

AUDIT COMMITTEE – MAY 29, 2023**2022 DRAFT CITY CONSOLIDATED FINANCIAL STATEMENT HIGHLIGHTS**

The Statement of Financial Position reports the City's financial assets, liabilities, and non-financial assets including tangible capital assets and prepaids at December 31, 2022.

The total assets are greater than its liabilities, the statement shows an Accumulated Surplus at year-end of \$10,406.5M, an increase of \$358.7M over 2021.

Consolidated Statement of Financial Position			
(\$ millions)	2022	2021	Change
Financial Assets	1,894.2	1,781.4	112.8
Financial Liabilities	1,266.9	1,122.6	144.3
Net Financial Assets	627.3	658.8	(31.5)
Non-Financial Assets	9,779.2	9,389.0	390.2
Accumulated Surplus	10,406.5	10,047.8	358.7

Financial Assets

Financial assets are economic resources which include cash and cash equivalents, accounts receivables, investments and other assets which can be converted to cash in a short period of time.

Financial assets totalled \$1,894.2M at the end of 2022, an increase of \$112.8M from 2021.

Cash and cash equivalents totalled \$1,052.3M, an increase of \$110.8M (2021, 941.5M)

- Net increase in cash was driven by the operating activities of \$268.8M (2021, \$227.1M)

Other significant items under operating activities not involving cash include:

- Amortization \$82.0M (2021, \$79.5M).
- Contributed tangible capital assets \$285.4M (2021, \$184.8M). This comprised of land improvements of \$256.8M, roads infrastructure of \$7.9M and water, wastewater and stormwater infrastructure of \$20.7M. These are assumed assets related to development applications. Developers cannot approach the city for assumption until the maintenance stage is set out in their respective agreements. Market related factors such as sales of residential, commercial and industrial units affect the request by developers for assumption. Once a request is made, multiple city and external departments need to inspect and provide clearance for assumption.
- Share of net earnings of Hydro Vaughan Corps \$14.3M (2021, \$23.5M). The decrease was driven by the 2022 equity in income where Alectra's has a lower net income of \$62.0M (2021, \$112.0M).
- Deferred revenues – obligatory reserve funds \$110.2M (2021, \$101.1M). Revenues received increased by \$205.5M due to strengthening development applications related revenues (development charges, recreation land and Section 37), and investment interest increased by \$16.8M due to increase in interest rates. This was offset by \$111.9M increased development charges and parkland acquisition related capital expenditures.

- Net decrease in cash from capital activities of \$185.2M (2021, \$88.5M)

This was driven by the cash used to acquire tangible capital assets \$188.9M (2021, \$88.6M), It was offset by \$4.5M tangible capital assets disposal proceeds (2021, \$0.1M).

- Net increase in cash from financing activities of \$4.5M (2021, \$5.7M)

This was related to \$9.7M debenture and other debt incurred in 2022 (2021, \$0.0M), which was offset by \$5.2M debenture and other debt repayments (2021, \$5.7M).

- Net increase in cash from investing activities of \$22.7M (2021, \$13.6M)

This was driven by \$16.0M increase in cash from Investment in Hydro Vaughan Corporations (2021, \$14.8M), which comprised of \$15.0M (2021, \$13.7M) operating dividend on solar and common shares and \$1.0M (2021, \$1.1M) capital dividend on solar shares issued from Alectra to Vaughan Holdings Inc. Included was a \$6.7M increase in cash due to the decrease in investments (2021, \$1.1M decrease).

Taxes Receivable totalled \$70.9M, a decrease of \$1.7M (2021, \$72.6M)

Taxes receivable are monies owing from property owners as of December 31st, 2022, and include the City's portion, Regional portion and the Provincial portion for education.

Decrease was primarily due to re-opening of City Hall and the ability to get back on track with regular collection processes. Staff were able to issue Notices of Outstanding taxes (Arrears notices) on a more regular basis than in 2021, and Collection practices, including Tax Sale Registrations are back on track post-pandemic.

Water & Wastewater Receivable totalled \$25.7M, an increase of \$1.3M (2021, 24.4M)

Increase was primarily due to Region's 3.3% increase in the Water and Wastewater Rates and an increase in Commercial consumption, which was partially offset by a reduction in Residential consumption.

Investments totalled \$76.8M, a decrease of \$6.7M (2021, \$83.5M)

The decrease comprised of \$12.5M in various bank investments, \$7.5M in principal protected note (PPN), \$8.6M decrease in provincial bonds, \$5.0M in federal bonds and \$2.9M in municipal bonds. This was offset by a \$29.8M increase in CIBC Mellon investment.

Accounts Receivable totalled \$34.6M, an increase of \$11.8M (2021, \$22.8M)

Accounts receivable comprises a wide range of monies owing from various levels of government, outside agencies, and businesses.

This comprised of \$5.9M increase in accrued accounts receivable, \$2.3M in Recreation receivables, \$3.0M in HST receivables, \$1.9M in miscellaneous receivables, \$0.6M in Tourism Vaughan Corporation's receivables, \$0.4M in by-law fines receivables, and \$0.3M in Sports Village receivables. It was offset by a \$2.6M decrease in Region of York receivables for shared projects.

Investment in Hydro Vaughan Corporations totalled \$633.8M, a decrease of \$2.7M (2021, \$636.6M)

Investment increases by share of cash invested and Alectra's net income offset by the receipt of dividends.

- Vaughan Holdings Inc. (VHI) – owns 20.5% share of Alectra
- Hydro Vaughan Energy Corporation – 100% subsidiary of VHI
- 1446631 Ontario Inc. – inactive – 100% owned by the City of Vaughan (COV)

Decrease was primarily due to:

- Share of net earnings Hydro Vaughan Corporations of \$14.3M (2021, \$23.5M), which was offset by dividends paid from VHI to COV of \$15.0M (2021, \$13.7M), return of capital on solar shares from Alectra to VHI of \$1.0M (2021, \$1.1M), and return of capital on solar shares from VHI to the COV of \$1.0M (2021, \$1.1M).

Financial Liabilities

Accounts Payable & Accrued Liabilities totalled \$148.2M, an increase of \$17.1M (2021, \$131.1M)

City liabilities represent accrued and general liabilities to suppliers and contractors, outside agencies, other governments, as a result of operating and capital fund activities and legislative financial obligations to the York Region and School Boards.

The increase was mainly due to the following:

- \$9.6M in trade payables,
- \$9.2M in capital contracts,
- \$5.1M in York Region payables,
- \$2.7M in contingencies and \$2.0M related to payroll accrual liabilities and other payables.

This was offset by a \$4.9M decrease in the year-end amount owing to the School Boards, \$3.0M in the library accrual and 3.0M in general accrued payable account.

Employee Future Benefit Liability totalled \$177.7M, an increase of \$10.9M from \$166.8M in 2021.

This is comprised of:

- Post retirement non-pension benefits \$156.5M (2021, \$147.9M),
- Accrued Vacation Pay \$12.7M (2021, \$11.5M)
- Workplace Safety and Insurance Board (WSIB) \$8.5M (2021, \$7.4M)

Post retirement non-pension benefits are based on a new 3-year actuarial study beginning in 2020. It represents the retirement benefits that have accrued over the service life of city employees to-date but not yet paid (i.e., 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 totalled \$47.5M (2021, \$44.7M) at the end of 2022.

Vacation entitlement is earned during employment and this liability represents the unused portion.

WSIB valuation is based on a 2020 actuarial study. The WSIB liability represents the future expected claims and the liability is \$8.5M (2021, \$7.4M) due to an increased number of firefighters on WSIB for post-traumatic stress which is now fully funded by WSIB.

An annual \$75,000 contribution to the WSIB reserve is budgeted and transferred at year end. The WSIB reserve totalled \$1.6M (2021, \$1.5M).

Deposits & Deferred Revenue totalled \$43.1M, an increase of \$1.5M (2021, \$41.6M)

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.

Increase was primarily due to the \$3.3M deferred Recreation revenue from the increased program registrations, \$1.0M in block planning permits and long-term deposits due to the increase in development and permit activities, \$0.5M related to the Mayor's Gala event and \$0.5M from the Sports Village revenue. This was offset by \$3.8M decrease resulted from the revenue recognition of building standard permits.

Deferred Revenue – Obligatory Reserve Fund totalled \$831.3M, an increase of \$10.2M (2021, \$721.1M)

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, and
- Unused gas tax funds and other Provincial and Federal grants.

These funds are 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

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

Debenture & Other Debt totalled \$63.4M, an increase of \$4.6M (2021, \$58.8M)

This consists of sinking fund debentures, serial debentures and other development related debt. The 2022 debt ratio is 1.3%, which is well within the Provincial Debt limit of 25% and the City's Debt policy limit of 10%

There was a total debt repayment of \$5.2M related to the serial debt and 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 (TCA) include land, buildings and other 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 of December 31, 2022, totalled \$9,774.3M (2021, \$9,387.2M)

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 2022 amortization expense was \$82.0M (2021, \$79.5M)

Assets under construction totalling \$230.0M (2021, \$179.0M) will not be amortized until the assets are brought into service

Refer to Attachment 1-Draft Consolidated Financial Statements note 9 tangible capital assets for further details.

Accumulated Surplus

The accumulated surplus as of December 31, 2022 was \$10,406.5M (2021, \$10,047.8M)

This comprised of the following:

- 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

Refer to Attachment 1-Draft Consolidated Financial Statements note 10 for the Accumulated Surplus breakdown.

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 accrual cash basis of accounting used in the preparation of the budget (management reporting) will not yield the same result.

Statutory financial statements showed an annual surplus of \$358.7M (2021, \$229.0M) at December 31, 2022, compared to a breakeven results after contribution to reserves in the 4th quarter Fiscal Health Report.

Significant differences between the Statutory financial statements as compared to the 4th quarter Fiscal Health Report are mainly due to the statutory reporting requirements to include:

- \$285.4M contributed assets (2021, \$184.8M) reported as revenue in the statutory financial statements which was not included in the Fiscal Health Report.
- \$82.0M tangible capital assets- amortization (2021, \$79.5M) reported as expenses in the statutory financial statements versus a \$70.5M net reserve contributions reported in 4th quarter Fiscal Health Report.
- Statutory reporting for all Vaughan Hydro Corporations are done on an equity pick up basis, which includes 20.5% of Alectra income less dividends received from Alectra, 100% of VHI net income and 100% of HVEC net loss while the 4th quarter results only include the 75% of VHI dividends income issued to the City of Vaughan and do not include the net income or loss of VHI and HVEC.
- Statutory reporting includes an adjustment for the decrease in the City's equity interest in the net assets of Alectra of \$1.0M (2021, decrease \$1.1M) not included in 4th quarter Fiscal Health Report.

Audit of Tourism Vaughan Corporation

On March 19th, 2019, Council approved a Bylaw allowing the City to levy a four per cent Municipal Accommodation Tax (MAT) on the purchase of transient accommodations including hotels, motels and bed and breakfasts in Vaughan effective April 1, 2019. Pursuant to Ontario Regulation 435/17, at least 50 percent of the MAT revenue must be shared with a Tourism promotion entity

The Corporation of the City of Vaughan established a municipal service corporation, Tourism Vaughan Corporation (TVC), to serve as the City's tourism promotion entity. TVC was incorporated on May 15th, 2019

The Financial Statements of TVC are included in the attached financial statement package and are also included in the City of Vaughan Consolidated Financial Statements

City of Vaughan transferred 50% of the MAT revenue collected to TVC which totalled \$1.4M in 2022 (2021, \$0.7M).

TVC applied for and received a grant from Central Counties Tourism under FedDev Ontario's Tourism Relief Fund in 2022 in the amount of \$0.1M, which was used to deliver the Vaughan Better Your Business: Tourism Diversity program to assist tourism organizations in Vaughan to foster more inclusive experiences for 2SLGBTQ+, racialized/newcomer, accessible, and bilingual visitors.

2022 expenses were \$1.0M (2021, \$0.9M) which included professional fees, programming, marketing and salary support for 6 staff.

The net profit was \$0.5M (2021, \$0.0M) at the end of year.

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.

The 2022 Gala and Golf events were resumed after the lifted restrictions of the COVID-19 pandemic.