

Audit Committee Report

DATE: Monday, May 26, 2025

WARD(S): ALL

**TITLE: 2024 DRAFT CONSOLIDATED FINANCIAL STATEMENTS
REPORT**

FROM:

Michael Coroneos, Deputy City Manager, Corporate Services, City Treasurer and Chief Financial Officer

ACTION: DECISION

Purpose

To obtain Council approval on the 2024 Draft Consolidated Financial Statements of The Corporation of the City of Vaughan, Vaughan Public Library Board, the Board of Management of the Kleinburg Business Improvement Area, Tourism Vaughan Corporation, Trust Fund, and the Statements of Revenue and Expenditures and Fund Balances of the Mayor's Gala and Golf Events.

Report Highlights

- The statutory financial statements are a requirement prescribed by the Municipal Act, 2001 that shows the results of operations and the financial position at the end of the 2024 fiscal year.
- The City has received an “unqualified” audit opinion from KPMG LLP on all of the statutory financial statements that the statements present fairly, in all material respects, the financial position and results of the entities for the year ended December 31, 2024, and are in compliance with Generally Accepted Accounting Principles for governments as recommended by the Public Sector Accounting Board (PSAB).
- The City's statutory financial statements are presented in a different manner than the 2024 budget and 2025-2026 financial plan, and these differences are explained in Attachment 3.

Recommendations

1. That the 2024 Draft Consolidated Financial Statements of The Corporation of the City of Vaughan, Vaughan Public Library Board, the Board of Management of the Kleinburg Business Improvement Area, Tourism Vaughan Corporation, the Trust Fund, the Statements of Revenue and Expenditures and Fund Balances of the Mayor's Gala and Golf Events be approved. (Attachment 1)
2. That the KPMG LLP Audit Findings Report for the year ended December 2024 be received. (Attachment 2)
3. That the 2024 Annual surplus reconciliation to PSAB basis be received. (Attachment 3)

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 Statements are prepared to meet the legislated requirements in accordance with Section 286(1), 294.1, 295(1) and 296 (1) of the Municipal Act, 2001.

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

- The Corporation of the City of Vaughan
- Vaughan Public Library Board
- Kleinburg Business Improvement Area
- Tourism Vaughan Corporation
- Hydro Vaughan Corporations:
 - Alectra Inc. (20.5% 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.)

The City's Trust Financial Statements are not included in the City's consolidated financial results as 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 of the Kleinburg Business Improvement Area, Tourism Vaughan Corporation, and 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 Mayors Gala and Golf events.

KPMG LLP have issued an unqualified opinion on the 2024 Consolidated Financial Statements

KPMG LLP has conducted the annual audit in accordance with Canadian generally accepted auditing standards. KPMG LLP has issued an unqualified audit opinion on all of the statutory financial statements that the Statements present fairly, in all material respects, the consolidated financial position of the City as at December 31, 2024, and its consolidated results of operations, change in net financial assets, cash flows and remeasurement gains and losses for the year then ended in accordance with public sector accounting standards.

New Accounting Standards Adopted in 2024

On January 1, 2024, the City adopted the new accounting standards PS3160, *Public Private Partnerships*, PS3400, *Revenue*, and the Public Sector Guideline 8 Purchased Intangibles. These standards and guideline were adopted prospectively with no adjustments made to comparative figures. There were no changes or disclosures required for the City for the year end December 31, 2024.

Previous Reports/Authority

Not applicable

Analysis and Options

2024 Draft Consolidated Statement of Financial Position Overview

The City of Vaughan's 2024 Consolidated Statement of Financial Position is the City's balance sheet which outlines the City's financial assets, liabilities and non-financial assets. The Statement of Financial Position shows the City's net financial position remains strong, as the Accumulated Surplus and the Accumulated Remeasurement of Gains as of December 31, 2024 was \$11,436.2 million (2023, \$10,953.3 million).

Consolidated Statement of Financial Position

(\$ millions)	2024	2023	Change
Financial Assets	1,984.7	1,884.3	100.4
Financial Liabilities	1,299.4	1,265.8	33.6
Net Financial Assets	685.3	618.5	66.8
Non-Financial Assets	10,750.9	10,334.8	416.1
	11,436.2	10,953.3	482.9
Accumulated surplus	11,435.0	10,953.2	481.8
Accumulated remeasurement gains	1.2	0.1	1.1
	11,436.2	10,953.3	482.9

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 \$1,984.7 million at the end of 2024, an increase of \$100.4 million from \$1,884.3 million in 2023.

Cash and cash equivalents totalled \$127.4 million, a decrease of \$12.3 million (2023, \$139.7 million)

The City maintains a healthy cash position at December 31, 2024 to ensure that sufficient cash funds are available for the operating, capital, investing and financing activities. The Consolidated Statement of Cash Flows summarizes the sources and uses of cash in 2024. (Attachment 1- Draft 2024 Consolidated City's Financial Statements).

The City's cash balance decrease was mainly due to:

- Increased spending in capital activities of \$164.9 million related to acquisition of tangible capital assets, net investing activities of \$50.7 million, and increased in financing activities related to net debenture to finance capital projects of \$8.2 million.
- The cash outflow was offset by \$211.5 million in cash from operating activities.

The cash from operating activities was \$211.5 million (2023, \$193.1 million).

The City's annual surplus was \$481.7 million (2023, \$546.8 million). The decrease from the prior year was mainly due to lower contributions from developers / subdividers as there was reduced spending from the Recreation (Parkland / CIL) Land reserve.

Significant items not involving cash include:

- Amortization \$89.2 million (2023, \$84.2 million)
- Contributed tangible capital assets of \$338.4 million (2023, \$338.7 million). This is comprised of land improvements of \$288.4 million, building and facilities of \$5.9 million, roads infrastructure of \$14.2 million and water, wastewater, and stormwater infrastructure of \$29.9 million. 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 Corporations of \$36.0 million (2023, \$30.8 million). The increase was driven by the equity in income, where Alectra reported a higher 2024 net income of \$169.0 million (2023, \$145.0 million).

Significant changes in non-cash assets and liabilities include:

- Deferred revenues – obligatory reserve funds increase of \$23.7 million (2023, reduction of \$87.7 million). Revenues received increased by \$136.3 million for development applications related revenues (development charges, recreation land and Section 37), and investment income increased by \$30.6 million due to increase in interest rates. This was offset by \$143.2 million of development charges capital related expenditures and usage of the Canada Community-Building Fund.

Taxes receivable totalled \$99.8 million, an increase of \$22.2 million (2023, \$77.6 million)

The increase was attributed to the increase in tax billing for supplemental and payment-in-lieu at the end of the year. Collection policies were put on hold during pandemic, resulting in a backlog. Staff are getting back on track with regular collection processes, where notices of overdue taxes are issued more regularly. Collection practices, including tax sale registrations, are returning to post-pandemic levels.

Water & sewer billings receivable totalled \$28.4 million, an increase of \$0.5 million (2023, \$27.9 million)

Increase was mainly due to a 3.3% increase in the water and wastewater rates and increase in the number of billing accounts.

Accounts Receivable totalled \$57.6 million, an increase of \$2.0 million (2023, \$55.6 million)

Increase was mainly due to a \$9.6 million increase in investment interest accrual. The fourth quarter investment yield was ranged between 3.9%-6.6% in 2024, relative to the range of 5%-6% in 2023. Other increases included \$1.6 million in by-law fines receivables, offset by decreases of \$4.4 million in HST receivables, \$3.0 million in York Region receivables for shared projects, \$1.0 million in general accounts receivable, and \$0.9 million in amounts due from Alectra Inc.

Investments totalled \$1,111.4 million, an increase of \$179.0 million (2023, \$932.4 million)

Increase was mainly due to a \$93.2 million increase in long-term investments of which \$78.0 million was repatriated Alectra investment, \$85.0 million in short-term investments with yields ranged from 3.47% to 6.55% and \$0.8 million in long-term investments investment structured note carried at fair value of \$8.5 million.

Investment in Hydro Vaughan Corporations totalled \$560.0 million, a decrease of \$91.1 million (2023, \$651.1 million)

Decrease was mainly due to the City received \$79.1 million from Alectra Inc. on the unsecured note receivable, VHI's dividend payments of \$47.4 million to the City, and return of capital on solar shares of \$1.0 million. This was offset by the share of net earnings in Hydro Vaughan Corporations of \$35.9 million and share of other comprehensive gain (OCI) from investment in government business enterprise of \$0.4 million.

Financial Liabilities

The accrued and general liabilities are financial obligations to suppliers and contractors, other governments and outside agencies, as a result of operating and capital fund activities incurred.

Financial liabilities totalled \$1,299.4 million at the end of 2024, an increase of \$33.6 million from \$1,265.8 million in 2023.

Accounts payable & accrued liabilities totalled \$179.7 million, an increase of \$19.1 million (2023, \$160.6 M)

Increase was mainly due to \$19.8 million of tax and development charges payable to York Region and the school boards, \$3.4 million of general accounts payables and other accrued liabilities. This was offset by \$4.1 million decrease in accrued liabilities related payroll, contingent liability, and other payables.

Employee future benefit liability totalled \$197.3 million, an increase of \$4.8 million (2023, \$192.5 million)

(\$ millions)	2024	2023
Post-retirement non-pension benefits	165.5	160.2
Sick Leave liability	12.3	12.5
Vacation entitlements	11.8	12.6
WSIB	7.7	7.2
	197.3	192.5

The liability consists of post-retirement non-pension benefits, non-vested sick leave benefits, accrued vacation pay and Workplace Safety and Insurance Board (WSIB).

A new actuarial valuation of the non-vested sick leave benefits was completed as at April 2024, for the 2021 to 2025 period in accordance with the financial reporting guidelines established by PSAB. The projected non-vested sick leave liability for active employees was \$12.3 million.

A 3-year actuarial valuation of the post-retirement non-pension benefit obligation and the WSIB obligation was completed as at January 1, 2023. The post-retirement non-pension benefits 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.

WSIB liability represents the future expected claims. An actuarial estimate of future liabilities was completed with a projected liability of \$7.7 million.

Deposits & deferred revenue totalled \$45.5 million, a decrease of \$5.8 million (2023, \$51.3 million)

This represents 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.

The decrease was due to \$6.2 million lower collections from new development agreement, building permit securities and increased refunds of existing held securities that have been completed and successfully inspected. This was offset by an increase in revenues related to Mayor's Gala \$0.2 million, firefighter recruitment \$0.1M and block plan applications revenue collected \$0.1M.

Deferred Revenue – Obligatory Reserve Fund totalled \$767.3 million, an increase of \$23.7 million (2023, \$743.6 million)

Development Revenue – Obligatory Reserve Fund includes the following:

- 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.

	2024	2023
Recreational land (The Planning Act)	\$ 90,133,406	\$ 77,730,309
Development Charges Act	557,893,448	542,691,390
Sub-divider contributions	59,514,727	55,274,307
Federal gas tax	16,042,575	25,889,250
Building Standards Act	26,618,042	25,644,629
Ontario grants	1,528,357	1,527,966
Federal grants	15,589,708	14,867,824
	\$ 767,320,263	\$ 743,625,675

Debenture & other debt totalled \$96.5 million, a decrease of \$8.2 million (2023, \$104.7 million)

This consists of sinking fund debentures, serial debentures, and other development related debt.

Decrease was due to the debt principal payment of \$2.2 million serial debt and \$4.0 million sinking fund debenture to York Region, along with a debt payable of \$2.0 million to the YMCA for construction of the city library and recreation space in the Vaughan Metropolitan Centre.

The 2024 debt ratio is 2.06%, which is well within the Provincial Debt limit of 25% and the City's Debt policy limit of 10%.

Asset retirement obligation totalled \$8.0 million, a decrease of \$100k (2023, \$8.1 million)

A requirement adopted in 2023 (under PS3280) estimating the costs to retire specific assets for which there is a legal obligation to incur retirement costs. The total obligation

of \$8.0 million is comprised of an estimate of \$4.9 million to monitor for 61 years and retire the closed landfill site, \$2.3 million for asbestos removal in various City buildings and \$0.8 million other asset retirement obligations.

Liability for contaminated sites totalled \$1.6 million (2023, \$1.6 million)

There was no change to the liability for the estimated cost of remediation of a contaminated site purchased in 2023.

Non-Financial Assets

Non-financial assets are the City's tangible capital assets and prepaid expenses used to provide the necessary services to the citizens of Vaughan.

Non-financial assets totalled \$10,750.8 million at the end of 2024, an increase of \$416 million from \$10,334.8 million in 2023.

Majority of the \$416 million increase was related to tangible capital assets, \$413 million where assets were transferred when constructions were complete and acquired during the year. The remainder \$3.0 million increase was related to software licenses and service contracts that have terms extending beyond 2024 and increase in salt inventory due to relatively mild winter weather.

Accumulated surplus

The accumulated surplus as of December 31, 2024 was \$11,436.2 million (2023, \$10,953.3 million). This consists of investment in tangible capital assets, Hydro Vaughan Corporations, discretionary reserves, asset retirement obligations, and amounts to be recovered in future years – debt and future employee benefits and operating, and capital fund balances. Refer to Attachment 1--Draft Consolidated Financial Statements note 12 for further details.

Annual surplus

The Annual Surplus is a result of the accrual basis of accounting as required under Canadian Generally Accepted Accounting Principles for governments as recommended by the Public Sector Accounting Board. 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 \$481.7 million (2023, \$546.8 million) at December 31, 2024, compared to a breakeven result after contribution to reserves in the fourth quarter Fiscal Health Report.

Refer to Attachment 3 which outlines the differences between the two financial reporting presentations, and an annual surplus reconciliation to PSAB basis.

Financial Impact

There is no financial impact from the report.

Operational Impact

The City departments were involved in the year end audit and consulted on the statutory financial statements and the report.

Broader Regional Impacts/Considerations

Not applicable.

Conclusion

The City of Vaughan's 2024 Consolidated Financial Statements, the Financial Statements of the Vaughan Public Library Board, the Board of Management of the Kleinburg Business Improvement Area, Tourism Vaughan Corporation, 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, 2024 and the results of operations and accumulated surplus, the change in net financial assets, remeasurement gains and losses and the cash flows for each entity for the year ended December 31, 2024 in accordance with public sector accounting standards.

For more information, please contact:

Nancy Yates, Director of Financial Services and Deputy City Treasurer

Attachments

1. 2024 Draft City Consolidated Financial Statement Package which includes the City's Consolidated Financial Statements, the Vaughan Public Library Board Financial Statements, the Board of Management of the Kleinburg Business Improvement Area, Tourism Vaughan Corporation 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
2. 2024 Audit Findings Report – KPMG LLP
3. 2024 Annual surplus reconciliation to PSAB basis

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