,319)	1,178,995	13,080,990
Federal gas tax	27,029,668	9,182,666	(9,357,684)	541,258	27,395,908
Building Standards Act	15,938,530	66,000	(3,444,571)	288,009	12,847,968
Ontario grants	779,804	—	749,262	1,224,049	2,753,115
	\$ 408,877,284	\$ 274,126,073	\$ (78,045,306)	\$ 12,047,700	\$ 617,005,751

THE CORPORATION OF THE CITY OF VAUGHAN

DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

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:

	2018	2017
Debenture debt issued by the Region:		
Serial debt	\$ 29,621,590	\$ 36,260,288
Debt payable to Block 11 Landowners' Group for Block 11 Valley Road Crossings and Pressure District 6 East, Rutherford Road Trunk Watermain	148,750	7,086,973
Debt payable to YMCA for construction of City Library and Recreation Space in the Vaughan Metropolitan Centre	29,291,392	13,186,415
	<u>\$ 59,061,732</u>	<u>\$ 56,533,676</u>

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

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

In 2017, the City entered into an agreement with the YMCA of Greater Toronto to be a funding partner for the construction of a YMCA, City Library and City Recreation Space in the Vaughan Metropolitan Centre. The YMCA entered into a financing agreement with Ontario Infrastructure and Lands Corporation to obtain a construction loan for the project that converts to a term loan within three years from the date of the first construction loan advance. The City is responsible for payment of all interest and principal in respect of its agreed upon share of the financed project costs and is the guarantor of the YMCA's obligations under the Financing Agreement. The construction loan is a non-revolving floating rate loan with interest-only payments. The term loan will be a non-revolving fixed rate loan with principal and interest payments due over an amortization period of up to 20 years. The City's obligation outstanding at December 31, 2018 includes accrued construction and interest costs to date.

THE CORPORATION OF THE CITY OF VAUGHAN

DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

7. Debenture and other debt (continued):

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

	Block 11 Landowners' Group	YMCA	York Region	Total
2019	\$ 148,750	\$ 161,097	\$ 6,678,696	\$ 6,988,543
2020	—	1,092,386	5,733,698	6,826,084
2021	—	1,456,515	5,733,698	7,190,213
2022	—	1,456,515	4,453,098	5,909,613
2023	—	1,456,515	2,208,400	3,664,915
2024- 2040	—	23,668,364	4,814,000	28,482,364
	\$ 148,750	\$ 29,291,392	\$ 29,621,590	\$ 59,061,732

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

	2018	2017
Principal payments, including contributions to the sinking fund	\$ 13,576,921	\$ 8,424,187
Interest	881,561	1,266,745
	\$ 14,458,482	\$ 9,690,932

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, 2018

9. Tangible capital assets:

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

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

THE CORPORATION OF THE CITY OF VAUGHAN

DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

9. Tangible capital assets (continued):

(a) Assets under construction:

Assets under construction having a value of \$174,061,011 (2017 - \$126,537,321) 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 \$37,444,221 (2017 - \$28,989,675).

(b) Contributed tangible capital assets:

Contributed capital assets have been recognized at fair market value at the date of contribution. The value of contributed assets received during the year is \$316,239,032 (2017 - \$440,789,763) comprising of land and land improvements of \$260,831,461 (2017 - \$349,473,194), roads infrastructure of \$21,124,899 (2017 - \$33,024,666), and water and wastewater infrastructure of \$34,282,672 (2017 - \$58,291,903).

(c) Tangible capital assets disclosed at nominal values:

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

THE CORPORATION OF THE CITY OF VAUGHAN

DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

10. Accumulated surplus (deficit):

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

	2018	2017
Surplus (deficit):		
Investment in tangible capital assets	\$ 8,551,359,525	\$ 8,221,834,718
Amounts to be recovered in future years:		
From future revenue	(130,545,724)	(130,122,334)
From reserves and reserve funds on hand	(25,648,194)	(23,380,588)
Investment in Hydro Vaughan Corporations (note 4)	635,860,859	636,514,705
Other	(187,728,899)	(191,516,770)
	8,843,297,567	8,513,329,731
Reserves set aside for specific purposes by City Council:		
Vehicle replacement	3,931,896	4,447,672
Fire equipment replacement	4,536,101	4,593,896
General working capital	15,981,459	13,615,860
Tax rate stabilization	2,090,520	1,472,453
Waterworks	77,251,496	67,422,124
Wastewater (sanitary sewers)	58,226,519	46,992,055
Stormwater reserve	27,801,947	25,740,984
Keele Valley landfill	696,544	1,219,409
Heritage Fund	3,374,856	3,128,049
Employee benefits	25,648,194	23,380,588
Buildings	15,479,937	17,257,461
Roads infrastructure	8,220,575	8,093,858
Sale of public lands	6,963,216	6,974,414
Parks infrastructure	5,239,340	6,081,933
Other	17,210,862	15,646,377
Debenture payments	5,250,886	2,789,771
Engineering	1,841,923	4,744,260
Planning	1,032,623	1,014,389
City Hall Funding	29,160	28,612
Expenditure reserve	2,749,278	2,551,916
Capital from taxation	18,644,558	17,187,993
	302,201,890	274,384,074
	\$ 9,145,499,457	\$ 8,787,713,805

THE CORPORATION OF THE CITY OF VAUGHAN

DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

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:

	2018	2017
Provincial grants:		
General government	\$ 80,007	\$ 80,000
Transportation services	372,327	—
Environmental services	4,047,868	5,509
Recreation and cultural services	243,774	186,287
Planning and development	468,769	477,661
	5,212,745	749,457
Federal grants:		
General government	363,858	200,344
Transportation services	8,839,256	6,791,008
Environmental services	8,323,090	(365,117)
Recreation and cultural services	1,683,998	679,568
	19,210,202	7,305,803
	\$ 24,422,947	\$ 8,055,260

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, 2018

12. Segmented information (continued):

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

THE CORPORATION OF THE CITY OF VAUGHAN

DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

12. Segmented information (continued):

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

THE CORPORATION OF THE CITY OF VAUGHAN

DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

12. Segmented information (continued):

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

(a) General government:

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

(b) Protection to persons and property:

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

(c) Transportation services:

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

(d) Environmental services:

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

(e) Health, social and family services:

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

THE CORPORATION OF THE CITY OF VAUGHAN

DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

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, 2018

13. Budget data:

The budget data presented in these consolidated financial statements is based upon the 2018 operating and capital budgets approved by Council on January 30, 2018. 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	\$ 298,286,720
Water budget	69,234,466
Wastewater budget	82,502,216
Stormwater budget	9,730,543
Capital budget	146,500,653
Less:	
Transfers from other funds	(59,690,507)
Proceeds from debt issue	(45,345,593)
Hospital levy	7,094,339
Hydro Dividends	(8,260,000)
	500,052,837
Expenses:	
Operating budget	298,286,720
Water budget	61,136,949
Wastewater budget	84,032,486
Stormwater budget	8,572,598
Capital budget	146,500,653
Less:	
Transfers from other funds	(39,351,498)
Debt principal payments	(8,643,412)
Hospital levy	7,094,339
	557,628,835
Annual deficit	\$ (57,575,998)

14. Trust funds:

Trust funds administered by the City amounting to \$1,411,960 (2017 - \$1,369,152) 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

DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

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 \$61.3 million (for the period 2019 to 2023). The City has also entered into a number of third party contracts to provide shared services with estimated future recoveries of \$15.8 million (for the period 2019 to 2020). Future revenues from lease agreements for City-owned properties are approximately \$2.6 million (for the period 2019 to 2066).

16. Commitments:

(a) Lease and operating commitments:

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

2019	\$ 48,393,000
2020	40,468,000
2021	26,259,000
2022	18,890,000
2023	16,639,000
Thereafter	58,493,000
	<hr/>
	\$ 209,142,000

(b) Loan guarantees:

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

- (i) for the accumulated sum not exceeding \$5.0 million with the Ontario Soccer Association. The loan balance as at December 31, 2018 is \$3.7 million (2017 - \$4.1 million).

THE CORPORATION OF THE CITY OF VAUGHAN

DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

16. Commitments (continued):

(ii) for the accumulated sum not exceeding \$4.5 million with the Mentena Development Group. The loan balance as at December 31, 2018 is \$3.4 million (2017 - \$3.8 million).

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

(c) Joint services agreement:

Pursuant to a joint service agreement between PowerStream and the City, which was continued by Alectra and the City, Alectra charges the City, at agreed rates, for various administrative functions. In addition, the City performs certain shared services which are charged to Alectra. The total commitment under the agreement for 2018 is \$1.8 million in charges to the City by Alectra. A new five-year agreement was finalized in 2016 before the merger with Alectra in February 2017 and this agreement continues through 2020.

(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, 2018 is approximately \$222.9 million. Expenses relating to capital works are recorded in the year in which expenses are incurred and measurable as a result of receipt of goods or services under/or the creation of a legal obligation.

(e) Vaughan Hospital Precinct Development Plan:

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

THE CORPORATION OF THE CITY OF VAUGHAN

DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

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.

18. Subsequent event:

On January 1, 2019, Alectra amalgamated with Guelph Hydro Electric Systems Inc. ("GHESI"). Alectra issued 485,000 Class G common shares to Guelph Municipal Holdings Inc. ("GMHI") in consideration for all the issued and outstanding shares of GHESI. This common share issuance by Alectra represents an effective 4.6% interest in its aggregate issued and outstanding classes of common shares. The amalgamation is expected to result in more efficient and enhanced service delivery through lower operating costs, while providing significant benefits for communities and shareholders.

The new shareholder ownership structure as a result of this merger is as follows: Barrie Hydro Holdings - 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% and GMHI - 4.6%.

The accounting and valuation for the amalgamation is still being finalized. Consequently, disclosures regarding the amount of the purchased assets and liabilities cannot be determined.

Financial Statements of

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

And Independent Auditors' Report thereon

Year ended December 31, 2018

INDEPENDENT AUDITORS' REPORT

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

Opinion

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

- the statement of financial position as at December 31, 2018
- the statement of operations and accumulated surplus for the year then ended
- the statement of change in net debt for the year then ended
- the statement of cash flows for the year then ended
- and notes to the 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 financial position of the Entity as at December 31, 2018, 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.

Basis for Opinion

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

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

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

DRAFT

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

THE CORPORATION OF THE CITY OF VAUGHAN PUBLIC LIBRARY BOARD

DRAFT Statement of Financial Position

December 31, 2018, with comparative information for 2017

	2018	2017
Financial Assets		
Cash	\$ 8,172	\$ 4,448
Due from the City of Vaughan (note 5)	210,356	310,385
	<u>218,528</u>	<u>314,833</u>
Financial Liabilities		
Accounts payable and accrued liabilities	193,611	252,594
Employee future benefits (note 2(b))	6,810,000	6,653,000
Deferred revenue	37,863	70,537
	<u>7,041,474</u>	<u>6,976,131</u>
Net debt	(6,822,946)	(6,661,298)
Non-Financial Assets		
Prepaid expenses	12,946	8,298
Tangible capital assets (note 3)	9,218,063	8,580,734
	<u>9,231,009</u>	<u>8,589,032</u>
Accumulated surplus (note 4)	\$ 2,408,063	\$ 1,927,734

See accompanying notes to financial statements.

THE CORPORATION OF THE CITY OF VAUGHAN PUBLIC LIBRARY BOARD

DRAFT Statement of Operations and Accumulated Surplus

Year ended December 31, 2018, with comparative information for 2017

	Budget 2018 (note 6)	Actual 2018	Actual 2017
Revenue:			
Municipal contributions (note 5)	\$ 16,817,325	\$ 18,872,578	\$ 17,018,715
Province of Ontario grants	145,200	209,344	152,171
Fees, rental and sundry	427,350	382,478	367,658
	17,389,875	19,464,400	17,538,544
Expenses:			
Salaries and wages	11,663,243	11,159,093	10,516,391
Employee benefits	2,785,923	2,796,833	2,783,268
General administration	797,937	867,561	788,065
Maintenance and repairs	549,441	551,633	503,164
Periodicals	498,898	432,886	500,134
Utilities	540,912	386,948	400,866
Office furniture and technology	262,400	356,415	193,979
Cleaning services	125,200	122,520	126,602
Programmes	54,800	78,754	63,824
Supplies	90,121	87,429	76,559
Consulting and outside services	21,000	20,225	4,325
Amortization of tangible capital assets (note 3)	—	2,123,774	2,063,411
	17,389,875	18,984,071	18,020,588
Annual surplus (deficit)	—	480,329	(482,044)
Accumulated surplus, beginning of year	1,927,734	1,927,734	2,409,778
Accumulated surplus, end of year	\$ 1,927,734	\$ 2,408,063	\$ 1,927,734

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, 2018, with comparative information for 2017

	2018	2017
Annual surplus (deficit)	\$ 480,329	\$ (482,044)
Net (increase) decrease in prepaid expenses	(4,648)	5,895
Acquisition of tangible capital assets	(2,765,409)	(1,905,367)
Amortization of tangible capital assets	2,123,774	2,063,411
Loss on disposal of tangible capital assets	4,306	—
Increase in net debt	(161,648)	(318,105)
Net debt, beginning of year	(6,661,298)	(6,343,193)
Net debt, end of year	\$ (6,822,946)	\$ (6,661,298)

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, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Annual surplus (deficit)	\$ 480,329	\$ (482,044)
Items not involving cash:		
Amortization of tangible capital assets	2,123,774	2,063,411
Loss on disposal of tangible capital assets	4,306	—
Increase in employee future benefits	157,000	324,000
Change in non-cash assets and liabilities:		
Accounts payable and accrued liabilities	(58,983)	113,943
Prepaid expenses	(4,648)	5,895
Due from the City of Vaughan	100,029	(160,000)
Deferred revenue	(32,674)	40,456
	2,769,133	1,905,661
Capital activities:		
Purchase of tangible capital assets	(2,765,409)	(1,905,367)
Increase in cash	3,724	294
Cash, beginning of year	4,448	4,154
Cash, end of year	\$ 8,172	\$ 4,448

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, 2018

The Corporation of the City of Vaughan Public Library Board (the "Library") is a local board of the Corporation of the City of Vaughan (the "City of Vaughan"). The Library is deemed to be a separate incorporated public library board established under the Public Libraries Act (Ontario) and is responsible for providing public library services that reflect the community's needs.

1. Significant accounting policies:

(a) Basis of presentation:

The financial statements of 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. Significant accounting policies are as follows:

(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 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, 2018

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 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 their 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 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.

(v) Land and buildings:

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

THE CORPORATION OF THE CITY OF VAUGHAN PUBLIC LIBRARY BOARD

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2018

1. Significant accounting policies (continued):

(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, 2018

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 2018 are reflected on the statement of operations and accumulated surplus and in note 5. Actual revenue and expenses may differ significantly from annual budgets.

(j) Adoption of new accounting policies:

Effective January 1, 2018, the Library adopted the following standards issued by PSAB:

- (i) PS 2200 - Related party disclosures;
- (ii) PS 3210 - Assets;
- (iii) PS 3320 - Contingent assets;
- (iv) PS 3380 - Contractual rights; and
- (v) PS 3420 - Inter-entity transactions.

The adoption of these standards has not resulted in any significant impact to the financial statements.

THE CORPORATION OF THE CITY OF VAUGHAN PUBLIC LIBRARY BOARD

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2018

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 \$1,838,000 in 2018 (2017 - \$1,700,000), of which \$919,000 (2017 - \$850,000) represented the Library's portion.

(b) Post-retirement non-pension benefits:

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

The projected benefit obligation for active employees and retirees at December 31, 2018 of \$6,416,000 (2017 - \$6,285,000) and the expense for the year ended December 31, 2018 of \$237,000 (2017 - \$375,000) was determined by actuarial valuation using a discount rate of 3.5% (2017 - 3.5%).

THE CORPORATION OF THE CITY OF VAUGHAN PUBLIC LIBRARY BOARD

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2018

2. Employee future benefits (continued):

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

	2018	2017
Accrued benefit obligation:		
Balance, beginning of year	\$ 6,285,000	\$ 5,966,000
Actuarial gain	(1,752,000)	(1,887,000)
Service	208,000	212,000
Interest	164,000	154,000
Unamortized actuarial gain	1,617,000	1,752,000
Benefits paid	(106,000)	(56,000)
Prior service adjustment	—	144,000
Projected accrued benefit obligation, end of year, as determined by actuarial valuation	\$ 6,416,000	\$ 6,285,000
Components of benefit expense:		
Service	\$ 208,000	\$ 212,000
Interest	164,000	154,000
Amortization of actuarial gain	(135,000)	(135,000)
Prior service adjustment	—	144,000
Benefit expense	\$ 237,000	\$ 375,000

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

	2018	2017
Post-retirement non-pension benefits	\$ 6,416,000	\$ 6,285,000
Vacation pay	394,000	368,000
	\$ 6,810,000	\$ 6,653,000

THE CORPORATION OF THE CITY OF VAUGHAN PUBLIC LIBRARY BOARD

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2018

3. Tangible capital assets:

Cost	Balance, December 31, 2017	Additions	Disposals	Balance, December 31, 2018
Books	\$ 8,715,219	\$ 1,499,550	\$ 933,551	\$ 9,281,218
Audiovisual materials	3,975,114	641,141	492,075	4,124,180
Furniture and fixtures	2,553,352	214,523	–	2,767,875
Equipment	1,187,681	410,195	19,875	1,578,001
Total	\$ 16,431,366	\$ 2,765,409	\$ 1,445,501	\$ 17,751,274

Accumulated amortization	Balance, December 31, 2017	Amortization expense	Disposals	Balance, December 31, 2018
Books	\$ 3,757,653	\$ 1,285,673	\$ 933,551	\$ 4,109,775
Audiovisual materials	1,828,989	581,778	492,075	1,918,692
Furniture and fixtures	1,486,231	130,131	–	1,616,362
Equipment	777,759	126,192	15,569	888,382
Total	\$ 7,850,632	\$ 2,123,774	\$ 1,441,195	\$ 8,533,211

Net book value	2018	2017
Books	\$ 5,171,443	\$ 4,957,566
Audiovisual materials	2,205,488	2,146,125
Furniture and fixtures	1,151,513	1,067,121
Equipment	689,619	409,922
Total	\$ 9,218,063	\$ 8,580,734

THE CORPORATION OF THE CITY OF VAUGHAN PUBLIC LIBRARY BOARD

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2018

4. Accumulated surplus:

Accumulated surplus consists of the following:

	2018	2017
Surplus invested in tangible capital assets (note 3)	\$ 9,218,063	\$ 8,580,734
Unfunded employee benefits (note 2)	(6,810,000)	(6,653,000)
	<u>\$ 2,408,063</u>	<u>\$ 1,927,734</u>

5. Related party transactions and balance:

During the year, the Library received municipal contributions from the City of Vaughan of \$18,872,578 (2017 - \$17,018,715).

Amounts due from the City of Vaughan of \$210,356 (2017 - \$310,385) have no specific terms of repayment and the amounts do not bear any interest due from the City of Vaughan.

6. Budget data:

The audited budget data presented in these financial statements is based upon the 2018 operating and capital budgets approved by the Library on September 14, 2017. 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	\$ 17,389,875
Approved capital budget	40,271,000
	<u>57,660,875</u>
Less elimination of capital expense budget	40,271,000
Total revenue and expense	<u>\$ 17,389,875</u>

Financial Statements of

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

Year ended December 31, 2018

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of the Board of Management for the Kleinburg Business Improvement Area (the Entity), which comprise:

- the statement of financial position as at December 31, 2018
- the statement of operations and accumulated surplus for the year then ended
- the statement of changes in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the 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 financial position of the Entity as at December 31, 2018, 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.

Basis for Opinion

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

DRAFT

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

June 12, 2019

BOARD OF MANAGEMENT FOR THE KLEINBURG BUSINESS IMPROVEMENT AREA

DRAFT Statement of Financial Position

December 31, 2018, with comparative information for 2017

	2018	2017
Financial Assets		
Cash	\$ 2,462	\$ 2,609
Taxes receivable	5,289	1,728
	7,751	4,337
Financial Liabilities		
Accounts payable and accrued liabilities	4,356	—
Net financial assets	3,395	4,337
Non-Financial Assets		
Prepaid expenses	739	5,256
Accumulated surplus	\$ 4,134	\$ 9,593

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, 2018, with comparative information for 2017

	Budget 2018 (note 2(e))	Actual 2018	Actual 2017
Revenue:			
Kleinburg Business Improvement			
Area special area levy	\$ 46,000	\$ 46,000	\$ 46,000
Event dollars raised	—	1,433	50
Grants	—	3,767	—
Other income		14,169	1,728
	46,000	65,369	47,778
Expenses:			
Advertising and marketing	14,750	10,631	26,410
Outside contract services	12,500	37,383	10,024
Street Art	5,000	7,194	—
Consulting fees	4,000	1,801	8,164
Chamber of Commerce partnership	4,000	4,520	4,520
Insurance	1,550	1,993	1,517
Miscellaneous	1,800	2,153	570
OBIAA conference and membership	1,650	1,927	1,187
Christmas decoration replacement	750	3,226	—
	46,000	70,828	52,392
Annual deficit	—	(5,459)	(4,614)
Accumulated surplus, beginning of year	9,593	9,593	14,207
Accumulated surplus, end of year	\$ 9,593	\$ 4,134	\$ 9,593

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, 2018, with comparative information for 2017

	Budget 2018	Actual 2018	Actual 2017
Annual deficit	\$ —	\$ (5,459)	\$ (4,614)
Use (acquisition) of prepaid expenses	—	4,517	(4,553)
Increase (decrease) in net financial assets	—	(942)	(9,167)
Net financial assets, beginning of year	4,337	4,337	13,504
Net financial assets, end of year	\$ 4,337	\$ 3,395	\$ 4,337

See accompanying notes to financial statements.

BOARD OF MANAGEMENT FOR THE KLEINBURG BUSINESS IMPROVEMENT AREA

DRAFT Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operations:		
Annual deficit	\$ (5,459)	\$ (4,614)
Change in taxes receivable	(3,561)	(1,728)
Change in prepaid expenses	4,517	(4,553)
Change in accounts payable and accrued liabilities	4,356	—
Decrease in cash	(147)	(10,895)
Cash, beginning of year	2,609	13,504
Cash, end of year	\$ 2,462	\$ 2,609

See accompanying notes to financial statements.

BOARD OF MANAGEMENT FOR THE KLEINBURG BUSINESS IMPROVEMENT AREA

DRAFT Notes to Financial Statements

Year ended December 31, 2018

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, 2018

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 January 30, 2018.

Financial Statements of

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

Year ended December 31, 2018

INDEPENDENT AUDITORS' REPORT

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

Opinion

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

- the statement of financial position as at December 31, 2018
- the statement of operations and changes in fund balance for the year then ended
- and note to the 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 financial position of the Entity as at December 31, 2018, and its results of operations for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

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

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

DRAFT

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

THE CORPORATION OF THE CITY OF VAUGHAN TRUST FUNDS

DRAFT Statement of Financial Position

December 31, 2018, with comparative information for 2017

	2018	2017
Financial Assets		
Cash	\$ 1,395,348	\$ 1,341,536
Due from The Corporation of the City of Vaughan	16,612	27,616
	<u>\$ 1,411,960</u>	<u>\$ 1,369,152</u>
Fund Balance	\$ 1,411,960	\$ 1,369,152
	<u>\$ 1,411,960</u>	<u>\$ 1,369,152</u>

See accompanying note to financial statements.

THE CORPORATION OF THE CITY OF VAUGHAN

TRUST FUNDS

DRAFT Statement of Operations and Changes in Fund Balance

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Sources of funds:		
Capital receipts - sale of plots/markers (note 1(a))	\$ 42,808	\$ 42,408
Interest earned (note 1(a))	26,196	14,792
	69,004	57,200
Use of funds:		
Maintenance (note 1(a))	26,196	14,792
Net activity	42,808	42,408
Fund balance, beginning of year	1,369,152	1,326,744
Fund balance, end of year	\$ 1,411,960	\$ 1,369,152

See accompanying note to financial statements.

THE CORPORATION OF THE CITY OF VAUGHAN TRUST FUNDS

DRAFT Note to Financial Statements

Year ended December 31, 2018

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 Cemetery 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 operations and changes in fund balance are reported on the cash basis of accounting. Other items are reported on an accrual basis.

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, 2018

INDEPENDENT AUDITORS' REPORT

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

Qualified Opinion

We have audited the statement of revenue and expenditures and fund balance of Mayor's Gala and Golf Events, and notes, comprising significant accounting policies (Hereafter referred to as the "statement") for the year ended December 31, 2018 for The Corporation of the City of Vaughan (the Entity). The statement has been prepared by management in accordance with the basis of accounting in Note 1 to the statement.

In our opinion, except for the possible effects of the matter described in the "***Basis for Qualified Opinion***" section of our report, the accompanying statement for the year ended December 31, 2018 of the Mayor's Gala and Golf Events is prepared, in all material respects, in accordance with the financial reporting framework described in Note 1 to the statement.

Basis for Qualified Opinion

In common with many 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, verification of this 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 any adjustments might be necessary to:

- the revenue and surpluses reported in the statement for the years ended December 31, 2018 and December 31, 2017
- the fund balances, at the beginning and end of the year, reported in the statement for the years ended December 31, 2018 and December 31, 2017

Our opinion on the statement for the year ended December 31, 2017 was qualified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Statement***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statement 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.

Emphasis of Matter - Basis of Accounting

We draw attention to Note 1 in the statement which describes the applicable financial reporting framework.

The statement is prepared for income purposes only. As a result, the statement may not be suitable for another purpose.

Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Statement

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

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

Auditors' Responsibilities for the Audit of the Statement

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

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

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

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 statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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.

DRAFT

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, 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, 2018, with comparative information for 2017

	2018	2017
Mayor's Gala Event		
Revenue:		
Revenue received by City, net of harmonized sales tax	\$ 583,467	\$ 708,594
Expenditures:		
Mayor's Gala Event	170,439	165,262
City administration recovery (note 2)	23,816	25,307
Professional fees	22,147	31,783
	<u>216,402</u>	<u>222,352</u>
Surplus from Mayor's Gala Event	367,065	486,242
Mayor's Golf Tournament		
Revenue:		
Revenue received by City, net of harmonized sales tax	194,142	271,371
Expenditures:		
Mayor's Golf Tournament	83,539	89,572
City administration recovery (note 2)	23,372	21,872
Professional fees	2,125	4,728
	<u>109,036</u>	<u>116,172</u>
Surplus from Mayor's Golf Tournament	85,106	155,199
Total surplus from Mayor's Gala Event and Mayor's Golf Tournament	452,171	641,441
Balance carried forward from previous years	149,017	174,586
Total funds available for distribution	601,188	816,027
City distributions to qualified recipients (note 3)	–	667,010
Fund balance, end of year	<u>\$ 601,188</u>	<u>\$ 149,017</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, 2018

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 ("City") 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 2018, no distributions (2017 - \$667,010) were made to these qualified recipients.

The Corporation of the City of Vaughan

Audit Findings Report
for the year ended December 31, 2018

KPMG LLP

Licensed Public Accountants

May 13, 2019

kpmg.ca/audit



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Executive summary



Purpose of this report*

The purpose of this Audit Findings Report is to assist you, as a member of the Finance, Administration and Audit Committee, in your review of the results of our audit of the consolidated financial statements of the City of Vaughan as at and for the year ended December 31, 2018.



Changes from the Audit Plan

There have been no significant changes regarding our audit from the Audit Planning Report.



Finalizing the audit

As of May 13, 2019, we have completed the audit of the consolidated financial statements, with the exception of certain remaining procedures, which include amongst others:

- 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 Committee;
- obtaining evidence of City Council's approval of the financial statements.

We will update the Committee, and not solely the Chair (as required by professional standards), 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.

*This Audit Findings Report should not be used for any other purpose or by anyone other than the Finance, Administration and Audit 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.



Executive summary



Adjustments and differences

We did not identify differences that remain uncorrected.

We did not identify any adjustments that were communicated to management and subsequently corrected in the financial statements.



Significant accounting policies and practices

The City adopted 5 new public sector accounting standards in the current year. See page 10 for considerations regarding the implementation of the new standards in the current year financial statements.



Financial statement presentation and disclosure

The presentation and disclosure of the financial statements are, in all material respects, in accordance with the City's relevant financial reporting framework.



Control and other observations

We did not identify any control deficiencies that we determined to be significant deficiencies in internal control over financial report (ICFR).



Accounting estimates

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

We believe management's process for identifying critical accounting estimates for these balances to be adequate. We did not identify any indicators of possible management bias. See page 13.

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





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. We highlight our significant findings in respect of significant financial reporting risks as identified in the Audit Plan, as well as any additional significant risks identified.

Significant financial reporting risks	Why
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.

Our response and significant findings

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, obligatory reserve fund 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 2018 were used to fund capital projects.
- Reviewed recognition considerations for the other revenue streams.

We did not identify any issues related to fraud risk associated with revenue recognition.



Audit risks and results

Significant financial reporting risks

Why

Fraud risk from management override of controls

This is a presumed fraud risk.
We have not identified any specific additional risks of management override relating to this audit.

Our response and significant findings

Professional standards require certain procedures to be performed to address the presumed risks of management override of controls.

- Using our Data & Analytics software, we tested manual and automated journal entries by extracting all journal entries recorded in the general ledger system and other adjustments. Please see page 14 for details and results.
- We evaluated the reasonableness of estimates. We found that management's process for identifying accounting estimates is considered adequate.
- We did not identify any significant unusual transactions or any specific additional risks of management override during our audit.

We did not identify any issues related to fraud risk associated with management override of controls.





Other areas of focus

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

Other area of focus

Vaughan Holdings Inc.

Our response and significant findings

- Vaughan Holdings Inc. ("VHI") is considered a significant component of the City's consolidated financial statements.
- The City recognizes its investment in Hydro Vaughan Corporations using the modified equity method. We reviewed the criteria under Public Sector Accounting Standards ("PSA Standards") PS 3070 – Investment in Government Business Enterprises and noted that the City's investment in Hydro Vaughan Corporations continues to meet all criteria of the standard and therefore it is appropriate to continue to record the investment using the modified equity method of accounting.
- In 2018, the City's share of VHI's net income and dividends paid out totalled \$25.2M and \$12.7M, respectively (2017 - \$12.6M and \$5.8M, respectively).
- VHI received a \$2.2M (2017 - \$1.8M) capital dividend from Alectra, which was recorded as a reduction to VHI's investment in Alectra. VHI issued a similar capital dividend of \$2.2M to the City.
- These transactions are described in note 4 to the financial statements.
- We 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 Alectra as at December 31, 2018.
- **Based on our audit, we conclude that management has appropriately recorded and presented its investment in Hydro Vaughan Corporations using modified equity accounting.**
- There was a subsequent event on January 1, 2019 relating to an amalgamation of Alectra with Guelph Hydro Electric Systems Inc. As a result of the amalgamation, VHI's investment in Alectra effectively changed from 21.49% to 20.5%. This has been described in note 18 to the financial statements.



Other area of focus

YMCA Project

Our response and significant findings

- In 2017, the City entered into an arrangement with YMCA Toronto (“YMCA”) and Penguin Calloway Vaughan Partnership for the construction of a YMCA and City Facility (together, “facility”) that is within a mixed use building being developed in the Vaughan Metropolitan Centre. The facility will be shared between the City and YMCA for occupancy whereby the City will use 30% of the facility and YMCA will use the remaining 70%. It is intended that the City will enter into a lease to use this 30% portion of the facility for a nominal rent of \$1 per year.
- YMCA entered into a financing agreement with Ontario Infrastructure and Lands Corporation (OILC) to obtain a construction loan of up to \$66M, which the City has guaranteed. In the event of default by YMCA, the City is required to assume all liabilities and take first right to ownership of all assets related to the facility, as part of this transaction.
- As at December 31, 2018, the City has spent a cumulative \$40.5M (2017 - \$24.5M) on the project, comprising:

(millions)	<u>2018</u>	<u>2017</u>
Land	\$11.0	\$11.0
Land transfer tax	1.5	1.5
The City's portion of the facility	10.8	4.6
The YMCA's portion of the facility	<u>17.2</u>	<u>7.4</u>
	\$40.5	\$24.5

- The City has reported the \$40.5M (2017 - \$24.5M) as assets under construction as part of its tangible capital assets. A total of \$11.4M (2017 - \$11.4M) has been paid by the City with a remainder of \$29.3M (2017 - \$13.2M) recorded as long-term debt.
- These transactions are described in note 7 to the financial statements, including the repayment schedule of debt payments owing to YMCA.
- We obtained and reviewed relevant agreements related to this facility between the City and other parties. We reviewed the detail of costs related to this facility that were incurred during 2018. We obtained a direct confirmation from YMCA of the long term debt and repayment schedule owing to them.
- We did not note any issues with management's estimates and assumptions and we find the measurement and disclosures related to this project to be appropriate.





Other area of focus

Adoption of public sector accounting standards

Our response and significant findings

Beginning in fiscal 2018, the City is required to adopt the following new public sector accounting standards (PSAS) :

- **PS 2200 – Related Party Disclosures**
 - This standard defines related parties and requires disclosure of material transactions occurring between related parties at a value that is different from that which would have been arrived at if the parties were unrelated.
 - The City has internal policies over procurement and conduct that address conflicts of interest and transactions with individuals or parties at non-arms' length. We held discussions with management who informed us that there were no material related party transactions that were not at fair value during the year. Our findings from our review of Council and committee meeting minutes were consistent in this regard. At the completion of the audit (upon Council approval of the financial statements), we will obtain from management a signed representation letter indicating that there were no related parties or transactions not identified to us or disclosed in the financial statements.
- **PS 3420 – Inter-Entity Transactions**
 - These are transactions occurring between commonly controlled entities. There are no inter-entity transactions to consider as there are no commonly-controlled entities to the City.
- **PS 3380 – Contractual Rights**
 - Contractual rights, which are rights to economic resources arising from contracts or agreements that will result in both an asset and revenue in the future, must be disclosed and described. As at December 31, 2018, there were a number of contracts and commitments for funding support, shared services, and leases. The aggregate amounts for each of these types of arrangements are disclosed in note 15 to the financial statements.
 - For a sample of contracts and commitments, we verified the maximum amount available to the City, ensured that amounts are to be earned in future periods, and recalculated the future portions by deducting actual revenues earned to date on the contracts.
- **PS 3320 – Contingent Assets**
 - Contingent assets, which exist when an unresolved existing condition exists and an expected future event will resolve that uncertainty as to whether an asset exists, must be disclosed. Management has considered a number of circumstances, including litigation where the City is the plaintiff and situations with the potential for recoveries. Management has not identified any contingent assets, which is supported by the City Solicitor. No disclosures are required.
- **PS 3210 – Assets**
 - Items meeting the expanded definition of assets must be recorded as assets in the statement of financial position. The City has recorded all such assets. This standard does not have a significant impact on the financial statements.



Other area of focus

Employee Future Benefits

Our response and significant findings

- Employee future benefits provided by the City, which will require funding in future periods, include post-retirement non-pension benefits and WSIB.
- The post-retirement non-pension benefits include certain health, dental and life insurance benefits for retired employees. 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:
 - **Post-retirement non-pension benefits:** A full actuarial valuation was performed as at January 1, 2017 for the 3 years of 2017 to 2019.
 - **WSIB:** A valuation was performed as at January 1, 2017 for the 3 years of 2017 to 2019.
- We reviewed the 2018 projections made in the 2017 actuarial valuation reports. 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, including management's best estimates over inflation rate, discount rate, benefit cost trend rates, retirement age and expected average remaining service life.
- The details related to employee future benefits are described in note 5 to the financial statements.
- **We did not note any issues with management's estimates and assumptions and we find the measurement and disclosures of post-retirement non-pension benefits and WSIB liability to be appropriate.**



```

ier_ob = mirror_ob
object = mirror_ob

X":
= True
= False
= False
ERROR Y":
= False
= True
= False
ERROR Z":
= False
= False
= True

endi - add back the deleted
acts.active = modifier_ob
(modifier_ob)) # modifier_ob
= 0
ected objects=0]
name] = 1
ect exactly two objects, th
SES
55
55
e selected object
ror_x"

```

We have summarized our assessment of the subjective areas.

Asset / liability	KPMG comments
Employee Future Benefits	<ul style="list-style-type: none"> — We reviewed actuarial reports regarding estimates related to Employee Future Benefits, and conducted tests of detail to assess the reliability of the information used within the reports. — We recalculated the accruals based on the information noted above and did not identify any discrepancies.
Contingent Liabilities	<ul style="list-style-type: none"> — PSAS section PS3300 - 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.” — 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 collectability of certain accounts receivable, legal claims, contract settlement accruals, etc. — KPMG has reviewed the City’s assessments of contingent liabilities, including evaluation by the City Solicitor thereon, and the process employed to develop and record the related estimated liabilities. Where applicable, KPMG discussed with the individuals responsible for the process and is satisfied that the methodology used is rational, consistent with the approach taken in prior years, and has been appropriately reviewed. — 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.

Technology in the audit

As previously communicated in our Audit Planning Report, we have utilized Data & Analytics (D&A) and other technology to enhance the quality and effectiveness of the audit.



Areas of the audit where Technology and D&A routines were used

Area	Our results and insights
Journal entry testing	<p>We utilized our proprietary D&A tool, IDEA, to evaluate the completeness of the journal entry population through a roll-forward of all accounts, analyze journal entries and determine sub-populations for more focused and risk-based testing, and apply certain criteria to sub-populations to identify potential high-risk journal entries for further testing.</p> <ul style="list-style-type: none"> — We did not identify any issues with completeness through our roll-forward procedures. — We are satisfied with the results of our testing of specific relevant journal entries, which were identified for testing using the computer assisted auditing techniques.
Tangible capital assets	<p>WIP transfers to asset additions: We utilized IDEA to ensure that asset additions to tangible capital assets recorded in the Citywide database transferred from work in progress are removed from work in progress completely.</p> <ul style="list-style-type: none"> — We compared the asset additions listing to transfers out of work in progress and we investigated any significant asset additions that are not completely removed from work in progress. — We did not identify any issues with the completeness of transfers out of work in progress as any remaining items were supported. <p>Disposals: We utilized IDEA to verify that assets that were disposed of during the year were completely removed from the register of assets in the Citywide database.</p> <ul style="list-style-type: none"> — Our comparison of the disposals listing to the asset register continued to list assets that were disposed of, however, consistent with our findings in the past, they were identified with unique asset IDs and were all reported at nil cost values. — We did not identify any issues with the overstatement of assets being retained on the books for disposed assets. <p>Depreciation expense: We utilized IDEA to analyze depreciation expense on an asset level.</p> <ul style="list-style-type: none"> — We replicated the formula used to determine individual assets' annual amortization expense and recalculated an expected amount after verifying the appropriate inputs were used. — We did not find any issues in our recalculation of amortization expense compared to the amounts recorded by the City.



Holdback completeness

We utilized IDEA to evaluate whether construction holdbacks liabilities have been completely and consistently recorded for significant projects in work in progress at year-end.

- We obtained the asset register for work in progress by project ID and the listing of contractor expenditures by business unit. We compared the holdbacks details from these two listings to identify significant projects that did not include a holdback.
- We did not find any issues with the completeness of holdbacks liabilities.

Cash deposits deferred revenue

We utilized IDEA to evaluate the year-over-year change (on a project level) for 100% of the population of projects for which cash deposits have been collected in the current or prior year.

- We used the cash deposits reconciliation listing for current year and prior year. We extracted cash receipts details from the prior year listing and compared them to cash on hand in the current year listing to determine if the deferred revenue roll-forward was accurately calculated.
- There were no issues with the completeness of prior year deposits in the records of the current year.

Vendor files

We utilized D&A to perform routines over procurement and vendor set-up to identify unusual vendor/payment activity, specifically:

- We identified a number of vendors with blank addresses, which were identified as employees receiving reimbursements, parties receiving refunds, or vendors being paid for less than \$5,000.
- New vendors created in 2018 for which there was no payment activity, which were attributed to reasons such as recent setups for quote submissions or payments due later upon completion of long-term projects.

We shared the findings with management and understand that these findings are in the normal course of business and are within the City's procurement protocols. There were no issues with vendor set-up.

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 that all identified adjustments or differences be corrected. We have already made this request of management.

Corrected adjustments

We did not identify any adjustments that were communicated to management and subsequently corrected in the financial statements.

Uncorrected difference

We did not identify differences that remain uncorrected.

Audit trends

Our discussions with you, our audit opinion and what KPMG is seeing in the marketplace—both from an audit and industry perspective—indicate the following is specific information that will be of particular interest to you. We would, of course, be happy to further discuss this information with you at your convenience.

Thought Leadership	Overview	Links
Accelerate	Accelerate is a KPMG trends report and video series that includes the perspective of subject matter leaders from across KPMG in Canada on seven key issues impacting organizations today that are disrupting the audit committee mandate.	Link to report
The Blockchain shift will be seismic	Blockchain technology is a focused disruptor of the very foundations of external and internal audit: financial recordkeeping and reporting. This Audit Point of View article offers insight on how blockchain technology is impacting business and what audit committees should be thinking about to prepare for certain risks.	Link to report
Audit Quality 2018	Learn about KPMG's ongoing commitment to continuous audit quality improvement. We are investing in new innovative technologies and building strategic alliances with leading technology companies that will have a transformative impact on the auditing process and profession. How do we seek to make an impact on society through the work that we do?	Link to report
Cyber defense in depth	High walls alone won't defend the castle. Assume that you have been compromised and work on what needs to be done to address it.	Link to report



The 2018 Auditors' Report



Highlights of changes to your 2018 auditors' report

Re-ordering of the auditors' report including moving opinion to the first section.

Separate section on "Material Uncertainty Related to Going Concern" if a material uncertainty is identified.

Separate section on "Other Information" (e.g. Annual Report).

Expanded descriptions of management's responsibility, including those related to assessing the Entity's ability to continue as a going concern.

New description of responsibilities of those charged with governance.

Expanded descriptions of management's, those charged with governance and auditors' responsibilities.



Key audit matter reporting

Communicating the key audit matters (KAMs) applies for audits performed in accordance with the Canadian Audit Standards.

KAMs are those matters communicated to those charged with governance that required significant auditor attention in performing the audit, and in the auditor's professional judgment, were of most significance in the audit of the financial statements of the current period.

Currently, the reporting of KAMs in the auditors' report is only applicable when required by law or regulation or when the auditor is engaged to do so.

It is expected that KAM reporting will be required for certain listed entities in Canada starting in 2020.



Impact to the 2018 auditors' report

Accordingly, your 2018 auditors' report will not include the communication of any KAMs as we have not yet been engaged to communicate them and there is no law or regulation that requires such communication.



Current developments

Public Sector Accounting Standards

The following are upcoming changes that will be effective in future periods. We have provided an overview of what these standards are and what they mean to your financial reporting so that you may evaluate any impact to your future financial statements.

Standard	Summary and implications
Asset Retirement Obligations	<ul style="list-style-type: none"> — A new standard has been approved that is effective for fiscal years beginning on or after April 1, 2021 (the City's 2022 year-end). — The new standard addresses the recognition, measurement, presentation and disclosure of legal obligations associated with retirement of tangible capital assets in productive use. Retirement costs would be recognized as an integral cost of owning and operating tangible capital assets. PSAB currently contains no specific guidance in this area. — The ARO standard would require the public sector entity to record a liability related to future costs of any legal obligations to be incurred upon retirement of any controlled tangible capital assets ("TCA"). The amount of the initial liability would be added to the historical cost of the asset and amortized over its useful life. — As a result of the new standard, the public sector entity would have to: <ul style="list-style-type: none"> • consider how the additional liability will impact net debt, as a new liability will be recognized with no corresponding increase in a financial asset; • carefully review legal agreements, senior government directives and legislation in relation to all controlled TCA to determine if any legal obligations exist with respect to asset retirements; • begin considering the potential effects on the organization as soon as possible to coordinate with resources outside the finance department to identify AROs and obtain information to estimate the value of potential AROs to avoid unexpected issues.
Revenue	<ul style="list-style-type: none"> — A new standard has been approved that is effective for fiscal years beginning on or after April 1, 2022 (the City's 2023 year-end). — The new standard establishes a single framework to categorize revenues to enhance the consistency of revenue recognition and its measurement. — The standard notes that in the case of revenues arising from an exchange, a public sector entity must ensure the recognition of revenue aligns with the satisfaction of related performance obligations. — The standard notes that unilateral revenues arise when no performance obligations are present, and recognition occurs when there is authority to record the revenue and an event has happened that gives the public sector entity the right to the revenue.

Financial Instruments and Foreign Currency Translation	<ul style="list-style-type: none"> – New accounting standards, PS3450 <i>Financial Instruments</i>, PS2601 <i>Foreign Currency Translation</i>, PS1201 <i>Financial Statement Presentation</i> and PS3041 <i>Portfolio Investments</i> have been approved by PSAB and are effective for years commencing on or after April 1, 2021 (the City's 2022 year-end). – Equity instruments quoted in an active market and free-standing derivatives are to be carried at fair value. All other financial instruments, including bonds, can be carried at cost or fair value depending on the government's choice and this choice must be made on initial recognition of the financial instrument and is irrevocable. – Hedge accounting is not permitted. – A new statement, the Statement of Remeasurement Gains and Losses, will be included in the financial statements. Unrealized gains and losses incurred on fair value accounted financial instruments will be presented in this statement. Realized gains and losses will continue to be presented in the statement of operations. – Based on stakeholder feedback received, PSAB is considering certain scope amendments to PS 3450 <i>Financial Instruments</i>. An exposure draft with the amendments is expected to be issued in December 2018. The proposed amendments are expected to include the accounting treatment of bond repurchases, scope exclusions for certain activities by the federal government, and improvements to the transitional provisions.
Employee Future Benefit Obligations	<ul style="list-style-type: none"> – PSAB has initiated a review of sections PS3250 <i>Retirement Benefits</i> and PS3255 <i>Post-Employment Benefits, Compensated Absences and Termination Benefits</i>. Given the complexity of issues involved and potential implications of any changes that may arise from this review, the project will be undertaken in phases. Phase I will address specific issues related to measurement of employment benefits. Phase II will address accounting for plans with risk sharing features, multi-employer defined benefit plans and sick leave benefits. – Three Invitations to Comment were issued and have closed. The first Invitation to Comment sought guidance on whether the deferral provisions in existing public sector standards remain appropriate and justified and the appropriateness of accounting for various components of changes in the value of the accrued benefit obligation and plan assets. The second Invitation to Comment sought guidance on the present value measurement of accrued benefit obligations. A third Invitation to Comment sought guidance on non-traditional pension plans. – The ultimate objective of this project is to issue a new employment benefits section to replace existing guidance.
Public Private Partnerships ("P3")	<ul style="list-style-type: none"> – A taskforce was established in 2016 as a result of increasing use of public private partnerships for the delivery of services and provision of assets. – A Statement of Principles ("SOP") was issued in August 2017 which proposes new requirements for recognizing, measuring and classifying infrastructure procured through a public private partnership. – The SOP proposes that recognition of infrastructure by the public sector entity would occur when it controls the purpose and use of the infrastructure, when it controls access and the price, if any, charged for use, and it controls any significant interest accumulated in the infrastructure when the P3 ends. – The SOP proposes the public sector entity recognize a liability when it needs to pay cash or non-cash consideration to the private sector partner for the infrastructure. – The infrastructure would be valued at cost, with a liability of the same amount if one exists. Cost would be measured by discounting the expected cash flows by a discount rate that reflects the time value of money and risks specific to the project.



Concepts Underlying Financial Performance	<ul style="list-style-type: none"> – PSAB is in the process of reviewing the conceptual framework that provides the core concepts and objectives underlying Canadian public sector accounting standards. – A Statement of Concepts (“SOC”) and Statement of Principles (“SOP”) were issued for comment in May 2018 and has closed. – The SOC proposes a revised, ten chapter conceptual framework intended to replace PS 1000 <i>Financial Statement Concepts</i> and PS 1100 <i>Financial Statement Objectives</i>. The revised conceptual framework would be defined and elaborate on the characteristics of public sector entities and their financial reporting objectives. Additional information would be provided about financial statement objectives, qualitative characteristics and elements. General recognition and measurement criteria, and presentation concepts would be introduced. – The SOP includes principles intended to replace PS 1201 <i>Financial Statement Presentation</i>. The SOP proposes: <ul style="list-style-type: none"> • Removal of the net debt indicator, except for on the statement of net debt where it would be calculated exclusive of financial assets and liabilities that are externally restricted and/or not available to settle the liabilities or financial assets. • Changes to common terminology used in the financial statements, including re-naming accumulated surplus (deficit) to net assets (liabilities). • Restructuring the statement of financial position to present non-financial assets before liabilities. • Removal of the statement of remeasurement gains (losses) with the information instead included on a new statement called the statement of changes in net assets (liabilities). This new statement would present the changes in each component of net assets (liabilities). • A new provision whereby an entity can use an amended budget in certain circumstances. – Inclusion of disclosures related to risks and uncertainties that could affect the entity’s financial position.
International Strategy	<ul style="list-style-type: none"> – PSAB is in the process of reviewing its current approach towards International Public Sector Accounting Standards. This project may result in changes to the role PSAB plays in setting standards in Canada. – A consultation paper was released for comment in May 2018 and has closed. The consultation paper described the decision-making criteria PSAB expects to consider in evaluating the international strategy that best serves the public sector. It also introduced four proposed international strategies that PSAB considers to be viable.

Appendices



Appendix 1: Required communications



Appendix 2: Audit Quality and Risk Management



Appendix 3: KPMG's Audit approach and methodology



Appendix 4: Background and professional standards

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 attached to the draft consolidated financial statements.



Management representation letter

In accordance with professional standards, copies of the management representation letter are provided to the Audit Committee.



Audit findings report

As attached.

Appendix 2: 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 summarizes the six key elements of our quality control system.

Visit our [Audit Quality Resources page](#) for more information including access to our audit quality report, [Audit quality: Our hands-on process](#).

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
- 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 3: KPMG's audit approach and methodology



This year expanded our use of technology in our audit through our new smart audit platform, KPMG Clara.

Collaboration in the audit

A dedicated KPMG Audit home page gives you real-time access to information, insights and alerts from your engagement team

Issue identification

Continuous updates on audit progress, risks and findings before issues become events

Data-driven risk assessment

Automated identification of transactions with unexpected or unusual account combinations – helping focus on higher risk transactions and outliers



Deep industry insights

Bringing intelligence and clarity to complex issues, regulations and standards

Analysis of complete populations

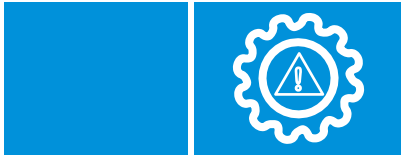
Powerful analysis to quickly screen, sort and filter 100% of your journal entries based on high-risk attributes

Reporting

Interactive reporting of unusual patterns and trends with the ability to drill down to individual transactions



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 or material weaknesses and therefore, there can be no assurance that all significant deficiencies or material weaknesses 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.



kpmg.ca/audit



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Finance, Administration and Audit Committee Report

DATE: Wednesday, June 05, 2019

WARD(S): ALL

**TITLE: INTERNAL AUDIT REPORT – MTO DRIVER CERTIFICATION
SPECIFIED PROCEDURES INSPECITON FOR VAUGHAN FIRE
AND RESCUE**

FROM:

Kevin Shapiro, Director of Internal Audit

ACTION: FOR INFORMATION

Purpose

To communicate the findings from the Internal Audit Report on the Ontario Ministry of Transportation (MTO) Driver Certification Program (DCP) Specified Procedures Inspection for Vaughan Fire and Rescue Service (VFRS).

Report Highlights

- Internal Audit is authorized by the MTO to conduct the DCP audit for VFRS.
- The DCP Specified Procedures Audit was conducted in accordance with the MTO requirements.
- VFRS has made several improvements since the last DCP audit in 2018.
- No infractions were noted, and VFRS is fully compliant with the program requirements.

Recommendations

1. That the Internal Audit Report on the MTO Driver Certification Program Specified Procedures Inspection for VFRS be received.

Background

The purpose of the DCP is to allow participating organizations to conduct their own driver training and testing on behalf of the MTO. As a participant in the DCP, VFRS is authorized to administer MTO testing for employees who require a licence renewal to operate VFRS

vehicles as part of their regular duties. This ensures that VFRS vehicles are operated by competent drivers who have been properly trained and possess the appropriate licence in compliance with Ministry legislations as well as City of Vaughan policies and procedures. It also eliminates the travel and wait times that would otherwise be incurred by employees to attend an MTO Drive Test Centre to complete their renewal.

VFRS requested that Internal Audit perform the 2019 Specified Procedures Inspection as required by the MTO for continued participation in the DCP. Internal Audit was approved by the MTO in 2014 to provide DCP attestation services for the City of Vaughan. The audit is performed using the standard DCP audit program and the corresponding report was submitted to the MTO on May 17, 2019.

The scope of the audit covered VFRS DCP activities for the period of July 1, 2018 to May 9, 2019.

Previous Reports/Authority

Not applicable.

Analysis and Options

VFRS has made several improvements since the last DCP audit in 2018. No infractions were noted during this audit.

Financial Impact

There are no direct economic impacts associated with this report.

Broader Regional Impacts/Considerations

Not applicable.

Conclusion

The DCP Specified Procedures Audit was conducted in accordance with the MTO requirements. Internal Audit concludes that VFRS is in compliance with the Driver Certification Program requirements.

For more information, please contact: Kevin Shapiro, Director of Internal Audit, ext. 8293

Attachments

Not Applicable

Prepared by

Kevin Shapiro, Director of Internal Audit, ext. 8293

Finance, Administration and Audit Committee Report

DATE: Wednesday, June 05, 2019

WARD(S): ALL

**TITLE: INTERNAL AUDIT REPORT – WATER, WASTEWATER AND
STORMWATER OPERATIONS AUDIT**

FROM:

Kevin Shapiro, Director of Internal Audit

ACTION: FOR INFORMATION

Purpose

To present to the Finance, Administration and Audit Committee the Internal Audit Report on the Audit of Water, Wastewater and Stormwater Operations.

Report Highlights

- The Environmental Services department is responsible for providing water, wastewater and stormwater services to more than 335,000 residences and more than 11,900 businesses in the City of Vaughan.
- The audit of Water, Wastewater and Stormwater Operations identified numerous issues that have impacted Environmental Services' ability to deliver on several of their objectives, while increasing the risk of litigation and reputational damage to the City.
- Management has developed action plans which will mitigate the identified risks and address the recommendations outlined in the report.
- Internal Audit will follow up with management and report on the status of management action plans at a future committee meeting.

Recommendations

1. That the Internal Audit Report on the Water, Wastewater and Stormwater Operations be received.

Background

The objective of the audit was to evaluate the adequacy and effectiveness of the internal controls, processes and procedures in place to mitigate the business risks associated with managing of the water, wastewater and stormwater operations.

The audit approach included a review of the strategic goals, objectives and oversight of the department, review of relevant programs, legislation, policies and procedures, procurement processes, project management and contract administration practices, use of technology, and interviews with staff and management.

The audit scope included department related activities that occurred in January 2017 to December 2018.

The audit scope did not include a review of the water, wastewater and stormwater billing process, the water meter replacement program, backflow prevention program or the solid waste management division.

Previous Reports/Authority

Not applicable.

Analysis and Options

The Environmental Services department is responsible for providing water, wastewater and stormwater services to more than 335,000 residences and more than 11,900 businesses in the City of Vaughan.

The provincial government implemented the Municipal Drinking Water Licensing Program in 2007 as a result of the Walkerton Inquiry. The Ministry of the Environment and Climate Change developed the Drinking Water Quality Management Standard (DWQMS) that applies to owners and operating authorities for municipal drinking water systems. The implementation of the DWQMS is mandated by the provincial government through the Safe Drinking Water Act.

The Corporation of the City of Vaughan is considered the owner of the City's water distribution system and works with York Region to ensure access to safe drinking water. The Water division of Environmental Services is responsible for providing assurances that the drinking water is properly sampled for safety and quality. Other responsibilities include the routine inspection and maintenance of hydrants, watermains and valves.

Applicable legislation and regulations, such as the Clean Water Act, Environmental Protection Act, and various local and regional by-laws impact the operation and maintenance of the City's sanitary wastewater collection system. The system is designed to collect wastewater from homes and businesses and bring it to wastewater treatment plants through pipes and pumping stations. The wastewater collection system consists of six wastewater lift stations, three wastewater force mains, 997 km of piping, and 12,905

maintenance holes. Programs, such as systematic flushing and remote camera viewing for blockages and damage, help to maintain the City's infrastructure.

Environmental Services also operates and maintains Vaughan's stormwater collection system. It is designed to collect runoff from rainfall and snowmelt, convey it to stormwater management facilities to enhance water quality, before the stormwater is released to outlets, rivers and streams. The stormwater system consists of 144 stormwater management ponds, which are inspected and cleaned on a prioritized basis. The City has approximately 1,100 km of stormwater piping and more than 18,000 catch basins. The Stormwater division have programs to periodically remove debris to ensure the stormwater system is functioning at optimal level.

Financial Impact

There are no direct economic impacts associated with this report.

Broader Regional Impacts/Considerations

Not applicable.

Conclusion

The audit of Water, Wastewater and Stormwater Operations identified numerous issues that have impacted Environmental Services' ability to deliver on several of their objectives, while increasing the risk of litigation and reputational damage to the City.

This conclusion is based on several factors, including:

- Ineffective project management and contract administration.
- Inadequate asset management planning processes and preventative maintenance programs.
- The absence of appropriate management oversight.
- Inefficient and ineffective procurement practices.
- Heavy reliance on manual processes.
- A lackadaisical approach to policy and procedural development and legislative compliance.

Due to the severity of these issues, there have been significant consequences, including but not limited to:

- Contracts expiring without anyone acting upon it, resulting in the failure to execute programs.
- Underspending on maintenance and installation.
- Hiring consultants and not developing plans to implement the recommendations.
- Going to market with non-compliant contract specifications.

- Inefficient and ineffective use of resources.
- Development of policies and procedures that are lacking detail and do not outline roles, responsibilities and accountability of all those involved in the process.

The following improvements are required:

- Establish a standardized project management governance framework that will be a driver to set predetermined goals, improve outcomes and strengthen project management governance.
- Develop risk based, long-term asset management plans and preventive maintenance programs to better inform the budgeting process and resource requirements.
- Provide greater oversight and scrutiny over non-competitive purchases to ensure appropriate procurement methods are used.
- Leverage advances in technology to improve business processes.
- Update the content of City policies, procedures and guidelines while providing more clarity on roles, responsibilities and expectations of stakeholders.

For more information, please contact: Kevin Shapiro, Director of Internal Audit, ext. 8293

Attachments

1. Internal Audit Report – Water, Wastewater and Stormwater Operations Audit

Prepared by

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INTERNAL AUDIT REPORT

Water, Wastewater and Stormwater Operations Audit

April 2019

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WATER, WASTEWATER AND STORMWATER OPERATIONS AUDIT

CONCLUSION AND SUMMARY

The audit of Water, Wastewater and Stormwater Operations identified numerous issues that have impacted Environmental Services' ability to deliver on several of their objectives, while increasing the risk of litigation and reputational damage to the City.

This conclusion is based on several factors, including:

- Ineffective project management and contract administration.
- Inadequate asset management planning processes and preventative maintenance programs.
- The absence of appropriate management oversight.
- Inefficient and ineffective procurement practices.
- Heavy reliance on manual processes.
- A lackadaisical approach to policy and procedural development and legislative compliance.

Due to the severity of these issues, there have been significant consequences, including but not limited to:

- Contracts expiring without anyone acting upon it, resulting in the failure to execute programs.
- Underspending on maintenance and installation.
- Hiring consultants and not developing plans to implement the recommendations.
- Going to market with non-compliant contract specifications.
- Inefficient and ineffective use of resources.
- Development of policies and procedures that are lacking detail and do not outline roles, responsibilities and accountability of all those involved in the process.

The following improvements are required:

- Establish a standardized project management governance framework that will be a driver to set predetermined goals, improve outcomes and strengthen project management governance.
- Develop risk based, long-term asset management plans and preventive maintenance programs to better inform the budgeting process and resource requirements.
- Provide greater oversight and scrutiny over non-competitive purchases to ensure appropriate procurement methods are used.
- Leverage advances in technology to improve business processes.
- Update the content of City policies, procedures and guidelines while providing more clarity on roles, responsibilities and expectations of stakeholders.

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Ineffective project management and contract administration is the root cause of many of the issues outlined in this report. The need for improved project management and contract administration has been a common theme in many of our recent audit reports.

In the Construction Audit of Fire Station #7-4: Phase 1 that was approved by Council in June 2018, we recommended that management formally adopt a city-wide project management framework that will be a driver to set predetermined goals, improve outcomes and strengthen project management governance. A standardized city-wide project management governance framework is essential for effectively managing projects and programs, including cost, schedule and performance risks. For projects and programs to be developed efficiently, stakeholders must understand their roles and responsibilities and that of the other stakeholders, so everyone's expectations, accountabilities, and probable courses of action are predictable and can be relied upon.

For Environmental Services, improvements should include the development of formal business cases to outline objectives, resource requirements and program/project deliverables, ensuring staff have the relevant skills and expertise required to draft specifications, providing oversight over third party vendors, monitoring and reporting on project/program status and the development of a management oversight framework to assess project deliverables from beginning to end. Having an effective project management governance structure and lines of authority prevents unnecessary conflict, clarifies roles and responsibilities and helps ensure that projects, programs and services are effectively delivered to residents.

Preventive maintenance is an important part of asset management. The goal of a successful preventive maintenance program is to establish consistent practices designed to improve the performance and safety of infrastructure. Long term asset management planning and preventative maintenance programs should be the driving factor behind a maintenance and installation budget.

When preventative maintenance activities are not performed when planned, there is an increased risk that the City's infrastructure will begin to fail before its expected life expectancy. The development of formalized, risk based, long-term asset management plans will better inform preventative maintenance programs, the budgeting process and resource requirements, identifying the areas where the reliability and maintenance needs drive the most improvement and the best return on the maintenance investment.

A direct result of ineffective project management and contract administration processes is the inability to procure goods and services in the most efficient and effective manner. Environmental Services relies heavily on Low Dollar Value (LDM) purchases for repeat purchases when establishing vendors of record or going to market would be more appropriate. For example, the City does not have a contract in place, outlining pricing and service levels with the lab that performs the microbiological analysis of the water samples. The absence of appropriate purchasing arrangements with external vendors increases the risk that the City may be overpaying for goods/services and/or receiving substandard quality.

Leveraging advances in technology to improve business processes is another common theme identified in many of our recent audit reports. For Environmental Services, this includes assessing

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the current state of the SCADA project and taking the necessary steps to ensure full implementation. Upon successful implementation, the SCADA system will allow the City to remotely monitor the status of pumping stations and other remote locations.

Other opportunities to leverage technology may include a more thorough assessment of the WaterTrax software, which provides features that can automate and improve the water sampling process. The software includes a mobile app, which could be used to enter water sampling results directly into the system by the servicepersons in the field. None of these reporting tools, including the mobile app, have been fully explored by management. Management, with Council support, should continue to explore how integrating technology with business processes can improve the way we deliver service and enhance our ability to obtain usable data for analysis, management reporting and informed decision making.

Many of Environmental Services' policies and procedures as required by the Ministry of the Environment and Climate Change (MOECC) Drinking Water Quality Management Standard (DWQMS) are lacking clarity on roles, responsibilities and expectations of stakeholders. We benchmarked the City's water sampling policies, procedures and practices to several other municipalities, including the Region of Peel, Hamilton, and Barrie. These entities' policies and procedures take a much more prescriptive approach to water sampling, setting the appropriate standards and expectations of all staff involved in the process. Management would benefit by reviewing the better practices of other municipalities to see where further enhancements can be made to their policies and procedures.

Internal Audit will follow up on the status of outstanding Management Action Plans related to this audit and will report the status to the Finance, Administration and Audit Committee.

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BACKGROUND

The Environmental Services department is responsible for providing water, wastewater and stormwater services to more than 335,000 residences and more than 11,900 businesses in the City of Vaughan.

The provincial government implemented the Municipal Drinking Water Licensing Program in 2007 as a result of the Walkerton Inquiry. The MOECC developed the DWQMS that applies to owners and operating authorities for municipal drinking water systems. The implementation of the DWQMS is mandated by the provincial government through the Safe Drinking Water Act.

The Corporation of the City of Vaughan is considered the owner of the City's water distribution system and works with York Region to ensure access to safe drinking water. The Water division of Environmental Services is responsible for providing assurances that the drinking water is properly sampled for safety and quality. Other responsibilities include the routine inspection and maintenance of hydrants, watermains and valves.

Applicable legislation and regulations, such as the Clean Water Act, Environmental Protection Act, and various local and regional by-laws impact the operation and maintenance of the City's sanitary wastewater collection system. The system is designed to collect wastewater from homes and businesses and bring it to wastewater treatment plants through pipes and pumping stations. The wastewater collection system consists of six wastewater lift stations, three wastewater force mains, 997 km of piping, and 12,905 maintenance holes. Programs, such as systematic flushing and remote camera viewing for blockages and damage, help to maintain the City's infrastructure.

Environmental Services also operates and maintains Vaughan's stormwater collection system. It is designed to collect runoff from rainfall and snowmelt, convey it to stormwater management facilities to enhance water quality, before the stormwater is released to outlets, rivers and streams. The stormwater system consists of 144 stormwater management ponds, which are inspected and cleaned on a prioritized basis. The City has approximately 1,100 km of stormwater piping and more than 18,000 catch basins. The Stormwater division have programs to periodically remove debris to ensure the stormwater system is functioning at optimal level.

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OBJECTIVES AND SCOPE

The objective of the audit was to evaluate the adequacy and effectiveness of the internal controls, processes and procedures in place to mitigate the business risks associated with managing of the water, wastewater and stormwater operations.

The audit approach included a review of the strategic goals, objectives and oversight of the department, review of relevant programs, legislation, policies and procedures, procurement processes, project management and contract administration practices, use of technology, and interviews with staff and management.

The audit scope included department related activities that occurred in January 2017 to December 2018.

The audit scope did not include a review of the water, wastewater and stormwater billing process, the water meter replacement program, backflow prevention program or the solid waste management division.

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MANAGEMENT RESPONSE - ACTION PLAN PRIORITIZATION

The management action plan section in the detailed report below includes a current status section, outlining the work carried out to date in addressing the audit recommendations as well as detailed management actions. For each recommendation, management has assigned a level of urgency, a timeline for action and a specific responsible party. The recommendations and actions are prioritized based upon the severity of the recommendation and its potential impact on the public or the system. The following is a description of the 3 priorities:

- 1) **URGENT:** Inaction could have a negative impact on the health and safety of the residents and businesses of Vaughan. The timeline for development and implementation of specific plans is 0-3 months.
- 2) **CRITICAL:** Inaction could have a negative impact on the system and result in service disruption to the residents and businesses of Vaughan. The timeline for development and implementation of specific plans is 0-6 months.
- 3) **IMPORTANT:** All of the remaining recommendations are important. Inaction could result in a reduction in service quality, efficiency, and effectiveness. The timeline for the development and implementation of specific plans will vary depending upon the specifics but no later than 36 months.

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DETAILED REPORT

1. *Improve Management Oversight and Controls over the City's Water Sampling Process*

Regulation of the drinking water distribution system is enforced by MOECC. In accordance with the Safe Drinking Water Act, the City of Vaughan's (COV) Water division is required to be compliant to the DWQMS policy and develop an operational plan. Part of this plan requires an annual audit be performed by the Water division, an external audit performed every three years, meeting permit requirements and a MOECC inspection, at least once a year.

Although the City has passed these MOECC evaluations without incident, closer examination of the water sampling process has highlighted some significant concerns:

- COV Policy & Procedures related to Water Sampling Collections are lacking detail and do not outline roles, responsibilities and accountability of all those involved in the process. We benchmarked the City's water sampling policies, procedures and practices to several other municipalities, including the Region of Peel, Hamilton, and Barrie. These entities' policies and procedures take a much more prescriptive approach to water sampling, setting the appropriate standards and expectations of all staff involved in the process.
- There is an absence of management oversight over the process, such as implementing assurance controls to confirm that samples are being collected as per legislative and COV requirements and ensuring documentation on the chain of custody forms are complete and accurate.
- Rather than entering the chain of custody forms into the WaterTrax system daily, residual results were not entered into the system until management knew the MOECC inspection was imminent.
- The quantity of water samples collected by staff significantly exceeds the monthly statutory requirement by approximately 40%, without any apparent justification or added value.
- The City does not have a contract in place, outlining pricing and service levels with the lab that performs the microbiological analysis of the water samples.
- We benchmarked the City's water sampling sites against Richmond Hill, Newmarket, Markham and the Region of Peel. All four collect water samples at various locations within their municipalities using designated sample stations. This practice assures that samples are being drawn at locations which represent all points of the distribution system. Currently, the City of Vaughan does not have designated water sampling stations and many of the sampling sites are in close proximity to each other. 90% of the samples are collected from schools and private business' kitchens and bathrooms, which are susceptible to bacteria and other contaminants, which may increase the risk of a false reading.

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It is management's responsibility to ensure the implementation and continued use of best practices and accepted testing methods for the collection and analysis of drinking water samples. The quality of the data produced can only be as good as the poorest level of quality assurance in the entire process of sampling and analysis. Improved controls, processes and oversight can provide assurance that health and safety, regulatory and reputational risks are being mitigated.

Recommendations

We recommend that management:

- Implement a more prescriptive approach to developing water sampling policy, procedures and guidelines, setting the appropriate standards and expectations of all staff involved in the process.
- Develop a robust management oversight framework over the water sampling process to ensure the implementation and continued use of best practices and accepted testing methods for the collection and analysis of drinking water samples.
- Ensure that water sampling information from the chain of custody forms is entered into the WaterTrax system no later than the next business day.
- Develop appropriate criteria for when it may be suitable to exceed the statutory requirements for the quantity of water samples collected.
- Work with Procurement Services to determine the appropriate procurement method for establishing a service level agreement with an accredited lab to perform the City's microbiological testing.
- Investigate the feasibility of implementing a designated water sampling program.

Management Action Plan

Management agrees with the recommendations.

1.1 Implement a more prescriptive approach to developing water sampling policy, procedures and guidelines, setting the appropriate standards and expectations of all staff involved in the process.

Priority: **Urgent**

Timeline: 0-3 Months

Responsible: Manager of Water Services

Current Status

A more detailed SOP (Standard Operating Procedure) was developed and training was provided by the Compliance team to water operations staff on July 26 and 31, 2018.

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Further refinements were made at a January 22, 2019 water operations meeting including the addition of Management/Supervisor Responsibilities. The final revised SOP was presented and signed off by all water operations staff on January 29th, 2019.

The SOP included flushing time components and utilized pictures to ensure a standardized and consistent approach for all staff.

Management Actions

Staff will continue to review the current water sampling policy, procedures and guidelines and benchmark with other municipalities in order to ensure that roles and responsibilities are clear. In addition, upon revising the policy, procedures and guidelines, all staff will be trained and their roles clearly indicated. Existing KPIs will be re-evaluated and refined for the purposes of performance measurement.

The outcome of the activities to date as well as any new procedural enhancements will be reported to the management team on a quarterly basis through the above developed KPI's.

1.2 Develop a robust management oversight framework over the water sampling process to ensure the implementation and continued use of best practices and accepted testing methods for the collection and analysis of drinking water samples.

Priority: **Urgent**

Timeline: 0-3 Months

Responsible: Manager of Water Services

Current Status

As stated above, the sampling SOP was enhanced and updated on January 29, 2019 including the addition of a category titled "Management/Supervisor Responsibilities". This SOP indicates general oversight responsibilities for water operations management staff.

The Water Supervisor's 2019 performance plans have included a requirement to improve management oversight in the field by conducting 20 surprise spot checks to ensure the revised SOPs are being followed.

The SOP now includes reference to the MECP's "Practice for the Collection and Handling of Drinking Water Samples" and the American Public Health Association/AWWA "Standard Methods for the Examination of Water and Wastewater".

Management Actions

In addition to the revised SOP's indicated above, all chain of custody forms will be reviewed by the Supervisor of Water for correctness relating to the completion of the custody forms and the Supervisor of Compliance and Business Services relating to system wide trends and issues effective immediately. Any chain of custody forms not completed correctly will be brought to the attention of the Water Operator taking the sample. Staff will augment existing sampling KPI's (Key Performance Indicators) and report to the

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management team on a monthly basis providing information on the sampling results, areas or issues and specific actions taken.

Supervisors of Water Services will implement opportunities to leverage the Fleet Services GPS vehicle reports that are being rolled out in Q2, 2019 to provide additional management oversight on the water sampling process.

1.3 Ensure that water sampling information from the chain of custody forms is entered into the WaterTrax system no later than the next business day.

Priority: **Critical**

Timeline: 0-6 Months

Responsible: Manager of Program and System Planning

Management Actions

Staff will review the current tracking and data entry process and determine with input from operating staff, ways to enhance the timeliness of data being entered into WaterTrax. This technology is currently available and has the potential to significantly enhance our reporting. Staff will research ways to utilize this technology and report back in 6 months. Currently, operations staff submit the data to the Compliance group for entry.

1.4 Develop appropriate criteria for when it may be suitable to exceed the statutory requirements for the quantity of water samples collected.

Priority: **Critical**

Timeline: 0-6 Months

Responsibility: Manager of Program and System Planning

Current Status

Based upon system size the MECP (Ministry of the Environment, Conservation and Parks) dictates a requirement that we are required to sample 130 times per month. Typically, staff should sample in the range of 140/month to ensure we are complying with Ministry requirements.

Management Actions

Staff will review the sampling program quantities and criteria of neighbouring municipalities for benchmarking purposes and develop a sampling frequency that ensures we comply with the Ministry and is not excessive. Staff will develop a list of exceptions when additional sampling may need to occur. Staff will finalize the criteria and adjust the group sampling program. Training will be provided for all staff involved in the program. A KPI will be developed for sampling frequency and be reported to the management team on a quarterly basis.

1.5 Work with Procurement Services to determine the appropriate procurement method for establishing a service level agreement with an accredited lab to perform the City's microbiological testing.

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Priority: **Important**

Timeline: 0-12 Months

Responsible: Manager of Program and System Planning

Current Status

The water samples are currently being taken to the York-Durham Regional Environmental Laboratory. All other York Region Local municipalities take their samples to this facility as well. Pricing has been based upon a fee structure established by the laboratory.

Management Actions

Staff will carry out a review of the current sample testing program and compare pricing to other market opportunities.

Should the decision be that our sampling testing needs remain with this laboratory, staff will implement the appropriate process together with Procurement Services, and explore the possibility of a Service Level Agreement, or similar mechanism, to clearly outline the costing and expected service levels with York-Durham Regional Environmental Laboratory.

1.6 Investigate the feasibility of implementing a designated water sampling program.

Priority: **Critical**

Timeline: 0-6 Months

Responsible: Manager of Program and System Planning

Current Status

Staff have engaged a Consulting Engineering Firm to perform a sampling station feasibility study and the final report will be available by August 2019. This study will recommend sampling locations and provide an implementation strategy. Some funds are available in the 2019 Capital Budget for sampling station construction resulting from the feasibility study.

Management Actions

Staff will carry out a detailed review of the sampling strategies of other municipalities in order to benchmark our current program. Based upon the outcome of the Engineering review, staff will ensure that sampling stations are available for all areas of the water system to ensure that water quality meets the Ministry standards. Based upon the sampling station feasibility study and the review of other municipalities, staff will refine the water sampling program.

Training will be provided to all staff involved in the water sampling program. Staff will develop a water sampling KPI and report to the management team on a quarterly basis.

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2. Ensure that the Catch Basin Inspection and Cleaning Program Complies with the City's and York Region's Sewer By-Law

Environmental Services has developed a catch basin inspection and cleaning program to ensure the City's 18,000+ catch basins are functioning effectively by periodically removing the waste, such as dissolved metals, heavy oils and gasoline, that is collected.

In 2016, Environmental Services issued a tender to procure a contractor to perform the catch basin inspection and cleaning program. Internal Audit reviewed this tender and management's contract administration practices over this program, and noted the following:

- One of the specifications of the tender states that *"The Contractor shall ensure proper handling of decanted water from their equipment unit into the Owner's designated sanitary sewer by using a straining basket in the presence of an on-site Wastewater City staff. This method will prevent any heavy excessive granular material from being deposited into the Owner's sewer system."* The City provided maps as to where the contractor could decant the waste. However, this specification is non-compliant to the Sanitary Sewer provision under the City of Vaughan's By-Law 087-2016 and York Region's By-Law 2011-56, as it is forbidden to decant these materials into sewer system.
- The purchase order for this tender was not set up appropriately in the City's financial system, as it did not correctly list the quantity of catch basins to be inspected and cleaned and the correct unit cost. The overall dollar value of the purchase order was correct.
- Currently, Accounts Payable cannot detect when a unit price on an invoice does not match the unit price per the purchase order.
- On September 21, 2018, Environmental Services received a letter from the contractor stating that they would no longer be able to decant into the sanitary sewer locations as specified by the City. According to the contractor's letter, we have *"been aware that decanting in York Region's sanitary sewers is not allowed, when we clean their catch basins we haul all material, including decant water back to our facility for disposal. The current contract has us decanting into Vaughan's sanitary sewers which flow into York Region's sanitary sewers. We have brought this issue to Vaughan's attention each year of the contract during the prestart meeting. We were informed each time that this doesn't affect the City of Vaughan's catch basin cleaning program."*
- Upon receipt of the letter, Environmental Services did not inform Legal Services of the issue.
- Further communication occurred between the contractor, Environmental Services and Procurement Services between September 21 through mid-October 2018, where staff agreed to increase the unit price by nearly 4 times the original unit price (from approximately \$20 a basin to \$80) to accommodate the appropriate disposal of the materials. This also impacted the service levels, as only 3,105 instead of 10,000

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basins were inspected and cleaned in 2018 within the existing budget. The plan was to continue this arrangement through 2019 before Internal Audit discovered the issue and intervened.

- Non-compliance to the City's Procurement Policy was also noted, as a change order was not processed to reflect the pricing and service level changes made to this contract.
- There is no evidence to suggest that Environmental Service management notified the appropriate stakeholders within the organization of this issue.

It is management's responsibility to ensure that at minimum, contract specifications are compliant to regulatory requirements. Whether the deficiencies in the catch basin inspection and cleaning program are a result of a lack of understanding or disregard for legislative compliance, improved program design, controls, processes and oversight are required to provide assurance that health and safety, regulatory, environmental and reputational risks that are inherent to this program are being mitigated.

Recommendations:

We recommend that management:

- Re-evaluate the strategic goals of the catch basin inspection and cleaning program by developing appropriate service levels based on risk.
- Work with Procurement Services to determine the appropriate procurement method for re-establishing the catch basin inspection and cleaning program, ensuring full compliance to regulatory requirements, including the the City of Vaughan's By-Law 087-2016 and York Region's By-Law 2011-56.

Management Action Plan

Management agrees with the recommendations.

2.1 Re-evaluate the strategic goals of the catch basin inspection and cleaning program by developing appropriate service levels based on risk.

Priority: **Important**

Timelines: 0-12 Months

Responsible: Manager of Program and System Planning and Manager of Wastewater/Stormwater Services

Current Status

A pilot study is underway evaluating sediment and cleaning requirements in catch basins in a residential and industrial area. The purpose of the study is to provide detailed information on sediment buildup in catch basins based upon location and provide valuable input into the development of the catch basin cleaning program.

Management Actions

Management will review policies, procedures and practices with comparable municipalities in order to benchmark our current catch basin cleaning program. Based upon the input from York Region regarding the Region's By-Law 2011-56, staff will reassess our cleaning and disposal practices.

Staff will review and update our current catch basin program regarding frequency of cleaning. This program will incorporate appropriate criteria such as geography, catch basin location, catch basin type, road type, vegetation, winter maintenance standards, data from the pilot study and potential risks. A new program will be developed and implemented for the 2020 budget cycle.

2.2 Work with Procurement Services to determine the appropriate procurement method for re-establishing the catch basin inspection and cleaning program, ensuring full compliance to regulatory requirements, including the City of Vaughan's By-Law 087-2016 and York Region's By-Law 2011-56.

Priority: **Important**

Timeline: 0-12 Months

Responsible: Manager of Program and System Planning and Manager of WW/Stormwater Services

Management Actions

Upon completion of the revised strategic goals of the catch basin inspection and cleaning program, staff will work with Procurement Services to develop and issue a contract for services. This is expected for the spring/summer of 2020.

Staff will prioritize catch basins that require immediate cleaning based upon past experience and implement a one-year program in the summer of 2019. Staff propose to issue a short-term contract with the assistance of Procurement Services to address these areas.

A new multi-year contract will be prepared based upon the newly refined program described in 2.1 above. This contract will be prepared in conjunction with Procurement Services.

Procurement Services staff is also working with client departments and OCIO to make certain purchase requisitions correctly reflect itemized quantities and corresponding unit prices, ensuring purchase orders accurately reflect the contract agreement.

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3. *Ensure the Hydrant Inspection and Maintenance Program Complies with the Ontario Fire Code*

Environmental Service's Water division is responsible for the testing and inspection of the City's hydrants. The Water division's operational plan outlines the requirements for hydrant inspection and maintenance as part of their preventive maintenance system procedure. Hydrant inspection and maintenance is outsourced to a third party through a competitive procurement process.

Reg 213/07 – The Ontario Fire Code also requires hydrants to be inspected annually and after each use, and a record of the inspection is to be documented and retained. For the City, the inspection, documentation and record keeping falls under the responsibility of the Water division. Subsection 6.6.5 – Inspection of Hydrants states:

Hydrants

6.6.5.1. Hydrants shall be inspected annually and after each use in accordance with Articles 6.6.5.2. to 6.6.5.5.

Hydrant water flow

6.6.5.6. Hydrant water flow shall be inspected annually in accordance with Article 6.6.5.7.

6.6.5.7. The main valve of the hydrant shall be fully opened, and the hydrant operated with one port open and the water flow checked.

6.6.5.8. A record of the hydrant operation as described in Article 6.6.5.7. shall be kept in conformance with Article 1.1.2.1.

Records to be prepared

1.1.2.1. (1) If a test, corrective measure or operational procedure required by this Code is conducted, a written record shall be prepared noting what was done and the date and time it was done.

The following was noted:

- Management allowed the hydrant inspection contract to expire after 2017 and never took steps to renew it. As a result, hydrant inspections and maintenance were not performed in 2018. As a result, the City was in non-compliance to the hydrant inspection provisions per Reg 213/07 in 2018.
- Environmental Services did not report this disruption to the key stakeholder of the program – Vaughan Fire and Rescue Service (VFRS).
- According to the Fire Chief, there was a budget approval for a Flow Disk program. During the inspection cycle, a reflective disk was to be attached to the hydrant to indicate to the firefighters the flow of the hydrant. VFRS noticed in September 2018

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that the flow disks were not appearing on any of the hydrants and sought clarification from Environmental Services.

- There are no formal protocols in place between VFRS and Environmental Services to communicate when a hydrant has been used to ensure Environmental Services adds the hydrant to the inspection list. According to the VFRS Communications Supervisor, VFRS was not notifying Environmental Services when a hydrant had been used. They only communicated hydrants that they discovered that had issues, such as leaks, etc.

The absence of executing this program in 2018 could have potentially exposed the City to unnecessary public safety and liability risks.

Recommendations

We recommend that management ensure:

- The Hydrant Inspection and Maintenance Program is restarted immediately, ensuring full compliance with Reg 213/07 subsection 6.6.5 – Inspection of Hydrants.
- Protocols are developed between Environmental Services and VFRS to ensure hydrant usage is communicated and the timing of when inspections should occur after each use.

Management Action Plan

Management agrees with the recommendations.

3.1 The Hydrant Inspection and Maintenance Program is restarted immediately, ensuring full compliance with Reg 213/07 subsection 6.6.5 – Inspection of Hydrants.

Priority: **Urgent**

Timelines: 0-3 Months

Responsible: Manager of Water services

Current Status

A 2018-2020 inspection contract was prepared in Q3-2018 however it was too late in the season before it was approved in November 2018 for any appreciable work to be carried out. A procedure was in place to winterize all hydrants that were operated by VFRS.

A pre-construction meeting was held with the contractor on January 30, 2019 to initiate the contract for hydrant inspection and painting, with inspections to start in mid-May 2019.

The hydrant inspection contractor will begin the process of tagging all 8,500 hydrants in the City in mid-May 2019. Hydrant colour coded tags will be installed in accordance with N.F.P.A. 291 "Fire Flow Testing & Marking of Fire Hydrants" which will provide the flow capacity of the hydrant and ensure VFRS has important information to base firefighting decisions.

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Management Actions

Staff will ensure that the contractor fully complies with its implementation and will report to the management team on a quarterly basis.

3.2 Protocols are developed between Environmental Services and VFRS to ensure hydrant usage is communicated and the timing of when inspections should occur after each use.

Priority: **Urgent**

Timeline: 0-3 Months

Responsibility: Manager of Water Services

Current Status

Staff have been involved in discussions with VFRS in order to improve the inter municipal communications regarding fire hydrant condition and maintenance requirements. Staff met with VFRS and Internal Audit on February 21, 2019 to discuss the hydrant inspection requirements.

Staff provided a draft of a checklist to the Deputy Chief on February 28th, 2019 that VFRS could use each time a hydrant has been operated. Environmental Services staff received confirmation on Apr 24, 2019 that VFRS had implemented the checklist inspection within their Firehouse software program.

Management Actions

Staff will continue discussions with VFRS staff to ensure that the hydrant condition information utilizing electronic reporting is functioning as proposed and that actions are being taken by Environmental Services staff as needed. An email will be sent to the Manager of Water Services, Supervisors, Team Lead, Water Operations Coordinator and Administration Support from the software program when VFRS identifies a hydrant that needs repair or service.

KPI's will be developed and reporting performance and metrics will be brought to the Management Team of Environmental Services and VFRS on a quarterly basis.

Training and communication to all staff in the hydrant maintenance program will be provided.

The Hydrant inspection and repair SOPs will include more enhanced timing requirements for notification of when a hydrant is taken out and put back into service.

Staff will work with the VFRS to develop a RASCI chart to document roles and responsibilities. VFRS will provide a quarterly update on a number of KPIs including the number of hydrants used that did not require service.

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4. Re-establish the Valve Turning Program

Environmental Services has established a valve turning program in accordance with the AWWA (American Water Works Association) recommended procedure. The procedure requires that all valves, such as distribution and transmission valves, air valves, and blow-offs, be inspected and operated on a regular basis. A vendor performs the work on behalf of the City and is responsible for tracking the valve-turning activity in a City provided spreadsheet and submitting it to Environmental Services for review on an annual basis.

According to the AWWA definition, each valve should be operated through a full cycle and returned to its normal position on a schedule that is designed to prevent a buildup of tuberculation¹ or other deposits that could render the valve inoperable or prevent a tight shut off. Valve-turning programs offer several benefits, including:

- Improve customer service
- Ensure mission capability
- Ensure distribution system reliability
- Develop predictive maintenance programs
- Determine capital improvement budgeting
- Develop loss trend analysis
- Ensure system isolation capability
- Ensure water quality control

In reviewing the program deliverables, it was observed that management allowed the contract with the valve turning program vendor to expire after 2017 and never took steps to renew it. As a result, the valve turning program was not executed in 2018.

Improved controls, processes and oversight are required to provide assurance that operational, environmental and reputational risks that are inherent to this program are being mitigated.

Recommendations:

We recommend that management:

- Re-establish the valve turning program.
- Work with Procurement Services to determine the appropriate procurement method for selecting a vendor to execute the valve turning program.

Management Action Plan

Management agrees with the recommendations.

¹ Tuberculation: The development or formation of small mounds of corrosion products (rust) on the inside of iron pipe. These mounds (tubercles) increase the roughness of the inside of the pipe thus increasing resistance to water flow.

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4.1 Re-establish the valve turning program.

Priority: **Important**

Timeline: 0-12 Months

Responsibility: Manager of Water Services

Current Status

The procurement process for annual valve turning program commenced late in the 2018 calendar year and was not executed until the fall of 2018. This is a three (3) year, \$166,000 contract.

Staff hosted the pre-construction meeting with the contractor on December 12, 2018 to initiate the contract for valve turning with work to start for a 10-week program in late May 2019.

A pilot project is being implemented in order to review our in-house capabilities for valve turning. The two newly acquired. truck mounted valve turning devices are to be installed on two new pick-up trucks in May-June 2019. Various valves will be exercised and the effectiveness of the operation evaluated. Based upon the outcome of the pilot, a business case will be prepared and presented for consideration.

Management Actions

Staff will review the current valve maintenance program including the valve exercising protocol and benchmark against other municipalities. A detailed rationale will be developed to risk assess and prioritize the valves in the system. Staff will then prepare performance standards and develop the valve exercising program.

Staff will continue to work with Office of the Chief Information Officer to implement an electronic valve inspection on GeoCortex which allow staff/contractor to document inspections on Vaughan Maps while in the field.

A business case will be developed based upon the outcomes of the pilot valve turning program described above.

4.2 Work with Procurement Services to determine the appropriate procurement method for selecting a vendor to execute the valve turning program.

Priority: **Important**

Timeline: 0-12 Months

Responsible: Manager of Water Services

Management Actions

Staff will work with Procurement Services to prepare a valve exercising program considering the revised/updated program developed above in 4.1.

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5. Implement a Risk Based Preventative Maintenance Program

Preventive maintenance is an important part of asset management. The goal of a successful preventive maintenance program is to establish consistent practices designed to improve the performance and safety of infrastructure.

Successful implementation of a preventative maintenance program can provide the following benefits:

- Increased life expectancy of assets.
- Fewer equipment breakdowns.
- Routine repairs can potentially mitigate the risk of unexpected, major breakdowns.

Internal Audit reviewed Environmental Services' budget to actual information for 2017 and 2018 and found that significantly less money than budgeted had been spent on maintenance and installation.

In 2018, Environmental Services spent \$4.1 million (or 28%) less than budgeted on maintenance and installation and \$2.0 million (or 17%) less than budgeted in 2017.

Summary of Maintenance and Installation budget to Actual:

2018 - Division	Budget	Actual	Variance
Water	6,755,704	4,455,918	2,299,786
Stormwater	3,971,810	2,468,985	1,502,825
Wastewater	3,991,658	3,675,912	315,746
Total	14,719,172	10,600,815	\$4,118,357
2017 - Division	Budget	Actual	Variance
Water	5,631,592	4,510,787	1,120,805
Stormwater	2,733,034	2,158,366	574,668
Wastewater	3,791,713	3,441,201	350,512
Total	12,156,339	10,110,354	\$2,045,985

Long term asset management planning and preventative maintenance programs should be the driving factor behind a maintenance and installation budget. When preventative maintenance activities are not performed when planned, there is an increased risk that the City's infrastructure will begin to fail before its expected life expectancy.

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Recommendation

We recommend that management develop formalized, risk based, long-term asset management plans to better inform preventative maintenance programs, the budgeting process and resource requirements. It should identify the areas where the reliability and maintenance needs drive the most improvement and the best return on the maintenance investment.

Management Action Plan

Management agrees with the recommendations.

- 5.1 We recommend that management develop formalized, risk based, long-term asset management plans to better inform preventative maintenance programs, the budgeting process and resource requirements. It should identify the areas where the reliability and maintenance needs drive the most improvement and the best return on the maintenance investment.**

Priority: **Important**

Timeline: 0-36 Months

Responsibility: Manager of Program and System Planning, Manager of Water Services, Manager of Wastewater/Stormwater Services.

Management Actions

A reassessment of the development of the annual operating budgets for water, wastewater and storm water will be undertaken. To do this all current operations and preventative maintenance performance indicators will be reviewed and benchmarked against other municipalities through the National Water and Wastewater Benchmarking Initiative. The base budget review will consider; service risk, infrastructure integrity, life cycle of the infrastructure, potential for service disruption, asset management practices and plans to ensure the infrastructure integrity and funding envelopes.

Environmental Services will review the existing asset management plan to ensure that the above performance indicators are not influenced by specific condition ratings found in the plan.

A detailed workplan will be developed with actions, timelines, and an implementation strategy. This will be carried out in conjunction with Finance and Infrastructure Planning and Corporate Asset Management staff. It is proposed that the detailed workplan will be provided in 0-12 months.

Staff will review and refine/revise the existing budget development process based upon any changes to the performance indicators, rational for low budget actuals and detailed costing calculations for the specific operations and preventative maintenance activities. This work will be applied to the 2021 current budget.

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Management oversight of the current budget will be enhanced. Supervisors will review the activity performance indicators and actual costing on a quarterly basis. KPI's will be revised to identify; improvements, projected and actual activities completed to date, budget implications and an explanation for any significant variance. This information will be reported to the management team on a semi-annual basis.

6. *Implement the Recommendations for Improving the Maintenance Conditions of Water and Wastewater Facilities*

Environmental Services hired a consultant in 2017 to perform condition and performance assessments of six wastewater lift stations, three wastewater force mains, two water booster stations and one diesel generator station. This was completed with the end goal of developing recommendations to support the City in the development of capital and maintenance plans. The assessments were completed through visual observations of the infrastructure, review of background information, and performance tests of the pumps.

The consultant's report provided a summary of the observations from the assessment activities and a series of facility specific recommendations (more than 40) to address the issues identified with the assets at each facility. Fifteen of the recommendations included a timeframe of five years or less to complete.

In addition to these recommendations, the consultant supplied a water and wastewater facilities spreadsheet to provide Environmental Services staff with a dynamic tool to help with the ongoing management of the facilities and to support the development of future capital and maintenance plans.

Based on discussions with Environmental Services staff, the tool provided by the consultant is not being used. In addition, management advised that the recommendations deemed "immediate" had been completed with the help of Clean Water and Wastewater Fund. Although it was evident that some of the recommendations were actioned, a formal project tracking and reporting plan was not being utilized. According to Environmental Services staff, the individual tasked with maintaining the tracking tool was new to the role and was being trained on it. There is currently no project tracking and reporting plan in place.

The timely implementation of these recommendations can provide assurance that health and safety, operational, environmental and reputational risks are being mitigated.

In addition, during process walkthroughs, it was discovered that Environmental Services staff are responsible for performing minor maintenance activities at these facilities, including repairs, changing lights and installing locks. Although the City has a Facility Services department, the management of these facilities are not currently part of their responsibility and Facility Services' staff are not aware of their current state of repair.

Recommendations:

We recommend that management:

- Determine how the consultant's recommendations may assist in the development of a more comprehensive long-term asset management plan, as highlighted in observation #5.
- Develop an implementation plan with appropriate oversight and status reporting to ensure the consultant's recommendations are implemented.

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- Determine whether the responsibility and accountability of maintenance and repair activities that are currently being performed by Environmental Staff be reassigned to the Facility Services department.

Management Action Plan

Management agrees with the recommendations.

6.1 Determine how the consultant's recommendations may assist in the development of a more comprehensive long-term asset management plan, as highlighted in observation #5.

Priority: **Important**

Timeline: 0-12 Months

Responsible: Manager of Water Services and Manager of Wastewater and Stormwater Services

Current Status

The consultant's report lays out a 10-year plan with projects identified in the "immediate" category, "1-5 year" category and a "6-10 year" category. Corporate Asset Management (CAM) was formerly involved in reviewing the recommendations from the Consultant and participated in the final presentation.

CAM staff were introduced to the dynamic tool for tracking implementation progress. The information from this document directly impacts the Asset Management plan and when the information regarding project completion is entered into the data base, the asset management plan can be impacted.

Implementation of the 102 actions identified in the Consultant condition assessment of Sewage Pumping Stations and Water Pumping Stations continue with 31 actions completed, 13 in the RFQ/RFT stage and another 20 being addressed through the Maplewood Booster station upgrade. Of the remaining 38 actions, 22 had timelines of 5-10 years and the other 16 actions had timelines of 1-5 years. Capital budget dollars have been earmarked in the 2020 capital budget for the remaining 38 actions.

Management Actions

Staff will ensure that the 10-year facility plan is integrated with the exiting Asset Management Plan to ensure that all specific repair/replacement activities are incorporated as they may influence the operating and reserve funding requirements of the department. In addition, all project status reporting will be completed in a timely manner.

The Manager of Wastewater and Storm Water Services as well as the Manager of Water Services will provide the Manager of Corporate Asset Management a summary of actions completed semi-annually in order to facilitate updating of the Corporate Asset Management Plan.

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- 6.2 Develop an implementation plan with appropriate oversight and status reporting to ensure the consultant's recommendations are implemented.**

Priority: **Important**

Timelines: 0-3 Months

Responsible: Manager of Water Services and Manager of Wastewater and Stormwater Services

Management Actions

The detailed project implementation plan is in place and staff are carrying out the projects in accordance with the plan. Staff will immediately update the status data base for those projects already completed and will continue to update the reporting when work is completed. Staff will provide a project update to the management team on a quarterly basis.

- 6.3 Determine whether the responsibility and accountability of maintenance and repair activities that are currently being performed by Environmental Staff be reassigned to the Facility Services department.**

Priority: **Important**

Timelines: 0-12 Months

Responsibility: Manager of Water Services and Manager of Wastewater and Stormwater Services

Management Actions

Staff will review and benchmark with other municipalities to determine how facility maintenance and repair is managed and report back with their findings. Staff will meet with facilities and evaluate best practices and report to Senior Management.

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7. Ensure the Recommendations for Improving the City's Emergency Response Plan are Implemented

The statutory requirements of the DWQMS includes a section on emergency preparedness (Element 18 - Emergency Preparedness and Response). The purpose of this element is to ensure the City is prepared for emergency situations that could compromise the ability to maintain the supply of safe drinking water.

In 2017, Environmental Services hired a consultant to evaluate the City's plan. The consultant delivered the final report in July 2017. In total, the consultant had 18 recommendations for improvement.

The following is an excerpt from the report:

The existing ERP (Emergency Response Plan) for the Water Distribution was last revised in October 2011. The ERP is missing key sections that are typical of the ERP.

The ERP identifies "Emergency levels" that need to be reviewed to determine if the event/incident is a routine operational activity or an actual emergency. Level 1 emergencies currently include operational activities such as a single adverse water quality incident, operational alarm and localized water main break that for the most part can be handled by staff following standard operational procedures.

The Emergency Plan should consider additional key sections to align with the DWQMS such as,

- 1. Identifying Potential Emergencies*
- 2. Document and Review the Emergency Procedures*
- 3. Emergency Contacts*
- 4. Owner and Operating Authority Responsibilities During Emergency Situations*
- 5. Emergency Response Training and Testing*

The consultant also noted that the ERP did not include wastewater or stormwater operations. It should be noted that there are currently no statutory requirements to have a wastewater or stormwater emergency plan, but there have been discussions in the past to do so.

According to Environmental Services staff, only one of the recommendations have been implemented to date, as they wanted to hire a person who would be responsible for coordinating the implementation. There is currently no implementation plan in place.

The timely implementation of these recommendations can provide assurance that health and safety, regulatory and reputational risks are being mitigated.

Recommendations:

We recommend that management develop an implementation plan with appropriate oversight and status reporting to ensure the consultant's recommendations are implemented.

Management Action Plan

Management agrees with the recommendations.

- 7.1 We recommend that Management develop an implementation plan with appropriate oversight and status reporting to ensure the Consultant's recommendations are implemented.**

Priority: **Important**

Timeline: 0-24 Months

Responsible: Manager of Water Services, Manager of Wastewater/Storm Water Services, Manager of Program and System Planning

Current Status

Staff have completed 3 of the 18 recommendations including GPS for Environmental Services vehicles, integrating water/wastewater/storm water emergencies into Corporate Emergency exercise (November 2018) and defining emergency levels as part of the Public Works Portfolio response escalation plan.

Management Actions

Staff will complete four additional recommendations before the end of Q2- 2019 including: working alone re-fresher, tabletop exercise for water emergency, risk assessment and integrating York Region into an emergency exercise.

Staff will develop a plan to provide the management team the necessary oversight including; status reporting, communication, frequency/timeline to review ERP and identify any requirements to address training and testing on a quarterly basis.

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8. *Improve Asset Management Planning, Project Management, Contract Administration and Procurement Practices*

One of the underlying themes in this report is the need for improved asset management planning, project management, contract administration and management oversight. A direct result of not having adequate long-term asset management planning, project management and contract administration processes in place is the inability to develop appropriate preventative maintenance strategies and service levels or procure goods and services in the most efficient and effective manner.

In addition to the issues previously identified in this report, the audit noted several other issues, including:

- The inability of Environmental Services staff to appropriately estimate the costs of goods and services. Examples include the electrical contractor support for sewage and water pumping stations and supply and delivery of water, wastewater and stormwater infrastructure parts and materials. In both cases, the actual bid results were substantially higher than staff estimates.
- The inability to draft market ready specifications to execute their programs. For example, Environmental Services purchased nine vehicles in 2016 without the appropriate shelving, lighting and other needed equipment. As of June 2018, these vehicles were still not in active service. Between July and December 2018, eight of these vehicles have been appropriately retrofitted and put into service.
- A high dependency on Low Dollar Value (LDM) purchases for repeat purchases when establishing vendors of record or going to market would be more appropriate. In 2018, Environmental Services spent \$831.3K on Low Value Purchases (LDMs) or a monthly average of \$69.3K. This represents the third highest spend for any City department (10.3% of overall LDM spend at the City).
- Several examples where LDMs and Purchasing cards continue to be used as methods of payment when existing agreements/purchase orders (POs) are in place.

The absence of appropriate purchasing arrangements with external vendors increases the risk that the City may be overpaying for goods/services and/or receiving substandard quality. In addition, a perception of improper purchasing practices can harm the City's reputation.

Recommendations:

In the Construction Audit of Fire Station #7-4: Phase 1 that was approved by Council in 2018, we recommended that management formally adopt a city-wide project management framework that will be a driver to set predetermined goals, improve outcomes and strengthen project management governance. Management is currently in the process of actioning this recommendation.

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In addition to this, we recommend that management:

- Identify the appropriate skills and expertise required in the department to better support the execution of their programs.
- Determine whether some of the responsibilities that Environmental Services is currently responsible for, such as capital delivery of water, wastewater and stormwater infrastructure, be moved under the responsibility of Infrastructure Delivery and asset management planning be moved to Infrastructure Planning & Corporate Asset Management.
- Ensure an open, fair and transparent process is implemented to source vendors, whenever possible.
- Ensure vendors are not paid through any other means when purchase orders are present.

Management Action Plan

Management agrees with the recommendations.

8.1 Identify the appropriate skills and expertise required in the department to better support the execution of their programs.

Priority: **Important**

Timeline: 0-36 Months

Responsible: Manager of Water Services, Manager of Wastewater and Stormwater Services, Manager of Program and System Planning

Current Status

Procurement services provided information/update for the requirement of market ready specifications on January 25, 2019 to Environmental Services management and project management staff.

Job descriptions for wastewater operators, wastewater team lead, water operators, water team lead, water operations coordinator, water/wastewater administrative coordinator, backflow prevention coordinator, SCADA technician have been updated within the last eighteen months.

Management Actions

Management will provide a refresher on market ready specification training to Supervisors in Water Services and Wastewater/Stormwater Services by Q4, 2019.

In order to complete a rigorous review of appropriate skills and expertise a process will need to be undertaken.

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In conjunction with Human Resources, staff will begin by reviewing and refining position roles, responsibilities and accountabilities for project management and management will continue to review positions to ensure that descriptions are clear.

A full review of the competencies necessary to complete the tasks in the various positions will be carried out.

Environmental Services management will prioritize positions that are critical and that need initial attention. Staff will work with incumbents to assess skill sets and competency gaps to determine areas where additional training is required.

Following this model, a long term (36 months) assessment and training plan/program will be developed for individuals in order to fill the expertise gaps described above.

Staff will be assessed through regular reporting and through their annual performance review.

- 8.2 Determine whether some of the responsibilities that Environmental Services is currently responsible for, such as capital delivery of water, wastewater and storm water infrastructure, be moved under the responsibility of Infrastructure Delivery and asset management planning be moved to Infrastructure Planning & Corporate Asset Management.**

Priority: **Important**

Timeline: 1-24 Months

Responsible: Manager of Water Services and Manager of Wastewater/Storm Water Services

Current Status

Currently facilitating quarterly meetings with Environmental Services and Infrastructure Delivery management staff to review common issues including work priorities to improve efficiencies in operational infrastructure.

Management Actions

Environmental Services staff will continue to meet together with Infrastructure Delivery staff to review the rationale for some minor capital work being carried out by the Environmental Services Department. When reviewing the appropriate split there are a number of considerations such as financial thresholds, urgency of implementation for service continuity and the design complexity of the work.

- 8.3 Ensure an open, fair and transparent process is implemented to source vendors, whenever possible.**

Priority: **Important**

Timeline: 0-12 Months

Responsible: Manager of Water Services, Manager of Wastewater/Stormwater Services and Manager of Program and System Planning

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Management Action

Environmental Services staff will continue to use tools such as our annual Procurement Plan and commit to review it monthly with Procurement Services staff. Staff will immediately involve Procurement Services in any purchasing processes and ensure that all transactions are clear and transparent. Any variations to process must be identified and brought to management's attention. Environmental Services staff will strive to reduce the amount of LDMS by 30% from 2018 levels by implementing contracts.

8.4 Ensure vendors are not paid through any other means when purchase orders are present.

Priority: **Important**

Timeline: 0-3 Months

Responsible: Manager of Water Services, Manager of Wastewater/Stormwater Services and Manager of Program and System Planning

Management Actions

Staff, together with Accounts Payable, will review and develop a system where Low Dollar value purchases are tracked against open Purchase Orders. Any purchases where there are existing POs shall not be made with Purchase Cards unless there is an emergency situation that necessitates the delivery of the product immediately.

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9. *Perform an Operational Health and Safety and Public Hazard Risk Assessment*

The City has a Corporate Occupational Health and Safety policies and procedures manual that covers several topics including personal protective equipment, safe work practices and health & safety training. Human Resources also provide regular safety training sessions of general interest, such as Competent Supervisor Training, Traffic Protection and General WHMIS Training.

According to the City's Employee Health & Safety Training procedure, each department is responsible for developing and implementing their own initial and specific hands-on operational and technical training programs. This involves identifying risks or hazards associated with the work to be performed, making sure risks are minimized by SOPs, proper equipment and training, and monitoring to ensure health and safety measures are in place and working effectively.

Based on conversations with Environmental Services staff, not all the risks and hazards pertaining to Environmental Services' operations have been identified and assessed. There are inherent risks associated with their operations including, but not limited to working alone, around water and electrical, and at heights. Some of these risks and hazards may apply to the public as well when visiting the City's parks and facilities.

We noted several examples of hazards during our process walkthroughs that either had not been properly identified or staff had not been appropriately trained to mitigate the risk, including:

- An electrical contractor advised Servicepersons that they were dangerously testing a generator.
- An operator applied a lock to a sewer main gate without checking to see if anyone was inside.
- A pumping station's wet well was not equipped with safety railings.

Without proper identification of specific operational and public risks and hazards, educational programs, training and SOPs cannot be fully developed to address relevant health and safety concerns.

Further, Environmental Services develops annual budgets for compliance and training. These funds are used for the licensing and training requirements of staff. In 2018, Environmental Services spent approximately \$342K (or 47%) less than budgeted on Compliance and Training and approximately \$215K (or 34%) less than budgeted in 2017.

Although a Supervisor of Compliance and Training position exists, new staff are often trained by a supervisor, foreperson or other staff prior to being allowed to participate in activities on their own. However, criteria have not been established to determine the appropriate amount and type of training required per activity and there is no formal testing of employees' level of readiness. An employee's readiness is based on the judgment of the individual conducting the training. In one instance, Internal Audit observed that a Serviceperson was not demonstrating a task as per procedure when training a new employee.

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As a result, there is increased risk that the delivery of training may be inconsistent, and staff may be allowed to perform an activity before sufficient training has been completed. This may increase the risk of workplace injuries or errors, which may compromise the health & safety of staff and the public.

Recommendation

We recommend that management:

- Perform an operational health and safety and public hazard risk assessment to ensure relevant risks and hazards have been identified and mitigation strategies developed.
- Ensure the compliance and training budget adequately reflects the funds required to meet objectives and are monitored to ensure that the training program is effectively executed.
- Enhance the training and testing program to ensure trainers are utilizing a consistent curriculum and approach, while developing a more objective approach to assess employee readiness to perform new tasks.

Management Action Plan

Management agrees with the recommendations.

9.1 Perform an operational health and safety and public hazard risk assessment to ensure relevant risks and hazards have been identified and mitigation strategies developed.

Priority: **Critical**

Timeline: 0-6 Months

Responsible: Manager of Water Services and Manager of Wastewater/Stormwater Services

Current Status

In July 2012, job hazard analysis reports were completed for the Public Works department and recommended controls were implemented.

More recently staff performed arc flash assessments on three lift stations in February 2018 and implemented recommendations for required arc flash PPE. Through the implementation of recommendations from the consultant's facility study, the fall arrest systems at four Sewage Pump stations and two Water Pumping stations were improved. The work was completed in Q1, 2018.

Management Action

There is a need to update the 2012 job hazard analysis. Staff will carry out an operational health and safety and public hazard risk assessment and provide details regarding areas

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of concern. This assessment may need to be carried by an external resource. This assessment shall be carried out in 6 months and implemented by Q1, 2020.

9.2 Ensure the compliance and training budget adequately reflects the funds required to meet objectives and are monitored to ensure that the training program is effectively executed.

Priority: **Important**

Timeline: 0-12 Months

Manager of Program and System Planning

Current Status

Existing training budgets were historically developed based upon staff numbers and the number of hours required to meet MECP approved CEU training. It is mandatory that staff be provided with both OTJ (on the job) training and training provided by external sources to ensure that all water and wastewater operators remain fully certified. The budgeting process involved conservative estimates to ensure all staff are compliant. The development of the budget for OTJ and mandatory training was revised for 2019 to be in accordance with specific costing details for each course and comparison to the actual expenditures in 2018.

Management Action

The Supervisor of Compliance and Training will monitor and ensure that the levels of certification for all operators meet the regulatory requirements.

A staff training strategy with a mission statement, clear goals and objectives will be developed. This strategy will apply to operator certification and licensing. This strategy will establish the long-term vision for the program and ensure that expenditures are effectively committed.

Staff will monitor the training expenditures and ensure that the training program is effective and meets the above described objectives and report to the Management Team on a quarterly basis.

9.3 Enhance the training and testing program to ensure trainers are utilizing a consistent curriculum and approach, while developing a more objective approach to assess employee readiness to perform new tasks.

Priority: **Important**

Timeline: 0-24 Months

Responsible: Manager of Program and System Planning, Manager of Water Services and Manager of Wastewater/ Stormwater Services

Management Action

Staff will utilize the staff training strategy developed above to ensure that the curriculum meets the needs of staff and the regulatory authority. Staff will also look for opportunities to enhance the program.

10. Fully Operationalize the SCADA System

Supervisory control and data acquisition (SCADA) is a system of software and hardware elements that allows the City to remotely monitor the status of pumping stations and other remote locations. The SCADA system receives data from various inputs at the pumping stations, processes it and reports the information so that it can be acted upon. The SCADA communication and remote monitoring capabilities are crucial since they help to maintain efficiency, process data for smarter decisions, and communicate system issues to help mitigate downtime.

The following is an excerpt from a report entitled, “Wastewater Collection System and Storm Water Management Report”, that was presented by Environmental Services management on March 7, 2018 at Committee of the Whole Working Session:

“...A SCADA system provides the ability to remotely monitor and control critical infrastructure related to wastewater and water operations.

The City of Vaughan previously had a basic SCADA system comprised of an alarm dialer system which had the capability to provide notification when pump or generator failures occurred at these critical locations so that on-call staff can respond immediately.

The upgrade to the SCADA system was completed over a thirteen (13) month timeframe and concluded in January 2018. Environmental Services worked in partnership with the Office of the Chief Information Officer and an external consultant to install new hardware and software improving the capacity for centralized data collection/recording/trending and alarm response times. The project delivered a series of standards that will ensure consistency as new pump stations are added.”

During process walk-throughs in March 2018, Internal Audit observed that Environmental Services had not started using SCADA’s full capabilities, as per the report. The critical communication component was still not fully implemented. In November 2018, it was confirmed that the pumping stations equipment still had to be calibrated before SCADA’s monitoring information could be validated as reliable and reports generated.

Based on these observations, we conclude that at minimum, Environmental Services provided incomplete information in their March 2018 report regarding the status of SCADA. A number of components of the system were still not fully implemented.

The inability to remotely monitor and control water and wastewater infrastructure can expose the City to significant liability and environmental risk.

Recommendations

We recommend that management assess the current state of the SCADA system and develop a formal implementation plan to fully optimize the system.

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Management Action Plan

Management agrees with the recommendations.

- 10.1 We recommend that management assess the current state of the SCADA system and develop a formal implementation plan to fully optimize the system.**

Priority: **Important**

Timeline: 0-12 Months

Responsible: Manager of Wastewater/Stormwater Services

Current Status

Much work has been done on the SCADA system and staff continue to add to its capabilities. Alarms have been prioritized and are being responded to in reduced time with online monitored assistance and direction. A dedicated SCADA Technician has been hired to help provide solutions, train staff, monitor and oversee improvements and repairs.

Operators have been trained on the system and its use. The system robustness is improved and server failure issues resolved.

Trending data is now available for use and can be accessed through iFix software.

Management Actions

Staff will provide detailed reports on the status of the implementation and operation of the SCADA system to the management team on a quarterly basis. These reports will include information on the operational activities, alarms, and actions as well system enhancements, issues and their resolution.

11. Leverage Advances in Technology to Improve Business Processes

Environmental Services is a report-driven operation where documentation is required to support compliance to legislation and City policies and procedures.

Many of Environmental Service's reporting processes are manual in nature. For example:

- Water sampling results are recorded manually on chain of custody forms. However, the existing WaterTrax Data Management software provides features that are key to providing an effective business tool to automate and improve daily activities related to acquisition and storage of system monitoring information, compliance verification and reporting. None of these reporting tools, including a mobile app, which could be used to enter water sampling results directly into the system by the servicepersons in the field, have yet to be fully explored by management. As a result, the system is currently underutilized, which increases the risk that business objectives will not be achieved.
- Servicepersons are required by the MOECC to maintain a personal logbook and ensure pumping station inspections and maintenance are recorded in pumping station logbooks. The MOECC have been satisfied with the logbooks in the pumping station, but Internal Audit reviewed the log books and observed:
 - There is no consistency about what information is captured among the different pumping stations.
 - Entries into the pumping station logbooks do not always support the required maintenance schedule.
 - Neither the servicepersons' or pumping station's logbooks are reviewed by management for accuracy, completeness or monitored for operational performance.

The underutilization of WaterTrax, combined with inconsistencies in data recording and absence of management oversight can significantly impact performance management, cost effectiveness, efficiency and service delivery.

Recommendations:

We recommend that management:

- Investigate the feasibility of using the WaterTrax mobile app instead of manual forms for recording water sampling results.
- Examine the reporting tools that are available in the WaterTrax system and determine the information required so that processes related to data analytics, monitoring and reporting can be developed to help management assess whether business objectives related to water sampling activities are being met.
- Provide greater management oversight over both the servicepersons personal logbooks and the pumping station logbooks.

Management Action Plan

Management agrees with the recommendations.

11.1 Investigate the feasibility of using the WaterTrax mobile app instead of manual forms for recording water sampling results.

Priority: **Important**

Timeline: 0-24 Months

Responsible: Manager of Program and System Planning

Management Action

Staff will review and standardize the entries into the station log books and the personal log books. In addition, staff will review the capabilities of WaterTrax, or a suitable equivalent tracking application, to determine suitability for recording sample data with a view to integrating the log process recognizing that the MECP requires completed log books at all facilities at all times and report back to the management team.

11.2 Examine the reporting tools that are available in the WaterTrax system and determine the information required so that processes related to data analytics, monitoring and reporting can be developed to help management assess whether business objectives related to water sampling activities are being met.

Priority: **Important**

Timeline: 0-24 Months

Responsible: Manager of Program and System Planning

Current Status

Environmental Services has adapted technological advancements as part of their 2018-2020 operational plan and achievements in this area include: working with Office of the Chief Information Officer to develop and implement five electronic inspections forms on the Geocortex/Vaughan Maps platform, rolling out Tough books/Tough pads to all front-line operators to have direct access in the field.

Staff have put forward a business request to the Office of the Chief Information Officer to pilot electronic log books and have a 2019 approved capital project to support this initiative.

Management Actions

As indicated above, staff will review the capabilities of WaterTrax, or a suitable equivalent tracking application, for managing information regarding water sampling activities and providing management reporting. Should it be recommended that we proceed with enhanced use of WaterTrax, or a suitable equivalent tracking application, staff will prepare a detailed business case together with a workplan and timelines for implementation.

11.3 Provide greater management oversight over both the servicepersons personal logbooks and the pumping station logbooks.

Priority: **Critical**

Timeline: 0-3 Months

Responsible: Manager of Water Services, Manager of Wastewater and Stormwater Services

Management Actions

Personal and station logs will be randomly spot checked and reviewed for consistency and signed off by the Supervisor of Water and Supervisor of Wastewater and Storm Water on a weekly basis effective immediately. Any issues regarding completeness or accuracy will be addressed immediately.

As stated above in recommendation 11.2, Staff have put forward a business request to the Office of the Chief Information Officer to pilot electronic log books and have a 2019 approved capital project to support this initiative. Other opportunities to ensure accurate station logs are being reviewed such as SCADA electronic access and GPS.

INTERNAL AUDIT REPORT

WATER, WASTEWATER AND STORMWATER OPERATIONS AUDIT

12. *Update Development Agreements to Clarify Timing of Payment Requirements for New Watermain Connections*

Development Agreements with the City require developers to flush the water system and sample for chlorine residuals prior to commissioning. This process ensures that connection to the potable municipal water system is done safely and without a negative impact to the City's water quality.

The Development Agreement provides that the owner shall pay for the water used for testing and flushing the water distribution system. However, our review of the agreement found that there are no provisions outlining when the City will invoice the developer for these costs and no provisions for when the developer must pay the City. As of May 31, 2018, the outstanding balance for these fees totaled approximately \$437,000. Some of these fees dated back to December of 2014.

We noted that many of the outstanding invoices were issued by the City in late December. This typically implies the year end billing reconciliation. Invoicing should be done as close as possible to service delivery. Financial Services has indicated that billing is now being done on a timely basis.

Developers are not always willing to pay in a timely manner or not at all. This causes delays with the City assuming the development. The City collects an irrevocable Letter of Credit (LC) from the developer to secure the construction of municipal services. The LC stipulates that it could be drawn to fulfill obligations under the agreement, however it has not been used in the past for costs associated with flush the water system.

Although the City will not assume the project until all liabilities are paid, the likelihood of collecting these funds in a timely manner decreases the older they get. In addition to the financial risk, delays in assuming developments can result in a reputational risk to the City.

Recommendation

We recommend that management:

- Update the development agreement to clarify the timing of the billing and the specific terms of payment related to the testing and flushing of water.
- Ensure that invoicing is done promptly based on delivery of services and in compliance to the provisions in the development agreements.

Management Action Plan

Management agrees with the recommendations.

12.1 Update the development agreement to clarify the timing of the billing and the specific terms of payment related to the testing and flushing of water.

INTERNAL AUDIT REPORT

WATER, WASTEWATER AND STORMWATER OPERATIONS AUDIT

Priority: **Important**

Timeline: 0-24 Months

Responsible: Manager of Program and System Planning

Current Status

Pre-watermain commissioning charges are included in the current development agreements and are paid in advance by the developer. The Development agreements state that developers will be required to pay for post commissioning water used for flushing upon receipt of an invoice. Post commissioning flushing water volumes are summarized by Environmental Services and are sent to Finance for invoice issuance on a quarterly basis.

Management Action

Staff will work with Finance and Development Engineering to review the agreement requirements and make revisions as necessary to ensure prompt payment of invoices. If there are changes proposed in the agreements staff will also meet with the Development industry.

Consideration may be given to the need to withhold preliminary acceptance of the infrastructure until post commissioning water use payments are made. This should follow discussions with the development industry.

12.2 Ensure that invoicing is done promptly based on delivery of services and in compliance to the provisions in the development agreements.

Priority: **Important**

Timeline: 0-12 Months

Responsible: Manager of Program and System Planning

Management Actions

Staff will work with Finance to ensure invoicing is sent to the developers in a timely manner.

INTERNAL AUDIT REPORT

WATER, WASTEWATER AND STORMWATER OPERATIONS AUDIT

13. Provide Greater Oversight of the Main Flushing and Close Circuit Television (CCTV) Programs

Environmental Services developed a Close Circuit Television (CCTV) Program and Main Flushing Program to address sewer system issues such as deterioration, blockages and collapses.

The CCTV Program consists of sending remote controlled cameras throughout the City's pipes and tunnels to view the condition of the infrastructure. It also updates the Geographic Information System (GIS) used by Infrastructure and Delivery. The map of the City of Vaughan is divided into 10 sections for the CCTV program. The target is to access and record 10% of the City each year.

The City has been divided into four sections for the Main Flushing Program with 250,000 metres of sanitary and storm water pipes flushed annually. The flushing system provides preventative management by identifying areas that may be experiencing a blockage before damage becomes costly to repair. The target is to flush all of Vaughan's pipe infrastructure in four years.

Both programs are carried out by contractors.

There is evidence these programs are being executed. However, when Internal Audit requested to see documentation of the status of these programs, the documentation was not readily available. When Internal Audit received the project status information, it appeared to have been gathered from several different sources.

Environmental Services does not have a centralized tracking tool and do not regularly report up to management the progress of the programs. Without adequate monitoring and program oversight, targets may not be reached which could impact the City financially and reputationally.

Recommendations:

We recommend that management enhance program oversight by developing a centralized tracking tool that provides monitoring of progress and reporting capabilities.

Management Action Plan

Management agrees with the recommendations.

13.1 We recommend that management enhance program oversight by developing a centralized tracking tool that provides monitoring of progress and reporting capabilities.

Priority: **Important**

Timeline: 0-12 Months

Responsible: Manager of Wastewater/Stormwater Systems

INTERNAL AUDIT REPORT

WATER, WASTEWATER AND STORMWATER OPERATIONS AUDIT

Current Status

A detailed program development and tracking tool was implemented in 2016 and is currently on the network drive for staff access. This system includes mapping, project name, type of work and who issued the work.

Management Action

Staff will review the existing sewer flushing and CCTV tracking system to ensure that it meets the needs of the organization. Staff will ensure that sufficient management oversight and reporting is provided in order to update the management team on a quarterly basis.

We are adding a tab to the tracking system summarizing a monthly report shared to the management team on the status of work completed within the month vs. work projected as well as a comment column explaining the variance.

14. Analyze Insurance Claims Information

The Insurance and Risk Management Section of the Office of the City Clerk is responsible for three main areas: risk financing, risk control and claims administration. Managing risk requires the assistance and cooperation of all City departments, and it is for this reason section works with all departments to understand operations and provide support through risk mitigating strategies.

In 2017, Risk Management acquired a claims management system. This system became operational in a test environment in June 2017, at which time there was a change in management. ClearRisk is intended to provide data that can be used for analysis and tracking trends across the organization and to process claims. Currently, formal processes are not in place to share this information with client groups. However, reports are available to departments on an ad hoc basis at the request of the department as Risk Management continues to customize the system.

For Environmental Services, claims information could provide insight into the current condition of the infrastructure, identify the areas most prone to flooding and become aware of problems of aging equipment. Monitoring and tracking claims could help create programs, develop maintenance schedules and be used to help plan budgets.

Recommendations:

We recommend that Environmental Services and Risk Management evaluate the type of claims information the department requires and develop protocols to analyze and share information to assist in informed decision making.

Management Action Plan

Management agrees with the recommendations.

- 14.1 We recommend that Environmental Services and Risk Management evaluate the type of claims information the department requires and develop protocols to analyze and share information to assist in informed decision making.**

Priority: **Important**

Timeline: 0-12 Months

Responsible: Manager of Water Services and Manager of Wastewater/Stormwater Services

Management Action Plan

Risk Management staff are currently working to build modules within ClearRisk which will improve efficiencies in the claims administration process while adding reporting capabilities for each department. Test reports have already been processed and several departments have been contacted regarding the types of reports they would like to see. Once Risk Management staff have this feedback, have coded each claim and the

INTERNAL AUDIT REPORT

WATER, WASTEWATER AND STORMWATER OPERATIONS AUDIT

operation modules are built, the risk team will work with each department to produce reports as per their requirements.

Environmental Services staff will work with Risk Management staff to discuss the types of reports that would be appropriate and will work with the Risk team to produce the required reports.

Finance, Administration and Audit Committee Report

DATE: Wednesday, June 05, 2019

WARD(S): ALL

TITLE: 2018 ANNUAL INVESTMENT REPORT

FROM:

Michael Coroneos, Chief Financial Officer and City Treasurer

ACTION: FOR INFORMATION

Purpose

To report to Council on the City's investment portfolio activities during the year 2018, as required by Ontario Regulation 438/97 (as amended) of the Municipal Act and the City's Investment Policy.

Report Highlights

- The City's investment portfolios generated total investment income of \$19.69 million for 2018, which represents a weighted average income return of 2.38%
- The Money Market portfolio earned interest income of \$11.20M, Bond portfolio had earned income of \$1.89M, Alectra promissory note had earned income of \$3.74M, and cash balance in the bank had interest income of \$2.86M
- The majority of the investment income was distributed to the City's reserve funds (\$15.11M) and a portion (\$0.83M) going to the operating budget, which helps to reduce the tax levy requirement
- All investments to December 31, 2018 were made in accordance with the approved City's Investment Policy and in compliance with Ontario Regulation 438/97 (as amended) and the Municipal Act

Recommendations

1. That this report be received for information.

Background

The Municipal Act is the governing legislation for the investment of municipal funds. Ontario Regulation 438/97, as amended, outlines the criteria for eligible investments. The City's investment policy, approved by Council on April 2015, conforms to this legislation and acts as the governing parameters in managing the City's investment portfolio.

The reporting requirements in the City's investment policy and the Municipal Act require that the Treasurer, or designate, submit an investment report to Council at least annually, including a management summary that provides an analysis of the status of the current investment portfolio and transactions completed over the last year.

Previous Reports/Authority

[2017 ANNUAL INVESTMENT REPORT](#)

Analysis and Options

The Financial Planning and Development Finance Department manages the investment portfolio for the City with a book value of approximately \$899.05 million (cash and investments) at December 31, 2018 (\$661.05 million 2017), (Attachment 1). These funds represent the funding requirements for day to day operations of the Corporation and represent investment funds held in the reserves, reserve funds, working capital and other funds of the organization. The credit quality of all investments is in compliance with the City's Investment Policy and the Ontario Regulation 438/97 (as amended) of the Municipal Act.

2017 City of Vaughan Investment Portfolio

During 2018, the City's investment portfolio generated investment income in the amount of \$19.69 million, which represents a weighted average earned income return of 2.38%. As a basis of year over year comparison, the City's investment income was \$13.76 million in 2017, which represented a weighted average earned income return of 1.91%. The increase in 2018 investment income was due to higher interest rates, higher asset funds available for investments and effective cash management.

The table below provides a summary of the investment breakdown by portfolios.

Portfolio Summary as at Dec 31, 2018	Book Value Mil (\$)	Earned Income Mil (\$)¹
Money Market Portfolio	700.00	11.20
Bond Portfolio	87.29	1.89
Alectra Note ²	78.24	3.74
Subtotal Investments	\$ 865.53	\$ 16.83
Cash in Bank	33.52	2.86
Total Investments	\$ 899.05	\$ 19.69

¹ Earned Income includes interest income, realized gain/loss, other income, bond amortization, less expenses
(excludes unrealized gain/loss)

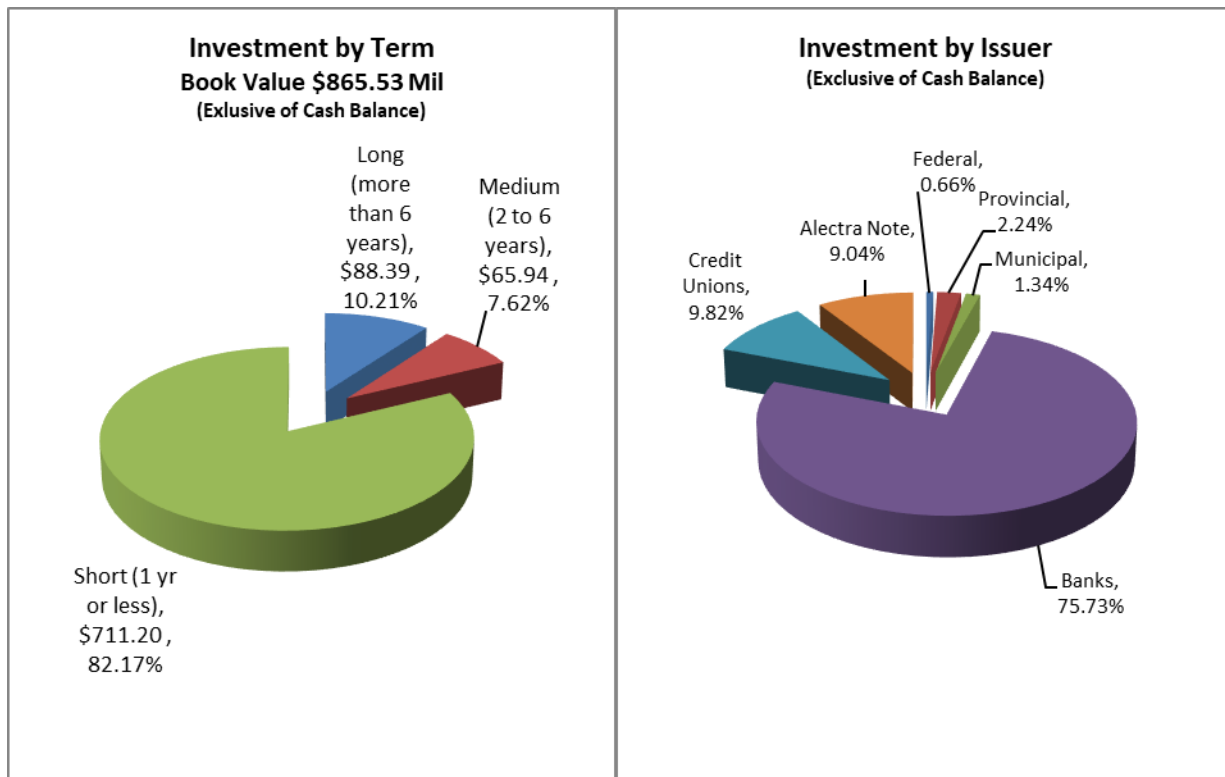
² Maturity Dec 31, 2024

The Money Market portfolio (total holdings of \$700 million) averaged a rate of return of 2.13% outperforming the 90 day average T-bill rate of 1.37%. The cash balance held in the City's bank account earned an average rate of return of 1.98%, which is 26 basis points higher than the average one month BA Money Market instrument of 1.72%. The Bond Fund portfolio and the Alectra Note (total holdings of \$165.53 million) averaged an earned income rate of return of 3.27%. Earned income return includes interest income and realized capital gains/losses. The earned income return is used to determine the allocation of investment earnings to the City's reserve funds and operating budget.

The City's investment program has changed its focus from just providing liquidity for the day-to-day operations to long-term reserve management. This change focused on transforming the investment portfolio from a short term focused portfolio to one that is more diversified in terms of credit and term exposure. The shift to reserve management is to align with the City's fiscal framework and long term financial sustainability. It is expected that the long- term bond purchases will continue when yields are attractive.

Summary of Holdings

The following charts provide a summary overview of the City's current holdings by both term and by issuer. The details of these holdings may be found in Attachment 1.



Outlook for 2019

Staff is monitoring the bond market and will focus on strategic purchases of longer term bonds that will have higher expected yields for 2019 and beyond. Currently, the City's portfolio is predominately short term and is positioned to take advantage of changing market conditions and a potential higher rate environment.

Financial Impact

The investment income generated from the investment portfolio in 2018 amounted to \$19.69 million. The majority of this balance was distributed to the City's reserve funds and the remaining portion to the operating budget, which helps to reduce the tax levy requirement. The Operating Budget for 2018 Investment Income was \$2.56 million; the actual Investment Income allocated to the Operating Budget was \$0.83 million.

The City's investment portfolio included a promissory note from Alectra but excludes the City's investment in Vaughan Holdings Inc. The dividends received from Vaughan Holdings Inc. is reported separately through the City's annual financial reports.

Broader Regional Impacts/Considerations

Not Applicable

Conclusion

In 2018, the City's investment portfolio generated investment income of \$19.69 million. Investment income revenue contributes to reserves and reduces the tax levy requirement. Investments were in compliance with the City's Investment Policy approved by Council on April 2015 and the Ontario Regulation 438/97 (as amended) of the Municipal Act.

For more information, please contact:

Michael Marchetti, Director of Financial Planning & Development Finance &
Deputy City Treasurer, Ext. 8271
Maggie Wang, Manager, Corporate Financial Planning & Analysis, Ext. 8029
Alex Ly, Senior Analyst, Investments, Ext. 8312

Attachments

1. Listing of Securities Held as at December 31, 2018
2. Investments Held by Issuer as at December 31, 2018

Prepared by

Alex Ly, Senior Analyst, Investments, Ext. 8312

Attachment 1

City of Vaughan Investments - as at December 31, 2018				
Money Market Portfolio				
Security Description	Maturity Date	Par Value	Base Cost	Yield ¹
Scotia	31-Dec-19	10,000,000	10,000,000	2.45%
Scotia	31-Dec-19	40,000,000	40,000,000	2.45%
Scotia	31-Dec-19	10,000,000	10,000,000	2.45%
BMO GIC	28-Jan-19	15,000,000	15,000,000	2.30%
VanCity CU	21-Feb-19	15,000,000	15,000,000	2.42%
NB GIC	28-Mar-19	20,000,000	20,000,000	2.30%
NB GIC	4-Apr-19	10,000,000	10,000,000	2.30%
Coast Capital Savings	8-May-19	15,000,000	15,000,000	2.45%
BNS Term Dep	10-May-19	15,000,000	15,000,000	2.43%
VanCity CU	4-Jun-19	10,000,000	10,000,000	2.50%
BNS Term Dep	14-Jan-19	10,000,000	10,000,000	2.31%
BNS Term Dep	13-Jul-19	15,000,000	15,000,000	2.61%
TD Term Dep	15-Jan-19	5,000,000	5,000,000	2.21%
TD Term Dep	5-Feb-19	20,000,000	20,000,000	2.30%
TD Term Dep	19-Feb-19	15,000,000	15,000,000	2.34%
BMO GIC	9-Sep-19	25,000,000	25,000,000	2.59%
BNS Term Dep	20-Mar-19	10,000,000	10,000,000	2.35%
BNS Term Dep	23-Sep-19	15,000,000	15,000,000	2.62%
NB GIC	25-Sep-19	25,000,000	25,000,000	2.62%
TD Term Dep	27-Mar-19	25,000,000	25,000,000	2.40%
Conexus CU	30-Sep-19	10,000,000	10,000,000	3.00%
TD Term Dep	15-Jan-19	15,000,000	15,000,000	2.32%
NB GIC	28-Oct-19	15,000,000	15,000,000	2.76%
TD Term Dep	29-Jan-19	15,000,000	15,000,000	2.42%
RBC GIC	1-Nov-19	25,000,000	25,000,000	2.85%
TD Term Dep	7-Feb-19	10,000,000	10,000,000	2.43%
TD Term Dep	13-Feb-19	20,000,000	20,000,000	2.44%
CIBC GIC	21-May-19	25,000,000	25,000,000	2.60%
Laurentian GIC	19-Nov-19	15,000,000	15,000,000	2.90%
Alterna Credit Union	19-Nov-19	20,000,000	20,000,000	2.90%
TD Term Dep	27-Feb-19	15,000,000	15,000,000	2.45%
TD Term Dep	7-Mar-19	15,000,000	15,000,000	2.46%
Scotia GIC	28-Nov-19	10,000,000	10,000,000	2.84%
TD Term Dep	19-Mar-19	20,000,000	20,000,000	2.46%
BNS Term Dep	2-Dec-19	25,000,000	25,000,000	2.94%
BMO GIC	5-Dec-19	25,000,000	25,000,000	2.94%
CIBC GIC	3-Jun-19	15,000,000	15,000,000	2.60%
RBC GIC	6-Dec-19	25,000,000	25,000,000	2.89%
First Ontario CU	6-Dec-19	15,000,000	15,000,000	3.20%
TD Term Dep	27-Mar-19	20,000,000	20,000,000	2.47%
TD Term Dep	21-Mar-19	20,000,000	20,000,000	2.52%
Money Market Portfolio			700,000,000	

Attachment 1 cont'd

City of Vaughan Investments - as at December 31, 2018				
Bond Portfolio				
Security Description	Maturity Date	Par Value	Base Cost	Yield ¹
YORK ONTARIO REGL MUNICIPALITY 5%	29-Apr-19	1,000,000	999,881	5.03%
BANK OF NOVA SCOTIA 1.9%	2-Dec-21	2,000,000	1,996,711	1.96%
ROYAL BANK OF CANADA 1.583%	13-Sep-21	2,000,000	1,983,289	1.90%
PROV OF ALBERTA 1.35%	1-Sep-21	2,000,000	1,960,342	2.12%
BANK OF NOVA SCOTIA 1.83%	27-Apr-22	2,000,000	1,982,184	2.12%
YORK ONT REGL MUNICIPALITY 4%	30-Jun-21	1,000,000	999,569	4.02%
PROV OF QUEBEC 1.65%	3-Mar-22	2,000,000	1,984,405	1.90%
ROYAL BANK OF CANADA 2.36%	5-Dec-22	3,000,000	2,994,720	2.41%
MUNICIPAL FINANCE AUTH OF BC 2.15%	1-Dec-22	2,880,000	2,878,473	2.16%
PROV OF ONTARIO 2.85%	2-Jun-23	2,000,000	2,079,208	1.91%
PROV OF ONTARIO 3.15%	2-Jun-22	2,500,000	2,575,553	2.22%
CANADA HOUSING TRUST NO.1 2.4%	15-Dec-22	5,000,000	5,077,514	1.99%
PROV OF BRITISH COLUMBIA 2.7%	18-Dec-22	2,000,000	2,060,416	1.90%
PROV OF ALBERTA 2.55%	15-Dec-22	2,000,000	2,045,468	1.95%
TORONTO ONTARIO 3.9%	29-Sep-23	3,000,000	3,202,504	2.38%
ROYAL BANK OF CANADA 2.333%	5-Dec-23	2,000,000	1,996,769	2.37%
TORONTO DOMINION BANK 1.994%	23-Mar-22	3,000,000	2,974,317	2.27%
YORK ONTARIO REGL MUNICIPALITY 2.6%	15-Dec-25	3,500,000	3,511,393	2.55%
BANK OF MONTREAL 2.1%	6-Oct-20	2,500,000	2,505,001	1.98%
PSP CAPITAL INC 3.03%	22-Oct-20	600,000	612,418	1.86%
PROV OF ONTARIO 2.6%	2-Jun-25	2,000,000	2,025,241	2.39%
PROV OF MANITOBA 2.45%	2-Jun-25	2,000,000	2,013,846	2.33%
PROV OF QUEBEC 2.75%	1-Sep-25	2,500,000	2,605,983	2.06%
BANK OF MONTREAL 2.12%	16-Mar-22	2,000,000	2,006,816	2.01%
ROYAL BANK OF CANADA 1.968%	2-Mar-22	2,500,000	2,495,449	2.03%
TORONTO DOMINION BANK 2.563%	24-Jun-20	2,500,000	2,522,973	1.93%
CANADIAN IMPERIAL BANK OF COMM 1.9%	26-Apr-21	2,000,000	2,002,907	1.83%
BANK OF MONTREAL PPN	3-Apr-20	7,500,000	7,500,000	
BANK OF MONTREAL PPN	20-Dec-22	7,500,000	7,500,000	
CASH Equivalent			10,199,826	
Bond Portfolio			87,293,175	
Promissory Note				
Alectra Note	31-Dec-24	78,236,285	78,236,285	4.41%
TOTAL Long Term Investments				
			165,529,460	
¹ Yield to maturity				

Attachment 2

MONEY MARKET PORTFOLIO				
Investment by Issuer				
As at December 31, 2018				
	Par Value	% of Total		
Sector / Issuer			Portfolio Limit %	Maximum Term
FEDERAL				
Government of Canada	-	-	100	1 year
Federal Guarantees	-	-	100	1 year
PROVINCIAL	-	-	100	1 year
	-	-	80	1 year
	-	-	20	1 year
Provincial Total	-	-	100	
BANKS				
Schedule I Banks			100	1 year
Toronto Dominion Bank	215,000,000	30.71%		
CIBC	55,000,000	7.86%		
Royal Bank of Canada	75,000,000	10.71%		
Bank of Nova Scotia	150,000,000	21.43%		
National Bank	105,000,000	15.00%		
BMO	65,000,000	9.29%		
Banks Total	665,000,000	95.00%	100	
OTHER				
Asset Backed Securities	-	-	10	6 months
Credit Unions and Loan/Trust Corporations	35,000,000	5.00%	30	1 year
Other Total	35,000,000	5.00%	30	
TOTAL - Money Market	700,000,000			

Attachment 2 cont'd

BOND PORTFOLIO				
Investment by Issuer				
As at December 31, 2018				
	Amount	% of Total		
Sector / Issuer			Portfolio Limit %	Maximum Term
FEDERAL				
Government of Canada	5,689,931.44	3.44%	100	20 years
Federal Guarantees	-		50	20 years
Federal Total	5,689,931.44	3.44%	100	
PROVINCIAL			70	20 years
PROVINCIALS (CANADIAN)	19,350,462	11.69%		
Provincial Total	19,350,462	11.69%	70	
MUNICIPALS				
			35	15 years
MUNICIPALS (CANADIAN) AAA				
			25	10 years
MUNICIPALS (CANADIAN) AA	11,591,821	7.00%		
Municipals Total	11,591,821	7.00%	35	
BANKS				
Schedule I Banks	40,461,135	24.44%	50	10 years
Schedule II Banks	-		15	5 years
Banks Total	40,461,135	24.44%	50	
Cash & Cash Equivalent	10,199,826	6.16%	n/a	
Alectra Note	78,236,285		n/a	
TOTAL - Bond Portfolio	165,529,460			

Finance, Administration and Audit Committee Report

DATE: Wednesday, June 05, 2019

WARD(S): ALL

TITLE: 2018 DC RESERVE FUND AND SPECIAL FUND STATEMENT

FROM:

Michael Coroneos, Chief Financial Officer and City Treasurer

ACTION: FOR INFORMATION

Purpose

To provide Council with the 2018 Development Charges Reserve Fund Statement, Special Account Statement for Increased Height and Density (Section 37) payments, and Statement for Cash-in-Lieu Parkland.

Report Highlights

- The *Development Charges Act, 1997* (the “DCA”) and the *Planning Act* require that the Treasurer of the municipality provide to Council, annually, a statement relating to Development Charges (DC), Increased Height and Density (Section 37) and the Cash-in-Lieu of Parkland (CIL) reserve funds and a listing of DC/Lot levy credits.
- The DC reserve funds consolidated opening balance for 2018 was \$289.8 million. The City collected \$240.5 million in DC revenues and funded \$44.8 million in capital projects. The consolidated ending balance was \$493.0 million as of December 31, 2018.
- The City collected \$23.7 million in CIL parkland revenue and spent \$20.7 million in 2018. The ending balance of the CIL parkland reserve fund was \$67.9 million as of December 31, 2018.
- The City received \$1.0 million in revenues through Section 37 agreements during 2018 and spent approximately \$100,000. The closing balance as of December 31, 2018 was \$2.9 million.
- In compliance with the DCA, the City does not impose directly or indirectly a charge related to a development or a requirement to construct a service related to development except as allowed under existing legislative Acts.

Recommendations

1. That the 2018 Development Charges Reserve Fund and Special Fund Statement be received for information purposes.
2. That the 2018 Development Charges Reserve Fund and Special Fund Statement be made available to the public and that a copy be forwarded to the Ministry of Municipal Affairs and Housing on request.

Background

The *Development Charges Act, 1997* (the “DCA”) section 43(1) and 43(2) requires the Treasurer of the municipality to provide Council with an annual financial statement relating to development charge by-laws and reserve funds established under the DCA.

Section 12 of the Ontario Reg. 82/98 prescribed the information that must be included in the Treasurer statement under section 43 of the DCA.

The *Planning Act* Section 42 requires the treasurer of the municipality to give Council a financial statement relating to the special account set up for Cash-in-Lieu for Parkland under Section 42.

The *Planning Act* Section 37 requires the treasurer of the municipality to give Council a financial statement relating to the special account for Increased Height and Density under Section 37.

Previous Reports/Authority

[2017 DEVELOPMENT CHARGES RESERVE FUND AND SPECIAL FUNDS STATEMENT](#)

Analysis and Options

The collection of development charges, payments in lieu of parkland and payments from developers pursuant to a Section 37 agreement are a major source of funding for the City’s growth-related capital works.

There are legislative requirements for the Treasurer to provide Council a financial statement relating to the establishment of these reserve funds and the receipt and disbursement of funds during the fiscal year, and to make these statements available to the public. The inclusion of this report on a public agenda, and subsequent posting of the report to the City’s website, ensures that this report is available to the public.

The required financial statements were prepared on an accrual basis for goods and services received however it does not reflect other commitments of funds.

DC Reserve Fund Statements

The DCA outlines specific reporting requirements for development charge reserves. A municipality that has passed a Development Charge by-law shall establish a separate reserve fund for each service to which the development charge relates; and the fund shall be used only to meet growth related capital costs for which the development charge was imposed. Reporting requirements include identifying all other types of funding applied to each project funded with development charges and providing a detailed summary of the activity for each development charge reserve for the year.

As of December 31, 2018, the consolidated fund balance in the City's development charge reserve funds was \$493.0 million.

The table below summarizes the Development Charges Reserve Fund activities for the period of January 1, 2018 to December 31, 2018:

Table 1: 2018 Development Charge Reserve Balance as of December 31, 2018 (\$million)

	City-Wide Development Charges	Special Area Development Charges	Total
Opening Balance	\$287.9	\$1.9	\$289.8
Revenues	\$246.7	\$1.3	\$248.0
Expenses	-\$50.3	\$5.5	-\$44.8
Closing Balance	\$484.3	\$8.7	\$493.0

Note 1: The Revenues and Expenses include interest accruals.

Note 2: Some numbers may not add due to rounding

Attachment 1 summarizes the development charges reserve established under the authority of the DCA and the City's Development Charge By-laws. The summary schedule provides a breakdown of the funds collected, interest earned and capital expenditures for each reserve fund. There are detailed schedules for each reserve fund providing capital project detail of expenditures processed during 2018, indicating other non-development charge related funding sources.

Attachment 2 provides a description of each service for which the development charge reserve fund was established.

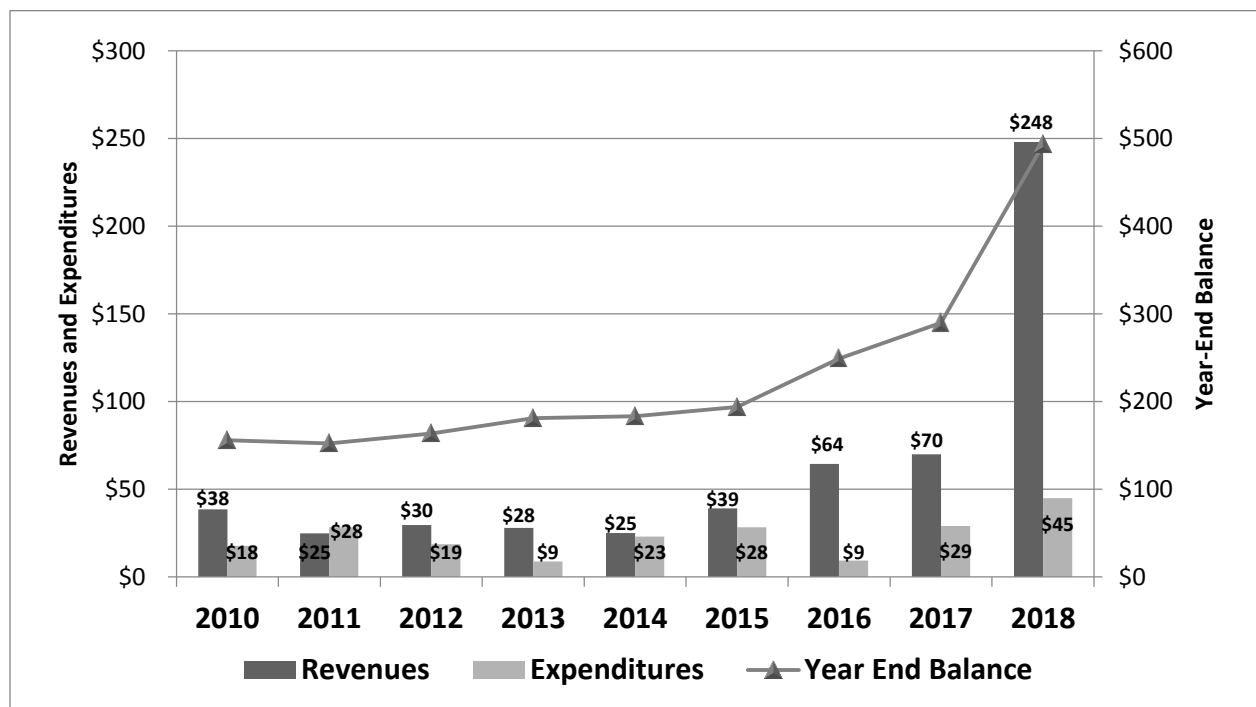
Development charge revenues in 2018 were \$248.0 million, which was approximately \$203.2 million more than 2018 expenditure \$44.8 million.

Chart 1 illustrates the increase in collections in comparison to previous years. In each year since 2012, the City's development charge collections have exceeded the draws from the development charge reserves; as a result, the balances in the development charge reserves have risen in the last five years, leaving a consolidated reserve fund balance of \$493.0 million as of December 31, 2018.

The 2018 DC Background Study and By-laws were approved by Council on May 23, 2018 and went into effect on September 21, 2018. As a part of the DC By-law Update, city services related to General Government, Libraries, Fire and Rescue, Public Works Buildings and Fleet, City-Wide Engineering, Community Services, and Area Specific DCs related to Waste Water and Storm Drainage were reviewed. Parks Development and Recreation Services were combined into a new service category called Community Services.

As a part of the 2018 DC Background Study and DC By-laws approval, Council delegated authority to the City Treasurer and the City Solicitor to enter into DC pre-payment agreements with landowners for developments that met certain criteria and requirements. The pre-payment agreements allowed pre-payment of estimated DCs, in early September of 2018, at the DC rates in effect at that time which were lower than the rates under the 2018 DC By-laws. Many developers took advantage of the pre-payment agreements that resulted in \$167.5 million DC revenues prepaid which in turn contributed to the cash inflow spike seen in the third quarter of 2018.

Chart 1: 2010-2018 Development Charge Revenues and Expenditures Comparison * (\$million)



*Includes Interest revenues and expenses

Special Fund Statement on Cash-in-Lieu Parkland and Section 37

The *Planning Act* outlines specific reporting requirements for payments received in lieu of the conveyance of parkland and payments received in consideration of increases in the height or density of proposed developments. In accordance with Sections 37 and 42 of the *Planning Act*, 1990, the following is required:

All money received by the municipality shall be paid into a separate reserve account and spent only for the acquisition of land to be used for park or other public recreational purposes (CIL Parkland) or infrastructure and services specified in the agreement (Section 37).

Reporting requirements include identifying all other types of funding applied to each project funded with CIL Parkland or Section 37 proceeds and providing a detailed summary of the activity for this special account for the year.

The following table summarizes the reserve activity for these special reserves as of December 31, 2018:

Table 2: 2018 Cash-in-Lieu Parkland and Section 37 Reserve Balance as of December 31, 2018
(\$million)

	Cash in Lieu Parkland	Section 37
Opening Balance	\$63.5	\$1.9
Revenues	\$25.1	\$1.1
Expenses	-\$20.7	-\$0.1
Closing Balance	\$67.9	\$2.9

Note: Some numbers may not add due to rounding

Note: Include interest earned

As of December 31, 2018, the Section 37 reserve balance was \$2.9 million

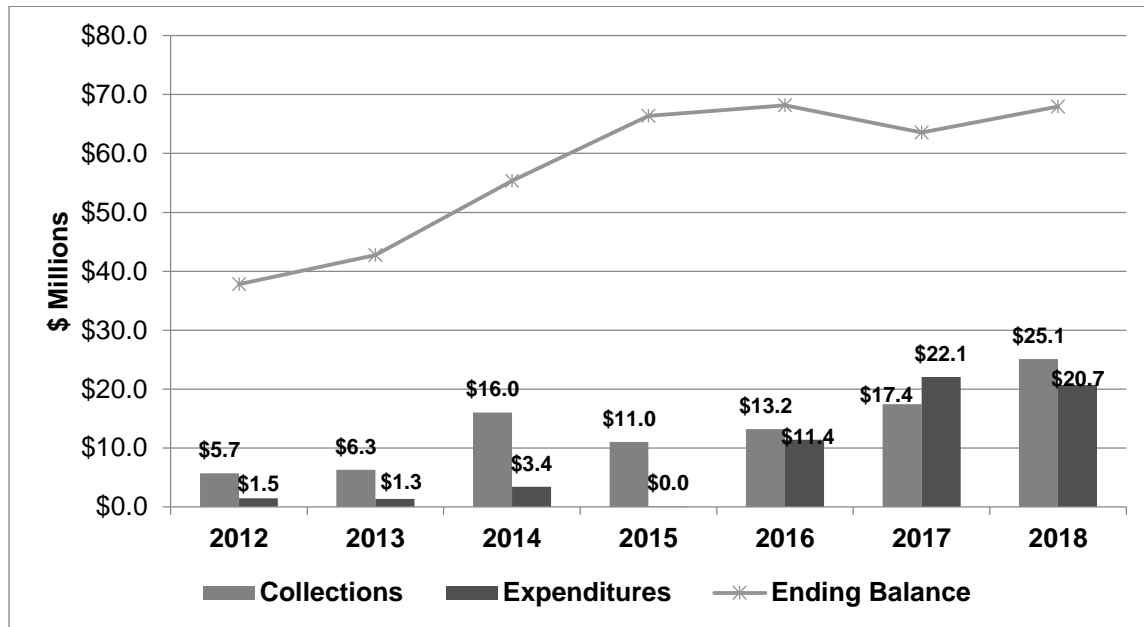
During 2018, \$1.0 million in revenue was received through a Section 37 agreement. There were approximately \$100,000 in capital expenditures for the year.

As of December 31, 2018, the CIL Parkland reserve balance was \$67.9 million

During 2018, \$23.7 million in cash in lieu payments were received and the reserve earned \$1.4 million in interest. There were \$20.7 million in capital expenditures for the year.

Attachment 3 provides information of the capital expenditures that were funded from the CIL Parkland reserve fund in 2018. Following chart illustrate CIL Parkland collections and expenditures for the period of 2012-2018.

Chart 2: 2012-2018 CIL Parkland Collections* and Expenditures Comparison (\$million)



*Includes Interest earned

Financial Impact

Development charges are collected on a city-wide basis from developers to help fund growth related infrastructure.

Payments received in lieu of conveying parkland within a planned development, are used by the City to fund acquisition of land required for parks and other recreation purposes.

Payments received from developers pursuant to an agreement under section 37 of the Planning Act are to increase the height and/or density of a proposed development in exchange for a benefit to the community such as enhanced park service levels, streetscaping or public art in intensification areas.

Interest earned on development charges collected and held for future use is apportioned to the various development charge reserves on a proportionate basis and is not used to fund the operations of the City. There are also separate reserves for Payments in Lieu of parkland and payments received as a result of executed section 37 agreements into which these funds are allocated when received and interest is accrued. The City did not issue any development charge credit in the fiscal year 2018.

Broader Regional Impacts/Considerations

Not Applicable.

Conclusion

The 2018 Development Charges Reserve Fund and Special Account Statement are provided pursuant to the reporting requirements of the *Development Charges Act, 1997* and the *Planning Act*.

In compliance with the DCA and to the best of staff's knowledge and belief, the City does not impose directly or indirectly a charge related to a development or a requirement to construct a service related to development except as allowed under existing legislative Acts.

For more information, please contact:

Michael Marchetti, Director, Financial Planning & Development Finance, Ext. 8271

Attachments

1. 2018 Development Charge Reserve Fund Statement
2. Description of City Wide and Area Specific Development Charge Reserves
3. 2018 Cash-in-Lieu of Parkland Reserve Fund Statement
4. 2018 Section 37 Reserve Fund Statement

Prepared by

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Greg Eleftheriou, Senior Corporate Financial Planning Analyst Ext 8352

In consultation with:

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Attachment 1
City of Vaughan
2018 City-Wide Development Charges Reserve Fund Statement
As at December 31, 2018 (in '000s)

	Engineering Services	Public Works	Community Services	Library Services	Fire & Rescue Services	General Government	Total
Balance as of January 1, 2018	\$ 162,342	\$ 12,214	\$ 107,156	\$ 6,270	\$ 1,449	\$ (1,486)	\$ 287,945
Revenues							
Development Charge Revenues	146,750	6,426	66,515	7,925	7,788	3,958	239,362
Development Charge Credits	-	-	-	-	-	-	-
Transfer from Capital	-	-	-	-	-	-	-
Interest Earned	4,357	149	2,546	165	80	(2)	7,296
Other	-	-	-	-	-	-	-
Total Revenues	\$ 151,107	\$ 6,575	\$ 69,062	\$ 8,090	\$ 7,868	\$ 3,956	\$ 246,658
Expenditures							
Transfer to Capital	(22,995)	(8,901)	(13,393)	(1,995)	(2,064)	(972)	(50,320)
Development Charge Refunds	-	-	-	-	-	-	-
Interest Expense	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total Expenditures	\$ (22,995)	\$ (8,901)	\$ (13,393)	\$ (1,995)	\$ (2,064)	\$ (972)	\$ (50,320)
Balance as of December 31, 2018	\$ 290,454	\$ 9,888	\$ 162,825	\$ 12,365	\$ 7,253	\$ 1,499	\$ 484,284

Attachment 1
City of Vaughan
2018 Area Specific Development Charges Reserve Fund Statement
As at December 31, 2018

	D8 - Rainbow Creek	D15 - West Woodbridge	D18 - West Major Mack	D19 - East Rutherford	PD D20 - Watermain W.	D23 - Dufferin Teston	D24 - Ansley Grove
Balance as of January 1, 2018	\$ 3,649,444	\$ (314,029)	\$ (52,497)	\$ (1,542,394)	\$ 1,991,189	\$ 75,465	\$ 219,358
Revenues							
Development Charge Revenues	68,051	64,272	-	-	581,333	12,105	-
Transfer from Capital	-	-	-	-	-	-	-
Interest Earned	70,615	5,544	(659)	10,127	45,486	1,542	4,202
Other	-	-	-	-	-	-	-
Total Revenues	\$ 138,666	\$ 69,816	\$ (659)	\$ 10,127	\$ 626,819	\$ 13,647	\$ 4,202
Expenditures							
Transfer to Capital	-	-	(196,060)	2,334,264	-	-	-
Development Charge Refunds	-	-	-	-	-	-	-
Interest Expense	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total Expenditures	\$ -	\$ -	\$ (196,060)	\$ 2,334,264	\$ -	\$ -	\$ -
Balance as of December 31, 2018	\$ 3,788,109	\$ (244,213)	\$ (249,216)	\$ 801,997	\$ 2,618,009	\$ 89,112	\$ 223,561

	D25 - Zenway Fogel	D27 - Huntington	D33 - Woodbridge Ave. Sewer	Black Creek Map 3	Black Creek Map 2	Black Creek Map 1	Total
Balance as of January 1, 2018	\$ (3,385,961)	\$ 505,325	\$ -	\$ 167,060	\$ 612,394	\$ (3,026)	\$ 1,922,328
Revenues							
Development Charge Revenues	109,790	85,112	48,882	73,333	147,661	5	1,190,544
Transfer from Capital	-	-	-	-	-	-	-
Interest Earned	(3,733)	10,357	134	4,113	13,449	-	161,175
Other	-	-	-	-	-	-	-
Total Revenues	\$ 106,057	\$ 95,469	\$ 49,016	\$ 77,446	\$ 161,110	\$ 5	\$ 1,351,719
Expenditures							
Transfer to Capital	3,393,056	-	-	(4,092)	(44,539)	3,022	5,485,650
Development Charge Refunds	-	-	-	-	-	-	-
Interest Expense	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total Expenditures	\$ 3,393,056	\$ -	\$ -	\$ (4,092)	\$ (44,539)	\$ 3,022	\$ 5,485,650
Balance as of December 31, 2018	\$ 113,152	\$ 600,794	\$ 49,016	\$ 240,414	\$ 728,965	\$ -	\$ 8,759,698

**Development Charges Reserve
Engineering Services
Transfer to Capital
For the Period January 1, 2018 - December 31, 2018**

Project	Project Description	Total Expenditure	Engineering Services DC Funding	Other Funding	Other Funding Source
1231-0-04	Major Mackenzie PD 6 West Watermain	259,010	62,950	196,060	ASDC - West Major Mackenzie Watermain
1332-0-00	Bass Pro Mills Interchange	-271,964	-271,964	0	
1589-0-06	Rutherford Road PD 6 East Watermain	0	2,334,263	-2,334,264	ASDC - East Rutherford Watermain
BU-2551-18	Growth Related Financial Analysis and Long Range Fiscal Planning	181,499	82,271	99,228	General Government DCs - \$74,043 Capital from Taxation - \$8,227 Recreation Land Reserve - \$16,958
CD-1978-18	Sidewalk on Pine Valley Drive - Strada Dr to Langstaff Rd	37,238	37,238	0	
CD-1991-17	Traffic Signal Installation - Interchange Way and Interchange Way	289,766	289,766	0	
CD-2002-16	2018 Watermain Replacement	4,502,757	821,771	3,680,986	Grant Funding - \$424,815 Water Reserve - \$3,256,172
CD-2010-15	Traffic Signal Installation - Colossus Drive and Famous Avenue	3,752	3,752	0	
CO-0054-09	Vaughan Hospital Precinct Development	14,408,511	6,113,120	8,295,390	Other Recoveries - \$1,440,466 Capital from Taxation - \$6,854,924
DE-7104-15	TMP Education, Promotion, Outreach and Monitoring	91,765	91,765	0	
DE-7114-16	Portage Parkway - Hwy 400 to Jane Street	7,647	7,647	0	
DE-7138-15	Block 55 PD-KN Watermain Servicing	9,788,327	9,788,327	0	
DE-7144-15	Woodbridge Core Area - Functional Servicing Strategy	12,571	14,171	-1,600	Capital from Taxation
DE-7151-15	Huntington Road Reconstruction, Highway 7 to Langstaff Road	1,802,794	1,802,794	0	
DE-7156-15	New Community Areas Transportation Study (Block 27 and 41)	71,345	71,345	0	
DE-7158-15	Concord GO Secondary Plan Feasibility Study (Minor Collector Connection to Bowes Road)	60,289	60,289	0	
DE-7169-16	Concord GO Comprehensive Transportation Study	58,710	58,710	0	
DE-7170-17	2018 Engineering DC Background Study Update	23,137	23,137	0	
DE-7175-17	VMC Edgeley Pond Design and Construction	1,103,894	175,673	928,221	Capital from Taxation - \$10,721 Grant Funding - \$775,356 Parks Development DCs - \$96,534 ASDC - Black Creek Immediately Affected Landowners - (\$3,022) ASDC - Black Creek VMC Areas Draining to Edgeley Pond - \$44,539 ASDC - Black Creek Undeveloped Lands in Drainage Shed - \$4,092
DE-7179-17	Kipling Streetlighting & Intersection Illumination, Teston Road to Kirby Road (Block 55 External W	428,822	428,822	0	
DE-7180-17	Traffic Signal Installation - Motion Court & New Huntington Road	159,646	159,646	0	
DE-7181-17	Implementation of the Transportation Master Plan Update	70,672	70,672	0	
DE-7182-17	Implementation of the Regional Express Rail	159,816	159,816	0	
DE-7186-18	VMC Functional Road Design Study	12,621	12,621	0	
DE-7188-18	Promenade Mall Secondary Plan Comprehensive Transportation Study	12,621	12,621	0	
DE-7189-18	Highway 7 and Weston Road Secondary Plan Comprehensive Transportation Study	66,490	66,490	0	
DE-7190-18	OTM Book 18 Update Municipal Contribution	10,300	10,300	0	
DI-0075-15	Financial Framework-DC Study	65,820	31,755	34,065	Capital from Taxation - \$5,485 General Government DCs - \$28,580
DP-9017-10	Major Mackenzie Drive Streetscape Construction Keele Street to Hill Street	120,450	42,436	78,014	Keele Valley Landfill Reserve - \$62,706 Roads Infrastructure Reserve - \$15,309
DP-9524-13	Highway 7 VMC Streetscape	34,343	34,343	0	
DP-9528-13	Design Review Panel Administration	6,229	6,198	31	Capital from Taxation
DP-9542-15	Islington Avenue Streetscape Phase 1	20,922	26,714	-5,792	Capital from Taxation
DP-9544-15	Streetscape for Concord West by York Region - Highway 7 and Keele Street	-120,531	-58,435	-62,096	Capital from Taxation
DT-7025-09	Huntington Road Class EA	49,912	49,912	0	
DT-7045-11	Block 11 Valley Road Crossings	-1,218,108	-1,218,108	0	
DT-7058-11	Black Creek Regional Storm Improvements Class EA Study	32,641	32,641	0	
DT-7065-11	Millway Avenue Widening & Realignment	518,630	518,630	0	
DT-7085-13	Parking Management Strategy Study	28,573	28,573	0	
DT-7097-14	Pedestrian and Cycle Strategy	177,744	177,744	0	
DT-7121-13	VMC Edgeley Pond	-259,879	-259,879	0	
EN-1726-08	Applewood Crescent Extension	0	0	0	
EN-1756-09	Sidewalk Const. Program to Support New Development	21,290	21,290	0	
EN-1865-11	Highway 407 Station Jane St. Sidewalk & Streetlighting	734	734	0	
EN-1906-12	Islington Avenue Streetscape - Gateway Features	16,743	7,514	9,229	Capital from Taxation
EN-1960-13	Sidewalk on Weston Road - Steeles Avenue West to Rutherford Road	1,469	1,469	0	
EN-1961-13	Sidewalk on Islington Avenue - Major Mackenzie Dr to Westridge Dr	132,078	132,078	0	
EN-1983-14	Street Lighting on Teston Road - Hwy 400 to Jane Street	141,705	141,705	0	
EV-2125-18	Maplewood Booster Pumping Station Upgrade Works	42,900	12,870	30,030	Water Reserve
ID-2031-17	Traffic Signal Installations - Ilan Ramon Ave/ Lebovic Campus Dr & Ilan Ramon Ave/ Marc Santi f	603,922	603,922	0	
ID-2032-17	Traffic Signal Installation - Midblock pedestrian Ilan Ramon Ave south of Lebovic Campus Dr	171,383	171,383	0	
ID-2051-18	Traffic Signal Installation - Edgeley Blvd and Courtland Ave	11,353	11,353	0	
ID-2052-18	Bass Pro Mills Drive Extension - Romina Dr to Jane St	95,146	95,146	0	
ID-2074-18	GIS Update	30,964	15,482	15,482	Roads Infrastructure Reserve
		35,506,385	22,994,909	12,511,477	

**Development Charges Reserve
Fire & Rescue Services
Transfer to Capital
For the Period January 1, 2018 - December 31, 2018**

Project	Project Description	Total Expenditure	Fire & Rescue Services DC Funding	Other Funding	Other Funding Source
FR-3564-13	New Fire Station #7-3 on Martin Grove Road	125,127	56,180	68,947	Capital from Taxation
FR-3565-13	Station #73 Equipment	4,717	1,415	3,302	Capital from Taxation
FR-3582-16	Reposition Fire Station #7-4 Kleinburg Design & C	1,761,970	1,521,386	240,584	Capital from Taxation - \$206,148 Building & Facilities Infra. Reserve - \$34,436
FR-3617-16	Station #74 Engine Purchase	335,155	335,155	0	
FR-3618-18	Station #74 Equipment for Firefighter Purchase	71,216	71,216	0	
FR-3619-18	Engine #74 Equipment Purchase	34,720	34,720	0	
FR-3645-18	Assistant Deputy Fire Chief - Vehicle	44,342	44,342	0	
		2,377,247	2,064,414	312,832	

**Development Charges Reserve
Public Works
Transfer to Capital
For the Period January 1, 2018 - December 31, 2018**

Project	Project Description	Total Expenditure	Public Works DC Funding	Other Funding	Other Funding Source
BY-9540-16	Animal Control Vehicle	107,985	97,187	10,799	Capital from Taxation
FL-5418-14	PKS-FORESTRY-Additional Small Equipment	3,573	3,209	364	Capital from Taxation
FL-5441-14	PKS-8 new snow blower attachments	59,052	53,175	5,877	Capital from Taxation
FL-5451-14	PKS- 1 new narrow sidewalk tractor with plow/salter/ blower/sweeper attachments	88,986	80,040	8,946	Capital from Taxation
FL-5499-14	PKS- 1 new narrow sidewalk tractor with plow/salter/ blower/sweeper attachments	88,986	80,040	8,946	Capital from Taxation
FL-5500-16	PW-RDS- Additional tandem roll off dump truck with plow/wing .	344,498	310,048	34,450	Capital from Taxation
FL-5529-17	BYLAW- Two additional 1/2 ton pickups	78,323	70,490	7,832	Capital from Taxation
FL-5530-17	New Vehicle Municipal Inspector Service Connections	38,238	34,414	3,824	Capital from Taxation
ID-2059-18	Dufferin Works Yard Improvements/ Renovations	137,746	82,677	55,069	Capital from Taxation - \$2,735 Parks Development DCs - \$52,335
RP-1972-17	Public Works and Parks Operations Yard Expansion and Upgrade Strategy	9,007,301	8,085,612	921,689	Parks Development DCs
RP-6771-18	VMC Maintenance Equipment	2,094	2,094	0	
RP-6773-18	Dump Trailer	734	734	0	
RP-6774-18	PKS - Forestry Skid Steer	1,468	1,468	0	
		9,958,983	8,901,188	1,057,796	

**Development Charges Reserve
Library Services
Transfer to Capital
For the Period January 1, 2018 - December 31, 2018**

Project	Project Description	Total Expenditure	Library Services DC Funding	Other Funding	Other Funding Source
LI-4519-09	Civic Centre Resource Library-Construction	36,251	30,226	6,024	Capital from Taxation - \$3,326 Gas Tax - \$2,699
LI-4522-15	New Carrville Block 11 Library	5,453	4,907	546	Capital from Taxation
LI-4530-14	Civic Centre Resource Library	26,666	24,000	2,667	Capital from Taxation
LI-4532-11	North Thornhill Branch Library (Block 10)	2,405	2,122	283	Capital from Taxation
LI-4539-14	Vellore Village South BL 39 - Consulting/Design/Construction	1,900,033	1,709,497	190,536	Capital from Taxation
LI-4540-15	Vellore Village South BL39 - Resource Materials	176,366	158,729	17,637	Capital from Taxation
LI-4541-16	Vellore Village South BL 36 - Furniture and Equipment	220,747	198,715	22,033	Capital from Taxation
LI-4542-16	Vellore Village South BL39 - Communications and Hardware	94,443	85,029	9,414	Capital from Taxation
RE-9537-17	VMC Library, Recreation and YMCA Centre of Community	2,093,705	-218,164	2,311,870	Capital from Taxation - \$138,792 Recreation DCs - \$299,770 Parks Development DCs - \$1,873,308
		4,556,070	1,995,061	2,561,009	

**Development Charges Reserve
General Government
Transfer to Capital
For the Period January 1, 2018 - December 31, 2018**

Project	Project Description	Total Expenditure	General Government DC Funding	Other Funding	Other Funding Source
BS-1006-15	Zoning Bylaw Review	307,935	83,143	224,793	Capital from Taxation - \$160,660 Building Standards Reserve - \$64,133
BU-2551-18	Growth Related Financial Analysis and Long Range Fiscal Planning	181,499	74,043	107,456	Capital from Taxation - \$8,227 Engineering DCs - \$82,271 Recreation Land Reserve - \$16,958
BY-9544-17	Animal Services MNR Feasibility Study	126,807	114,127	12,681	Capital from Taxation
DI-0075-15	Financial Framework-DC Study	65,820	28,580	37,240	Capital from Taxation - \$5,485 Engineering DCs - \$31,755
DP-9029-12	Woodbridge Heritage District Urban Design/Streetscape Plan Study	28,106	25,295	2,811	Capital from Taxation
DP-9528-14	City of Vaughan City-Wide Urban Design Study	30,462	27,416	3,046	Capital from Taxation
EB-9545-17	Economic Development & Employment Strategy (EDES) Study	35,917	32,326	3,592	Capital from Taxation
ES-2521-15	Community Sustainability and Environmental Master Plan Renewal	5,767	5,191	576	Capital from Taxation
FR-3630-16	Fire Master Plan - 2016 Update	13,595	12,236	1,360	Capital from Taxation
PK-6433-16	Active Together Master Plan Update	34,093	30,684	3,409	Capital from Taxation
PL-9023-11	Weston Road and Highway 7 Secondary Plan	261,003	234,903	26,100	Capital from Taxation
PL-9533-13	New Community Areas Secondary Plan - Block 41	19,279	17,380	1,899	Capital from Taxation
PL-9535-13	New Community Areas Secondary Plan - Block 27	31,744	28,606	3,138	Capital from Taxation
PL-9547-14	Land Use Study - Kipling/Hwy7	19,299	9,944	9,355	Capital from Taxation - \$2,203 Year-End Expenditure Reserve - \$7,152
PL-9550-16	Official Plan Review	136,481	122,833	13,648	Capital from Taxation
PL-9551-16	Concord GO Centre Secondary Plan Mobility Hub Study	139,070	125,163	13,907	Capital from Taxation
		1,436,877	971,867	465,010	

**Development Charges Reserve
Community Services
Transfer to Capital
For the Period January 1, 2018 - December 31, 2018**

Project	Project Description	Total Expenditure	Community Services DC Funding	Other Funding	Other Funding Source
5961-2-03	Maple Valley Plan	495,834	407,816	88,018	Capital from Taxation - \$15,275 Keele Valley Landfill Reserve - \$72,743
BF-8114-07	North Thornhill CC - Construction	354,609	362,858	-8,249	Capital from Taxation
BF-8378-15	Carrville Community Centre and District Park	136,294	146,057	-9,763	Capital from Taxation
DE-7175-17	VMC Edgeley Pond Design and Construction	1,103,894	96,534	1,007,360	Capital from Taxation - \$10,721 Grant Funding - \$775,356 Engineering DCs - \$175,673 ASDC - Black Creek Immediately Affected Landowners - (\$3,022) ASDC - Black Creek VMC Areas Draining to Edgeley Pond - \$44,539 ASDC - Black Creek Undeveloped Lands in Drainage Shed - \$4,092
ID-2059-18	Dufferin Works Yard Improvements/ Renovations	137,746	52,335	85,411	Fleet DCs - \$82,677 Capital from Taxation - \$2,735
PK-6094-08	Don River/Bartley Smith Open Space-Design and Construction	7,827	7,024	803	Capital from Taxation
PK-6305-15	North Maple Regional Park Phase I Construction	5,945,068	4,709,175	1,235,893	Capital from Taxation - \$463,399 Keele Valley Landfill Reserve - \$316,701 Proceeds from Sale of Land - \$255,793 Shared Costs - \$200,000
PK-6306-11	Pedestrian & Bicycle Masterplan (Off Road System)	343,656	312,629	31,028	Shared Costs - \$25,000 Gas Tax - \$6,028
PK-6347-16	LP-N6 Block 12 Linear Park- Design and Construction	67,333	60,600	6,733	Capital from Taxation
PK-6357-15	Agostino Park - Expansion Design & Construction	313,754	282,378	31,375	Capital from Taxation
PK-6365-14	Block 40 Chatfield District Park Design (UV1-D4)	58,716	52,844	5,872	Capital from Taxation
PK-6365-17	Block 40 Chatfield District Park Construction (UV1-D4)	3,552,988	3,197,689	355,299	Capital from Taxation
PK-6401-16	61W-N2 - Block 61 Neighbourhood Park Design and Construction	202,488	182,239	20,249	Capital from Taxation
PK-6431-14	61E-N1 - Block 61 Neighbourhood Park Design and Construction	169,902	152,912	16,990	Capital from Taxation
PK-6496-15	CC17-P3 Block 17 Parkette-Design and Construction	57,438	51,694	5,743	Capital from Taxation
PK-6497-15	KA-S5 Block 51- Public Square- Design and Construction	57,538	51,784	5,754	Capital from Taxation
PK-6569-17	Block 8 Chateau Ridge Park- Playground Development (TN40)	2,075	2,075	0	
PK-6571-17	Block 44 Maxey Park Playground Development (WN4)	314,751	169,144	145,607	Capital from Taxation - \$73,007 Grant Funding - \$72,600
RE-9537-17	VMC Library, Recreation and YMCA Centre of Community	2,093,705	2,173,078	-79,372	Capital from Taxation - \$138,792 Library DCs - (\$218,164)
RP-1972-17	Public Works and Parks Operations Yard Expansion and Upgrade Strategy	9,007,301	921,689	8,085,612	Fleet DCs
		24,422,916	13,392,553	11,030,363	

Description of City-Wide Reserves:**i. City-wide – Engineering**

To provide capital funds to support growth related undertake engineering services which include roads, structures, sidewalks, streetlights, intersection improvements, traffic signalization, streetscaping, growth related studies, etc. as outlined in the development charges study.

ii. City-wide – Public Works/Fleet

To provide capital funds to support growth related public works and fleet operations including land, works yards, salt domes, information systems, vehicle of nearly all City departments, etc. as outlined in the development charges study. Note: Fire and Rescue Services related fleet is excluded, which maintains a separate reserve for its own rolling stock.

iii. City-wide – Indoor Recreation

To provide capital funds to support growth related indoor recreational services including land, buildings, furnishings, equipment, etc. (e.g. indoor pools, fitness centers, ice resurfacers, etc.) as outlined in the development charges study

iv. City-wide – Park Development & Facilities

To provide capital funds to support growth related park development and facilities (e.g. park facilities, special facilities, pedestrian and bicycle trail systems, operation building, water parks, lighting, furniture etc.) as outlined in the development charges study. Please note land is excluded from the City-Wide Park Development charge as it is covered under the CIL recreation land reserve.

v. City-wide – Library

To provide capital funds to support growth related library services including land, buildings, furnishings and resource materials as outlined in the development charges study

vi. City-wide – Fire

To provide capital funds to support growth related Fire and Rescue Services including land, buildings, furnishings, equipment, vehicles, etc. as outlined in the development charges study.

vii. City-wide – Management Studies

To provide capital funds to undertake growth-related studies and other general government functions as permitted under legislation (i.e., official plan, secondary plans, development change document etc.) as outlined in the development charges study.

Description of Special Service Area Charges:

General Purpose - Development charges collected are paid into the reserve fund for which the charge relates to specific water, wastewater, and storm drainage capital projects outlined in the Development Charge Background Study.

Reserves within this category are as follows:

- Rainbow Creek Drainage Works
- Pressure District 5 West Woodbridge Watermain

- Pressure District 6 West Major MacKenzie Dr Watermain
- Pressure District 6 East Rutherford Watermain
- Pressure District 7 West Teston Rd/America Ave/Canada Dr Watermain
- Dufferin/Teston Sanitary Sewer OPA 332
- Ansley Grove Sanitary Subtrunk Sewer Improvements
- Zenway/Fogal Sanitary Sub Trunk Extension
- Huntington Road Sewer Improvements

Attachment 3

City of Vaughan

2018 Cash-In-Lieu Parkland Reserve Fund Statement

As at December 31, 2018 (in '000s)

		Cash in Lieu of Parkland
Balance as of January 1, 2018		63,483,795
Plus:		
Payments Received		23,732,266
Interest Revenue		1,358,075
Other		\$0
Sub Total		\$25,090,341
Less:		
Expenditure		20,689,652
Interest Expense		\$0
Other		\$0
Sub Total		\$20,689,652
Balance as of December 31, 2018		<u>\$67,884,484</u>

Expenditure Detail:

Project	Project Description	Total Expenditure	Cash in Lieu	Other Funding	Other Funding Source
BU-2551-18	Growth Related Financial Analysis	181,499	16,958	164,541	DC Eng. DC Mngmt. S. Taxation
RL-0005-12	Land Acquisition Fees	38,639	38,639		
RL-0009-13	Real Estate Acquisition Strategy	34,540	34,540		
RL-2553-18	Blk 58 Land Acquisition	3,109	3,109		
RL-0020-17	Blk 59 Park Acquisition	399,236	399,236		
RL-2555-18	Parkl.Acquisition Ivanhoe	10,273,384	10,273,384		
RL-2556-18	Parkl.Acquis. Martin Grove	8,642,787	8,642,787		
Capital recovery of Land Acquisition/Park Development Labour		1,281,000	1,281,000		
		20,854,194	20,689,652	164,541	

Attachment 4

City of Vaughan

2018 Increased Density (Section 37) Reserve Fund Statement

As at December 31, 2018 (in '000s)

		Section 37
Balance as of January 1, 2018		1,925,052
Plus:		
Payments Received		1,000,000.00
Interest Revenue		49,231
Other		<u>\$0</u>
Sub Total		\$1,049,231
Less:		
Transfer to Capital		\$100,277
Interest Expense		\$0
Other		<u>\$0</u>
Sub Total		\$100,277
Balance as of December 31, 2018		<u>\$2,874,006</u>

Expenditure Detail:

Project	Project Description	Total Expenditure	Section 37	Other Funding	Other Funding Source
PK-6599-18	Block 37 Park Improvements	100,277	100,277		
		100,277	100,277	-	

Finance, Administration and Audit Committee Report

DATE: Wednesday, June 05, 2019

WARD(S): ALL

**TITLE: 2019 ADOPTION OF TAX RATES AND THE ISSUANCE OF
PROPERTY TAX NOTICES – ALL WARDS**

FROM:

Michael Coroneos, Chief Financial Officer and City Treasurer

ACTION: DECISION

Purpose

The purpose of this report is to provide the background to a by-law as required under Section 312 of the *Municipal Act, S.O. 2001*, to levy and collect property taxes for the City of Vaughan, the Regional Municipality of York and Province of Ontario for education purposes.

Report Highlights

- The efficient and timely issuance of the final property tax levy is essential by ensuring necessary funds are levied and collected in order for the City to meet its obligations in delivering programs and services to the community. It also provides the necessary cash flow to meet the City's own needs and its financial obligations to the Region of York as well as the Province of Ontario with respect to education purposes.
- The total 2019 levy requirement for the City, including the portion for the hospital, is approx. \$208 million, net of the portion required by the Region and Province.
- An interim billing of approx. \$99 million (net of regional and education portions) was levied in February 2019 and will be shown as a reduction on the final tax bill.

Recommendations

1. That a by-law be enacted for the adoption of Municipal, Regional and Education property tax rates, as submitted in Attachment 1. Such by-law permits staff to proceed with the issuance of the final property tax bill.

Background

The City property tax rates, as attached, are based on the levy requirement as per the approved 2019 operating budget and calculated utilizing the 2019 assessment roll as provided by the Municipal Property Assessment Corporation (MPAC). An interim tax levy, pursuant to City of Vaughan By-law 007-2019, was levied in February 2019 and will be shown as a reduction on the final tax bill.

The Region of York has approved their By-laws (2019-31, 2019-32) which confirm the region wide tax ratios and sets the uniform tax rates across all municipalities in the Region. In addition to existing policies for property tax capping options for business properties, the Region approved and adopted the provincial legislation that will allow a property to remain at full Current Value Assessment (CVA) tax once the property achieves full CVA tax. These properties will no longer qualify for the Capping program. These policies remain in effect for the tax year 2019.

The Province of Ontario determines education tax rates and has passed Ontario Regulation 64/19 to prescribe the tax rates for all classes for 2019. The Province also announced that the education portion of commercial/industrial vacant and excess land tax discounts will be phased out over a two-year period starting in 2019. Essentially, instead of these property classes paying education taxes at a discount of 30/35% respectively, the discount will be lowered to 15/17.5% respectively, starting in 2019. The Region, as the upper tier, has the option to phase-out or eliminate the discount program for the municipal portion to mirror the same change. Regional staff are in the process of evaluating options with local municipal staff for future tax years.

It is expected that residential, farm, managed forest and pipeline (uncapped classes) property tax bills will be mailed in June, due in three monthly instalments or paid through one of the City's pre-authorized payment plans.

Due to the ongoing capping protection for the commercial, industrial and multi-residential property classes, these bills will be produced following the residential bills. Staff expect to be mailing the non-residential bills in July providing three instalment due dates.

The City collects property taxes on behalf of the Region of York and the York Region school boards, therefore instalment due dates are generally set to accommodate the legislated payment dates to these other levying bodies. However, for the convenience of the ratepayers, approximately one month between each instalment is given. Due dates are generally the same day of each month except where weekends or holidays interfere.

Previous Reports/Authority

2018 Tax Rate By-law

https://www.vaughan.ca/services/property_tax_and_assessment/General%20Documents/2018%20Final%20Tax%20Rate%20By-law%20105-2018.pdf

2018 Adoption of Tax Rates and Issuance of Property Tax notices – All Wards

<https://pub-v Vaughan.escribemeetings.com/filestream.ashx?DocumentId=6801>

Analysis and Options

The City's budgetary requirement is \$207,750,703 (\$200,661,820 + \$7,088,883 for hospital) levied on just over \$102 billion in assessment. The 2019 levy requirements for Municipal, Regional, and Educational purposes are shown below:

	2019	
City of Vaughan	\$207,750,703	23.78%
Region of York	\$352,058,636	40.30%
Education-Province of Ontario	<u>\$313,685,221</u>	<u>35.92%</u>
Total	\$873,494,560	100.00%

Tax Ratios

The Region of York has the authority to change tax ratios to offset re-assessment tax shifts among the property classes according to tax policy requirements within provincial legislation. Changing the tax ratios assists in maintaining the relative tax burden among the classes thereby providing greater taxpayer equity. However, as specified in the Provincial Regulation, the Region can only move the ratios within or closer to the "Range of Fairness". Area Treasurers were consulted and it was determined that the tax ratios will remain at Revenue Neutral for the 2019 taxation year. This will allow York Region municipalities to retain the same distribution of taxes between property classes that existed in the 2018 taxation year. This is a hybrid model in that there is no change to the ratios for Pipelines, Farm and Managed Forest as they remain at Status Quo (same as the 2018 tax year).

The 2019 property tax ratios are as follows:

Property Class	2019 Tax Ratio	Ranges of Fairness
Residential	1.000000	1.0000
Multi-Residential	1.000000	1.0 to 1.1
Commercial	1.279421	0.6 to 1.1
Industrial	1.570424	0.6 to 1.1
Pipelines	0.919000	0.6 to 0.7
Farm	0.250000	0.2500
Managed Forest	0.250000	0.2500

The tax rates shown on Attachment 1, have been established using the above noted levies, tax ratios and the final assessment roll as returned for 2019.

Vaughan Healthcare Centre Precinct Development Levy

The Government of Ontario requires local communities to support the development of hospitals in their community. In 2009, Council approved a funding option towards the Vaughan Hospital Precinct Development Plan which is to be raised through a dedicated property tax rate. Approximately \$7,088,883 will be collected on the 2019 final property tax bill excluding payment-in-lieu and supplemental payments. This contribution does not form part of the City's operations and as such will be shown separately on individual property tax bills. This equates to approximately \$66 for the average home in Vaughan.

Financial Impact

The total 2019 levy requirement for the City, including the portion for the hospital, is approx. \$207,750,703 million, net of the portion required by the Region and Province. An interim billing of approx. \$99 million (net of regional and education portions) was levied in February 2019 and will be shown as a reduction on the final tax bill.

Broader Regional Impacts/Considerations

The City of Vaughan will be collecting approx. \$352,058,636 in property taxes on behalf of the Region of York.

Conclusion

A by-law enacted to adopt the Municipal, Regional and Provincial (education) tax rates and levies for 2019 will permit staff to proceed with the issuance of the final property tax bills. The issuance of the final property tax levy supports the strategic priorities established by the Service Excellence Strategy Map, in particular to ensure "Financial Sustainability".

For more information, please contact: Dean Ferraro, Director of Financial Services/Deputy Treasurer at ext. 8272 or Maureen Zabiuk, Manager, Property Tax & Assessment at ext. 8268.

Attachments

1. 2019 Property Tax Rates

Prepared by

Maureen Zabiuk, A.I.M.A., CMRP
Manager, Property tax & Assessment
Ext. 8268

C I T Y O F V A U G H A N

2019 TAX RATES

ASSESSMENT CATEGORY	TAX CODES	T A X R A T E S					
		Municipal	Municipal HOSPITAL	Municipal TOTAL	Regional	Education	TOTAL
<u>Residential</u>							
Taxable Full	RT	0.00191821	0.00006777	0.00198598	0.00336549	0.00161000	0.00696147
Taxable: Shared Payment-In-Lieu	RH	0.00191821	0.00006777	0.00198598	0.00336549	0.00161000	0.00696147
<u>Multi Residential</u>							
Taxable Full	MT	0.00191821	0.00006777	0.00198598	0.00336549	0.00161000	0.00696147
<u>New Multi Residential</u>							
Taxable Full	NT	0.00191821	0.00006777	0.00198598	0.00336549	0.00161000	0.00696147
<u>Commercial</u>							
Commercial Taxable Full	CT,DT,ST	0.00245417	0.00008670	0.00254087	0.00430581	0.00931834	0.01616502
Commercial: Taxable Shared Payment-In-Lieu	CH	0.00245417	0.00008670	0.00254087	0.00430581	0.00931834	0.01616502
Commercial: Taxable Excess Land	CU,DU,SU	0.00171792	0.00006069	0.00177861	0.00301407	0.00792059	0.01271327
Commercial: Taxable Vacant Land	CX	0.00171792	0.00006069	0.00177861	0.00301407	0.00792059	0.01271327
Commercial: Taxable Farmland I	C1	0.00047956	0.00001694	0.00049650	0.00084137	0.00040250	0.00174037
Commercial New Construction: Taxable Full	XT	0.00245417	0.00008670	0.00254087	0.00430581	0.00931834	0.01616502
Commercial New Construction: Taxable Excess Land	XU	0.00171792	0.00006069	0.00177861	0.00301407	0.00792059	0.01271327
Office Building New Construction: Taxable Full	YT	0.00245417	0.00008670	0.00254087	0.00430581	0.00931834	0.01616502
Office Building New Construction: Taxable Excess Land	YU	0.00171792	0.00006069	0.00177861	0.00301407	0.00792059	0.01271327
Shopping Centre New Construction: Taxable Full	ZT	0.00245417	0.00008670	0.00254087	0.00430581	0.00931834	0.01616502
Shopping Centre New Construction: Taxable Excess Land	ZU	0.00171792	0.00006069	0.00177861	0.00301407	0.00792059	0.01271327
Parking Lot: Taxable Full	GT	0.00245417	0.00008670	0.00254087	0.00430581	0.00931834	0.01616502
<u>Industrial</u>							
Industrial: Taxable Full	IT,LT	0.00301237	0.00010642	0.00311879	0.00528517	0.01030000	0.01870396
Industrial: Taxable Shared Payment-In-Lieu	IH	0.00301237	0.00010642	0.00311879	0.00528517	0.01030000	0.01870396
Industrial: Taxable Excess Land	IU, LU	0.00195804	0.00006917	0.00202721	0.00343536	0.00849750	0.01396007
Industrial: Taxable Excess Land Shared Payment-In-Lieu	IK, LJ	0.00195804	0.00006917	0.00202721	0.00343536	0.00849750	0.01396007
Industrial: Taxable Vacant Land	IX	0.00195804	0.00006917	0.00202721	0.00343536	0.00849750	0.01396007
Industrial: Taxable Farmland I	I1	0.00047956	0.00001694	0.00049650	0.00084137	0.00040250	0.00174037
Industrial New Construction: Taxable Full	JT	0.00301237	0.00010642	0.00311879	0.00528517	0.01030000	0.01870396
Industrial New Construction: Taxable Excess Land	JU	0.00195804	0.00006917	0.00202721	0.00343536	0.00849750	0.01396007
Large Industrial New Construction: Taxable Full	KT	0.00301237	0.00010642	0.00311879	0.00528517	0.01030000	0.01870396
Large Industrial New Construction: Taxable Excess Land	KU	0.00195804	0.00006917	0.00202721	0.00343536	0.00849750	0.01396007
<u>Pipeline</u> Taxable Full	PT	0.00176284	0.00006228	0.00182512	0.00309289	0.01290000	0.01781801
<u>Farm</u>							
Taxable Full	FT	0.00047956	0.00001694	0.00049650	0.00084137	0.00040250	0.00174037
<u>Managed Forest</u> Taxable Full	TT	0.00047956	0.00001694	0.00049650	0.00084137	0.00040250	0.00174037

Finance, Administration and Audit Committee Report

DATE: Wednesday, June 05, 2019

WARD(S): 2

**TITLE: CAPITAL BUDGET AMENDMENT
HUNTINGTON ROAD REALIGNMENT AT MAJOR MACKENZIE
DRIVE OPPOSITE HIGHWAY 427 NORTH BOUND OFF-RAMP
HIGHWAY 427 EXPANSION PROJECT**

FROM:

Jason Schmidt-Shoukri, Deputy City Manager, Planning and Growth Management
Zoran Postic, Deputy City Manager, Public Works

ACTION: DECISION

Purpose

A concerted effort is underway by the Nashville West Landowners Group, City and MTO staff to advance the realignment of Huntington Road easterly to intersect with Major Mackenzie Drive opposite the Highway 427 north-bound off ramp in conjunction with the Highway 427 Expansion Project. Staff are seeking Council's approval to a mid-year Capital Budget amendment to include the funds needed to design and construct the road works and to execute the necessary agreements.

Report Highlights

- Vaughan Official Plan 2010 and the Block Plan for the development in the Nashville Heights Community (Block 61) identify the need to realign Huntington Road to intersect with Major Mackenzie Drive opposite the Highway 427 north-bound off ramp to provide connectivity to the surrounding community
- There is a small window of opportunity to advance the design and construction of the Huntington Road realignment in conjunction with the Highway 427 Expansion Project
- The Nashville West Landowners Group and City Staff are working with the Ministry of Transportation to facilitate the necessary approvals
- The Huntington Road Realignment is included in the City's 2018 Development Charge Background Study as a growth-related project

Recommendations

1. That a new 2019 capital project be created in the amount of \$3,000,000 for the design and construction of the realignment of Huntington Road easterly to intersect with Major Mackenzie Drive opposite the Highway 427 north-bound off ramp, with funding from City-wide Development Charges;
2. That a By-law be enacted authorizing the Mayor and Clerk to execute the necessary Agreements with the Nashville West Landowners Group, TACC Construction Ltd., and the Ministry of Transportation of Ontario to facilitate the realignment of Huntington Road at Major Mackenzie Drive; and
3. That the inclusion of this matter on a Public Committee or Council agenda with respect to amending the Capital Budget identified as “Capital Budget Amendment- Huntington Road Realignment at Major Mackenzie Drive - Highway 427 Expansion Project” is deemed sufficient notice pursuant to Section 2(1)(c) of By-Law 394-200, as amended.

Background

City Official Plans identify the need for the realignment of Huntington Road at Major Mackenzie Drive to provide connectivity to the Nashville Community

The Vaughan Official Plan 2010, Volume 2, Area Specific Policy 12.7, Clock 61 West – Nashville Heights and the approved Nashville Heights Block Plan (Block 61West) identify the requirement to realign Huntington Road easterly to intersect with Major Mackenzie Drive opposite the Highway 427 north-bound off ramp to adequately service the planned growth in the area as shown on Attachment 1. The connection of Huntington Road opposite the north-bound off ramp will provide an alternative route into the Nashville Community from Highway 427 and Major Mackenzie Drive.

Previous Reports/Authority

<https://www.infrastructureontario.ca/Highway-427-Expansion/>

https://www.vaughan.ca/projects/projects_and_studies/environmental_assessment_studies/General%20Documents/ESR%20Draft%20Final_Oct%2025%202017.pdf

Analysis and Options

The functional design of the Huntington Road realignment is under review by MTO

The Nashville West Landowners Group retained an engineering consultant team to prepare a functional design of the Huntington Road realignment. A design package with

supporting transportation analysis was submitted to Ministry of Transportation of Ontario (MTO), Corridor Management Section, in April 2019 for review with the shared objective of obtaining a permit to construct the road works in conjunction with the Highway 427 Expansion project. MTO staff have recently provided comments on the initial submission, which are being addressed by the consulting team now. A resubmission is imminent.

A small window of opportunity exists to incorporate the construction of the Huntington Road realignment in conjunction with the Highway 427 Expansion Project

If the MTO Corridor Management Section issues a permit for the ramp extension, then staff will work with the MTO Highway 427 Expansion Project team to incorporate the additional road work in the LINK427 design-build contract. In addition, the City and the Nashville West Landowners Group and TACC Construction Ltd. will need to enter into a development agreement to facilitate the construction of the portion of the Huntington Road Realignment that falls outside the limits of the Highway 427 Expansion project.

Construction of the Highway is underway by the consortium of LINK427 and is expected to be completed by 2021. Accordingly, time is of the essence to make the necessary arrangements to incorporate the construction of the Huntington Road Realignment with the Highway 427 Expansion project. To facilitate this road work, staff are seeking Council's approval to create a new capital budget to fund the road work and to execute the necessary agreements with MTO, and the Nashville West Landowners Group and TACC Construction Ltd.

Financial Impact

The design and construction of the Huntington Road realignment at Major Mackenzie Drive is included in the City's 2018 Development Charge Background Study as a growth-related project. The value of this work is estimated at \$3.0 million including pre-construction and construction related costs.

To advance the design and construction of the Huntington Road realignment in conjunction with the Highway 427 Expansion project, staff are recommending that the 2019 Capital Budget be amended to include an additional project for this work, with funding from City-wide Engineering Development Charges.

Broader Regional Impacts/Considerations

The Huntington Road realignment is a critical transportation link in the area that is needed to provide adequate access and porosity for the Nashville Community. Advancing the construction of the road link in conjunction with the Highway 427 Expansion and Major Mackenzie Drive road works is expected to be cost effective and will expedite the delivery of the needed road improvements for the citizens living in the

Nashville Community while minimizing the impact to citizens commuting along Major Mackenzie Drive. The Region is a key stakeholder and supporter of advancing the Huntington Road realignment at this time.

Conclusion

Staff are working with MTO and the Nashville West Landowners Group to advance the design and construction of the Huntington Road realignment in conjunction with the Highway 427 Expansion project. To facilitate this road work, staff are seeking Council's approval to create a new capital budget to fund the road work and authorization to execute the necessary agreements with MTO, the Nashville West Landowners Group and TACC Construction Ltd.

For more information, please contact: Andrew Pearce, Director, Development Engineering at Extension 8255.

This report has been prepared in consultation with Vince Musacchio, Director, Infrastructure Planning and Corporate Asset Management, and Michael Marchetti Director, Financial Planning & Development Finance.

Attachment

1. Nashville Heights Block Plan (Block 61 West)

Prepared by

Andrew Pearce, Director of Development Engineering, Extension 8255

ATTACHMENT 1 BLOCK PLAN



Finance, Administration and Audit Committee Report

DATE: Wednesday, June 05, 2019

WARD(S): ALL

TITLE: PROCUREMENT ACTIVITY REPORT – Q1 2019

FROM:

Michael Coroneos, Chief Financial Officer and City Treasurer

ACTION: FOR INFORMATION

Purpose

This report provides details of the Procurement Activities undertaken in Q1 2019

Report Highlights

- Total procurement spend for Q1 2019 was \$17.4 million.
- 69 contracts were awarded for \$14.9 million.
- Departments processed an additional \$1.4 million in Low Dollar Module purchases and \$1.1 million in PCard transactions.
- Average cycle time to award contracts improved by 16 days, or 17.8%, when compared to the first quarter 2018.

Recommendations

1. The Q1 2019 Procurement Activity Report be received.

Background

This report has been prepared in compliance with the City's Corporate Procurement Policy.

The Policy sets out the Delegation of Authority to Award at various levels of the organization for procurement related activities, and requires the Director of Procurement Services to report the awards to Council on a quarterly basis.

The following table provides a summary of the Delegation of Award Authority per the Policy.

	Competitive Procurement	Non-Competitive Procurement		
	Tenders/RFP/RFQ	Sole Source	Single Source	Emergency
Manager	≤\$25,000	Nil	Nil	≤\$10,000
Director	\$25,001-\$100,000	≤\$25,000	≤\$25,000	≤\$25,000
Deputy City Manager/ Chief	\$100,001-\$500,000	\$25,001-\$50,000	\$25,001-\$50,000	\$25,001-\$50,000
City Manager	>\$500,000	>\$50,000	\$50,001-\$100,000	>\$100,000
Council	Quarterly Reporting		>\$100,000	

Previous Reports/Authority

<https://pub-vaughan.escribemeetings.com/filestream.ashx?DocumentId=13476>

Item 7, Report No. 5, of the Finance, Administration and Audit Committee, which was adopted without amendment by the Council of the City of Vaughan on March 19, 2019.

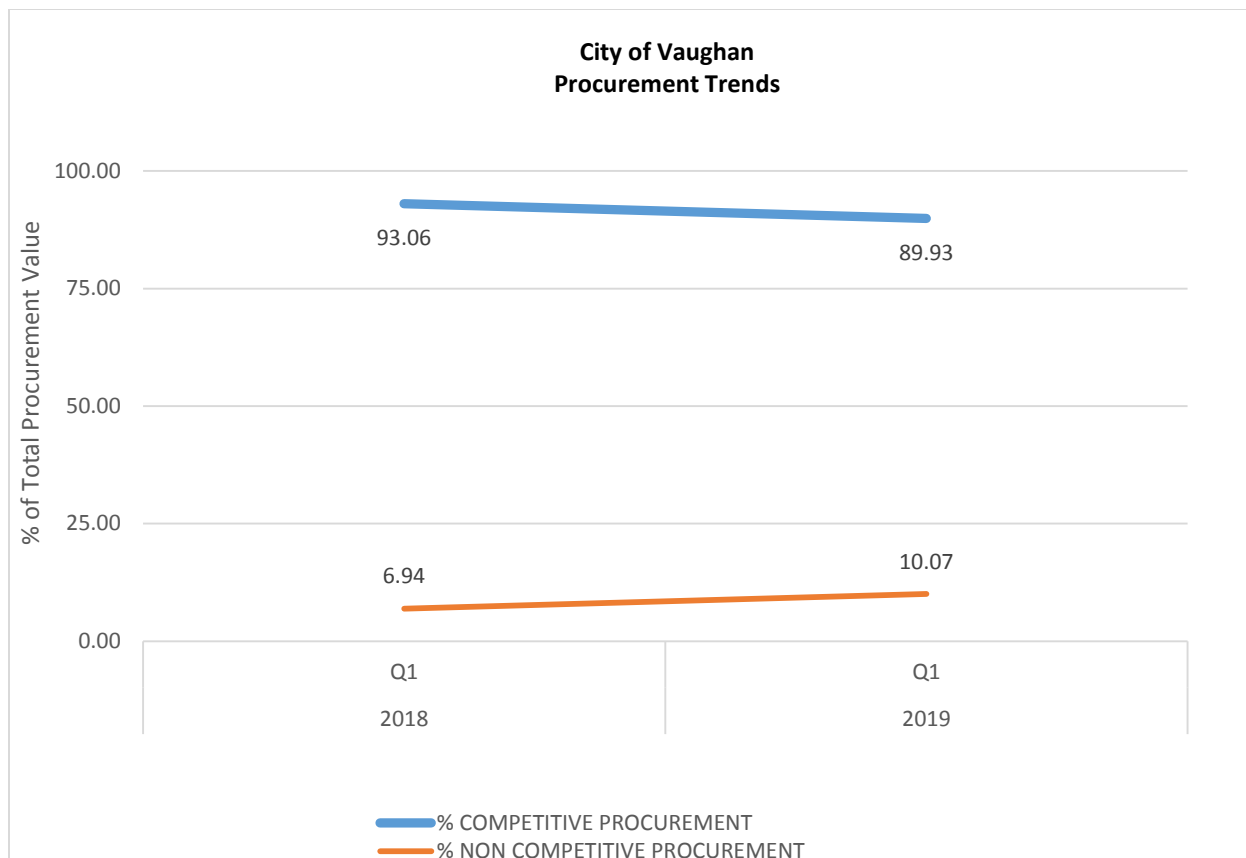
Analysis and Options

69 procurement contracts worth \$14.9 million were processed in the first quarter

Procurement Services processed 36 competitive bids valued at \$13.4 million and 33 non-competitive bids valued at \$1.5 million. Non-Competitive bids comprise 10.07 per cent of the total approved award value, compared to 6.94 per cent during the same quarter last year.

The non-competitive bid value included a \$0.5 million Council-approved Single Source award for fitness equipment at the Community Centres and Fire Stations.

The following chart shows the year-over-year quarter 1 competitive vs non-Competitive comparison, expressed as a percentage of the total procurement value.



The Q1 2019 Non-Competitive % decreases to 6.90 after adjusting for the \$0.5 million Council-approved Single Source award for fitness equipment

Procurement Services will continue to work with client departments to further improve the competitive procurement awards, while reducing the non-competitive spend.

Attachment 1 provides a breakdown of the 69 procurements by type, and by delegated authority, that were awarded during the first quarter.

Attachment 2 categorizes the 69 procurements by Portfolio/Office, and by procurement type, that were awarded during the first quarter.

Attachment 3 summarizes the competitive and non-competitive procurement activity for the first quarter.

Departments processed an additional \$1.4 million in Low Dollar Module (LDM) Purchase Orders

The introduction of LDM Purchase Orders through JDE has provided a more robust reporting tool, allowing the distribution of monthly reports to departments with information on their LDM purchases. It also provides Procurement Services with the ability to review the types of procurements made, and engage in meaningful

conversations with departments regarding spend patterns and alternate procurement methods that could be thoughtfully considered. This will help facilitate the departments' procurement needs while leveraging the City's buying capacity to obtain the best value for money spent.

During the first quarter, there were 1,525 LDM purchase orders issued, totaling \$1.4 million with an average of \$938 per transaction. Over 60 percent of the LDM procurements were for materials and supplies. The remaining 40 percent relates to vehicle maintenance and repairs, furniture and equipment purchases and training and development fees.

This year's quarter 1 LDM purchases represents a decrease of \$200,000 over the same quarter last year, or a reduction of 12.5 per cent year-over-year.

Procurement Services staff continue to review and monitor these transactions with client departments to determine if alternative procurement methods could be considered.

Departments processed an additional \$1.1 million in Purchasing Card (PCard) transactions

To provide City employees with the flexibility to conduct day-to-day business, departments have the authority to purchase low value goods and services using PCards. As of March 31, 2019, there were 271 approved PCard holders throughout the City of Vaughan and Vaughan Public Libraries.

All employees authorized to use a PCard must attend mandatory training and sign a Purchasing Card Agreement Form (setting out in writing their responsibilities and restrictions regarding the use of the PCard) before a card is issued. During the first quarter, nineteen (19) employees were trained over nine (9) training sessions, while nine (9) PCards were issued and eighteen (18) deactivated.

Furthermore, prior to card issuance, individual transaction limits, monthly credit limits and merchant category restrictions are assigned to each cardholder based on the business requirements and within the delegated authority outlined in the Corporate Procurement Policy (PS-003) approved by Council.

Any employee authorized to use a PCard may purchase low-value goods/services within approved budgets, and in accordance with the rules and guidelines detailed in the Corporate Procurement Policy, Purchasing Card Policy and any policies that govern the reimbursement of employee expenses.

All cardholders are required to attach invoices/receipts, in support of their transactions, to their monthly activity statement and forward the documentation to their department head for review and approval of all purchases charged under their area of responsibility.

The City of Vaughan implemented the PCard Program to transition from manual-intensive processes to a more efficient and cost-effective method of purchasing low value goods and services, reducing overall transaction time while improving transparency, visibility, monitoring and reporting.

During the first quarter, departments processed 2,843 transactions worth \$1.1 million, averaging \$388 per transaction. Analysis shows that over 80 percent of the PCard transactions were primarily for low value operating supplies, advertising, professional memberships, training, seminars and travel-related services.

As a result, the City has realized administrative and transactional savings through the significant reduction of cheque payments to multiple vendors, and to employees for reimbursement of out-of-pocket costs.

Attachment 4 provides a summary of Other Procurement Activity for the first quarter 2019.

Average cycle time to award contracts improved by 16 days, or 17.8%, when compared to the first quarter 2018.

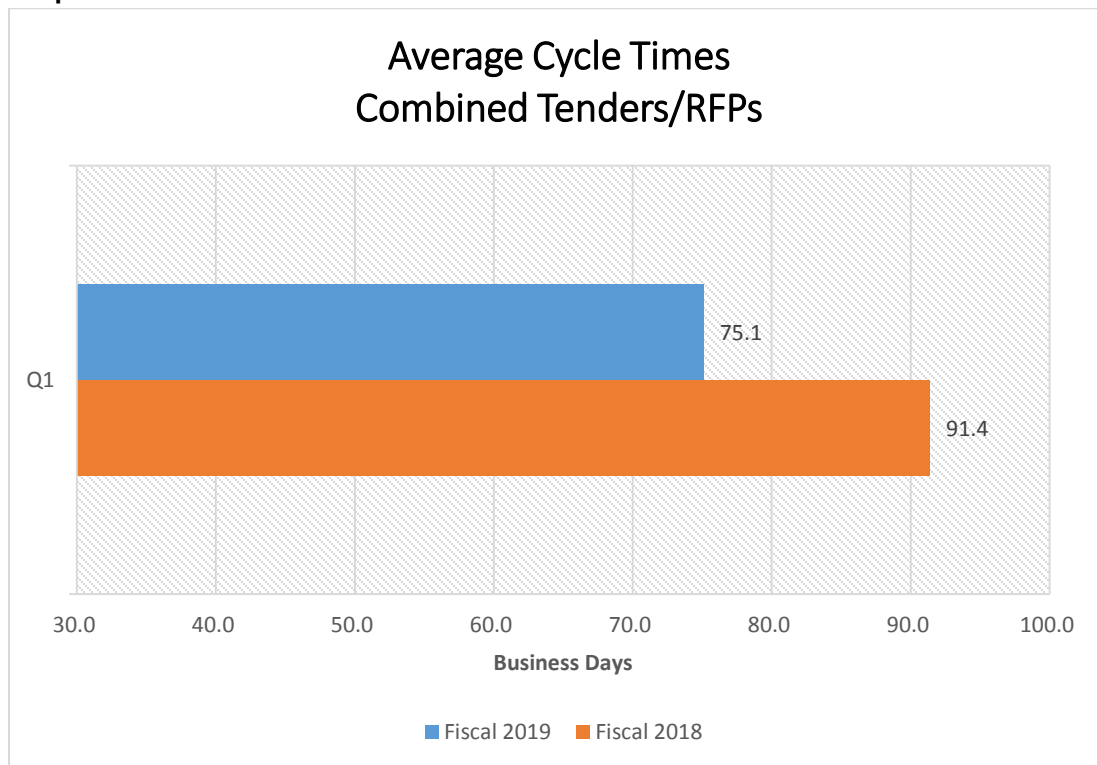
The Council-approved revised Corporate Procurement Policy, with the new delegation of award authority, enabled the City to procure and award its goods, services and construction within shorter timeframes.

The first quarter average cycle time to award Tenders and Request for Proposals (RFPs) contracts improved by 16 days, or 17.8%, when compared to the first quarter 2018.

Procurement Services will continue to work with client departments to further improve the cycle time to award contracts and improve project delivery time.

The year-over-year quarter 1 cycle time comparison is depicted in Graph 1.

Graph 1



Financial Impact

There is no financial impact resulting from receipt of this report.

Broader Regional Impacts/Considerations

There are no impacts to other governments/organizations resulting from the receipt of this report.

Conclusion

This report has been prepared in compliance with the Procurement Policy approved by Council on April 1, 2017.

For more information, please contact:

Asad Chughtai, Director of Procurement Services, ext. 8306

Attachments

Attachment 1: Procurement Activity – Procurements by Type, and by Delegated Authority, Awarded During the First Quarter

Attachment 2: Procurement Activity – Procurements by Portfolio/Office, and by Procurement Type, Awarded During the First Quarter

Attachment 3: Procurement Activity – Competitive and Non-Competitive Procurement Activity for the First Quarter

Attachment 4: Other Procurement Activity – First Quarter

Prepared by

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Nick LaRocca, Business Analyst, ext. 8018.

Attachment 1: Procurement Activity – Procurements by Type, and by Delegated Authority, Awarded During the First Quarter

Procurement Type		Council	City Manager	Deputy City Manager /Chief	Director	Manager	VPL Board	Total
Tender	\$		8,933,846	1,873,768	167,233			10,974,847
	#		3	10	4			17
Request for Proposal	\$		890,364	804,407	95,000		117,480	1,907,251
	#		1	3	2		1	7
Request for Quote	\$			73,155	341,399	55,944		470,498
	#			1	7	3		11
Request for Pre-Qualification	\$				0			0
	#				1			1
Request for Information	\$							
	#							
Competitive	\$	0	9,824,210	2,751,330	603,632	55,944	117,480	13,352,596
	#	0	4	14	14	3	1	36
Sole Source	\$		124,214		98,112			222,326
	#		2		7			9
Single Source	\$	535,435	430,182	89,001	135,770			1,190,388
	#	1	6	2	11			20
Emergency Purchase	\$			54,648	57,581			112,229
	#			1	3			4
Non-Competitive	\$	535,435	554,396	143,649	291,463			1,524,943
	#	1	8	3	21			33
Grand Total	\$	535,435	10,378,606	2,894,979	895,095	55,944	117,480	14,877,539
	#	1	12	17	35	3	1	69

Attachment 2: Procurement Activity – Procurements by Portfolio/Office, and by Procurement Type, Awarded During the First Quarter

Portfolio/Office		Tender	Request for Proposal	Request for Quote	Request for Pre-Qualification	Request for Information	Sole Source	Single Source	Emergency Purchases	Grand Total
City Manager	\$									
	#									
Public Works Portfolio	\$	9,502,985	1,504,815	38,316			137,980	205,662	37,134	11,426,892
	#	6	3	2			7	5	2	25
Planning & Growth Management Portfolio	\$	882,293	189,956	51,400				60,000		1,183,649
	#	4	1	1				1		7
Community Services Portfolio	\$	539,420	95,000	242,813	0		17,846	669,236	20,447	1,584,762
	#	6	1	5	1		1	5	1	20
Corporate Services Portfolio	\$	50,149	0	137,969			66,500		54,648	309,266
	#	1	1	3			1		1	7
City Solicitor	\$									
	#									
Office of the Chief Corporate Initiatives & Intergovernmental Relations	\$							76,140		76,140
	#							4		4
Office of the Chief Financial Officer & City Treasurer	\$							112,400		112,400
	#							4		4
Transformation & Strategy	\$							66,950		66,950
	#							1		1
Vaughan Public Libraries	\$		117,480							117,480
	#		1							1
Integrity Commissioner/Lobbyist Registrar	\$									
	#									
Grand Total	\$	10,974,847	1,907,251	470,498	0		222,326	1,190,388	112,229	14,877,539
	#	17	7	11	1		9	20	4	69

Attachment 3: Procurement Activity – Competitive and Non-Competitive Procurement Activity for the First Quarter

Bid Type	Q1 2019	
	No. of Awards	Value (\$)
Competitive		
Tenders	17	10,974,847
RFPs	7	1,907,251
Quotes	11	470,498
RFPQ (VOR)	1	0
RFEOI	0	0
RFI	0	0
Sub-Total Competitive	36	13,352,596
Non-Competitive		
Sole Source	9	222,326
Single Source	20	1,190,388
Emergency Procurement	4	112,229
Sub-Total Non-Competitive	33	1,524,943
Total	69	14,877,539

Attachment 4: Other Procurement Activity – First Quarter

Low Value Purchases	Q1 2019	
	#	Value (\$)
Low Dollar Module (LDM) Purchase Orders	1,525	1,430,199
Purchasing Card Transactions	2,843	1,103,757