

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 DeGasperis 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).