

## **CITY OF VAUGHAN**

### **EXTRACT FROM COUNCIL MEETING MINUTES OF SEPTEMBER 29, 2020**

Item 1, Report No. 40, of the Committee of the Whole, which was adopted, as amended, by the Council of the City of Vaughan on September 29, 2020, as follows:

***By receiving communication C1 from the Deputy City Manager of Corporate Services, City Treasurer and CFO, dated September 23, 2020.***

#### **1. 2019 DRAFT CONSOLIDATED FINANCIAL STATEMENTS**

**The Committee of the Whole recommends:**

- 1) That the presentation by Kevin Travers, Partner, KPMG LLP, be received; and**
- 2) That the recommendations contained in the following report of the Deputy City Manager, Corporate Services and Chief Financial Officer dated September 22, 2020, be approved.**

#### **Recommendations**

- 1. That the 2019 Draft Consolidated Corporation of the City of Vaughan Financial Statements, Vaughan Public Library Board Financial Statements, Board of Management for the Kleinburg Business Improvement Area Financial Statements, Tourism Vaughan Corporation 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 2019 be received. (Attachment 3); and**
- 3. That the 2019 Draft City Consolidated Financial Statement Highlights be received. (Attachment 1).**

## Committee of the Whole (2) Report

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**DATE:** Tuesday, September 22, 2020

**WARD(S):** ALL

**TITLE: 2019 DRAFT CONSOLIDATED FINANCIAL STATEMENTS**

**FROM:**

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

**ACTION:** DECISION

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**Purpose**

Council's approval is requested on the 2019 Draft Consolidated Corporation of the City of Vaughan Financial Statements, Vaughan Public Library Board Financial Statements, Kleinburg Business Improvement Area Financial Statements, Tourism Vaughan Corporation 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 2019 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 2019 budget and 2020-2022 plan, and these differences are explained in this report and in the notes to the financial statements.
- 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).

## **Recommendations**

1. That the 2019 Draft Consolidated Corporation of the City of Vaughan Financial Statements, Vaughan Public Library Board Financial Statements, Board of Management for the Kleinburg Business Improvement Area Financial Statements, Tourism Vaughan Corporation 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 2019 be received. (Attachment 3); and
3. That the 2019 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 Corporation of the City of Vaughan
- Vaughan Public Library Board
- Kleinburg Business Improvement Area
- Tourism Vaughan Corporation
- Hydro Vaughan Corporations:
  - Alectra (20.5% (2019 – 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, Tourism Vaughan Corporation, 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 2019 Mayors Gala and Golf events held on June 13<sup>th</sup> and

September 18<sup>th</sup> respectively. The audited statement does not include a historic \$40 million in additional funds donated by the Cortellucci family 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, 2019 and its results of operations and accumulated surplus, its change in net financial assets and its cash flows for 2019 in accordance with public sector accounting standards.

### **Tourism Vaughan Corporation**

On March 19<sup>th</sup>, 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, to serve as the City’s tourism promotion entity. Tourism Vaughan Corporation was incorporated May 15<sup>th</sup>, 2019.

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

### **2019 Draft Consolidated Statement of Financial Position Overview**

The City of Vaughan’s 2019 Consolidated Statement of Financial Position demonstrates a continued strong position, as the City is in a net financial asset position of \$595.6 million (2018 - \$591.7 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 2019 Budget and 2020-2022 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.

<b>Statements</b>	<b>Budget Approved By Council</b>	<b>Statutory Financial Statements</b>
<b>Purpose</b>	To set the tax rate in accordance with the Municipal Act	To comply with Provincial Statutory Reporting
<b>Basis</b>	Cash basis of accounting	Accrual basis of accounting
<b>Differences</b>	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 2019 Budget and 2020-2022 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 2019 budget and 2020-2022 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 2019 Budget and 2020-2022 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 2019 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, 2019 (presented to Council in May) and the Consolidated Statement of Operations and Accumulated Surplus is provided below:

<b>2019 City of Vaughan Operating Surplus on Fund Basis December 31, 2019</b>	<b>\$</b>	<b>-</b>
<b>Add:</b>		
Water and Wastewater revenues		162.36
Contributed tangible capital assets		486.61
Share of net earnings in Hydro Vaughan Corporations		10.77
PSAB adjustments		77.32
Gain on merger of Alectra with Guelph Hydro		0.99
Contributions from developers		27.17
Debt principal payments		6.68
<b>Less:</b>		
Investment in Hydro Vaughan Corporations (Solar Capital Dividend)		(2.00)
Amortization		(76.67)
Water and Wastewater expenditures		(164.77)
Post Employment Benefits		(9.59)
Hydro dividends received		(14.31)
PSAB adjustments		(10.33)
	<b>\$</b>	<b>494.24</b>

### 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 2019 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, 2019 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, 2019 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, Controller, Ext. 8984

## **Attachments**

1. 2019 Draft City Consolidated Financial Statement Highlights
2. 2019 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, 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
3. 2019 Audit Findings Report – KPMG LLP

## **Prepared by**

Nancy Yates CPA, CA, BComm  
Controller, Ext. 8984

## **Approved by**



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

## **Reviewed by**



Jim Harnum, City Manager





**COMMITTEE OF THE WHOLE 2 – SEPTEMBER 22, 2020****2019 DRAFT CITY CONSOLIDATED FINANCIAL STATEMENT HIGHLIGHTS****Financial Assets****Cash and Cash Investments**

- Cash balance totals \$779.7M (2018, \$730.4M)
- Net increase cash \$49.3M (2018, increase of \$234.7M)
- Net increase in cash from operating activities \$111.0M (2018, \$336.5M)
- Significant items not involving cash
  - Amortization \$76.7M (2018, \$74.0M)
  - Contributed tangible capital assets \$486.6M (2018, 316.2M)
    - Assumed assets increased in 2019. Land and land improvements increased by \$136.5M, roads infrastructure increased by \$12.8M and water and wastewater and storm infrastructure increased by \$21.1M.
  - Share of net earnings of Hydro Vaughan Corps \$10.8M (2018, \$25.2M)
    - Decrease due lower income from Alectra \$49M (2018, \$115M) due to:
      - Increased cost of power due to inclusion of Guelph Hydro
      - Higher operating expenses due to wage and benefit inflation and the amalgamation with Guelph Hydro
      - Higher amortization cost
      - Higher net finance costs
    - Offset by:
      - Higher distribution revenue
      - Lower income taxes
      - Higher other revenue to due to higher consulting and billing services
  - Increase in deferred revenues – obligatory reserve funds \$2.2M (2018, \$208.1M)  
Lower increase in 2019 due to volume of prepayments of development charges before new development charge rates implemented in 2018.
- Net decrease in cash from capital activities \$82.2M (2018 \$126.5M)
  - Cash used to acquire tangible capital assets \$82.3M (2018, \$126.6M)
- Net increase in cash from financing activities \$5.5M (2018 \$2.5M)
  - Debenture and other debt repaid \$6.8M (2018, \$13.6M)
  - Debenture and other debt incurred \$12.3M (2018, \$16.1M)
    - Debt incurred relates to amount owing re YMCA construction interest
- Net increase in cash from investing activities \$15.0M (2018, \$22.2M)
  - Decrease in cash due to increase in investments \$1.3M (2018, \$1.4M)
  - Increase in cash from Investment in Hydro Vaughan Corporations is \$16.3M(2018, \$23,7M) made up of operating dividends on solar and common shares, \$14.3M, a capital dividend on solar shares of \$2.0M from Alectra to Vaughan Holdings Inc. In 2018, the increase is 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 from Vaughan Holdings Inc.

**Taxes Receivable**

- Taxes receivable are monies owing from property owners as at December 31<sup>st</sup>, 2019 and include the City's portion, Regional portion and the Provincial portion for education
- Taxes receivable totals \$48.2M (2018, \$47.8M)
  - Increase of \$0.4M primarily due to timing

### Water and Wastewater Receivable

- The water and wastewater receivables total \$25.2M (2018, \$23.1M). Increase of \$2.1M primarily due to the 2019 rate increase of 9.9%

### Investments

- Investments total \$88.6M (2018, \$87.3M)
  - Increase of \$1.3M primarily related to an increase in investment with CIBC Mellon of \$2.4M offset by a decrease in investment in municipal bonds of \$1.1M

### Accounts Receivable

- The City's accounts receivable totals \$21.6M (2018, \$22.3M)
- Comprise a wide range of monies owing from various levels of government, outside agencies, and businesses
  - Decrease of \$0.7M mainly due the following:
    - a decrease of \$4.2M in HST receivable due to a CRA review of June and Sept 2018 -- funds withheld during the review were subsequently released in 2019.
    - Offset by an increase of \$3.3M 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) – 20.5% (2018 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 \$629.3M (2018, \$635.9M)
  - Gain on merger with Guelph Hydro Electric Systems Inc - \$1.0M (2018 – nil)
  - Share of net earnings Hydro Vaughan Corporations - \$10.8M (2018 - \$25.2M)
  - Reduction of dividends paid from VHI to the City of Vaughan (COV) - -\$14.3M (2018 - -\$12.7M)
  - Return of capital on solar shares from Alectra to VHI – -\$2.0M (2018, -\$2.2M)
  - Return of capital on solar shares form VHI to the COV - -\$2.0M (2018, -\$2.2M)
- 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
- 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, 2019 was \$125.1M (2018, \$101.4M)
  - Increase of \$23.7M is primarily due to an increase in the year-end amount owing to the York Region primarily for development charges collected of \$22.3M, an increase in the year-end amount owing to the School Boards \$3.2M offset by a reduction of \$1.8M in trade payables and other accruals

### Employee Future Benefit Liability

- Employee Future Benefit Liability totals \$144.8M (2018, \$134.2M)
- Includes:
  - Post retirement non-pension benefits \$129.9M (2018, \$120.9M)
  - Accrued Vacation Pay \$7.6M (2018, \$6.6M)
  - Workplace Safety and Insurance Board (WSIB) \$7.2M (2018, \$6.7)
- 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 \$29.9M (2018, \$25.6M)
  - \$1.4M received in 2019 from Great West Life as a refund of claim reserves held - transferred directly to post employee retirement benefit reserve
- 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 \$7.2M due to an increased number of firefighters on WSIB for post-traumatic stress which is now fully funded by WSIB
- The WSIB reserve is \$1.3M (2018, \$1.2M)
  - \$75,000 is budgeted annually as the transfer to the WSIB reserve

### 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 (2018, \$40.0M)

### 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

	2019	2018
Recreational land (The Planning Act)	\$ 72,544,521	\$ 67,884,484
Development Charges Act	482,519,449	493,043,286
Subdivider contributions	15,217,466	13,080,990
Federal Gas Tax Revenues	34,015,694	27,395,908
Building Standards Act	12,233,461	12,847,968
Ontario Grants	2,652,245	2,753,115
	<b>\$ 619,182,836</b>	<b>\$ 617,005,751</b>

#### Debenture and Other Debt

- Debenture and other debt total \$64.6M (2018, \$59.1M)
- Consists of sinking fund debentures, serial debentures and other development related debt.
- 2019 debt ratio is 2%, well within the Provincial Debt limit of 25% and the City's Debt policy limit of 10%
  - Increase of \$5.5 M due to debt repayment of \$6.8M offset by new debt issued in 2019 of \$12.3M 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, 2019 total \$9.0B (2018, \$8.6B)
- 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 2019 amortization expense was \$76.7M (2018, \$74.0M)
- Assets under construction totalling \$199.3M (2018, \$174.1M) 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, 2019 is \$9.6B (2018, \$9.1B)
- Discretionary reserves increased to \$320.7M (2018, \$302.2M)
  - 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, 2019 is \$494.2M (2018, \$357.8M) versus breakeven results in 4<sup>th</sup> quarter Fiscal Health Report
- Significant differences between Statutory financial statements versus from 4<sup>th</sup> quarter Fiscal Health Report due to statutory reporting requirements include:
  - Contributed assets \$486.6M (2018, \$316.2) 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 20.5% (2018-21.49%) of Alectra income less dividends received from Alectra, 100% of VHI net income and 100% of HVEC net loss while 4<sup>th</sup> 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 \$76.7M (2018, \$74.0M) versus reserve contributions of \$37.8M in 4<sup>th</sup> 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 \$2.0M (2018, decrease \$2.2M) not included in 4<sup>th</sup> quarter Fiscal Health Report

#### Audit of Vaughan Tourism 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, to serve as the City's tourism promotion entity. Tourism Vaughan Corporation was incorporated on May 15<sup>th</sup>, 2019.
- The Financial Statements of Tourism Vaughan Corporation are included in the attached financial statement package and are also included in the City of Vaughan Consolidated Financial Statements.
- 2019 Revenue was \$1.1M, 50% of total MAT collected by the City
- 2019 Expenses were \$0.2M and included professional fees to set up the website for hoteliers and salary for the Manager of Tourism
- 2019 Net Profit was \$0.9M

#### 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 \$40 million donated by the Cortellucci family to the Mackenzie Health Care Foundation.
- A total of \$67.6 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 #5a***  
***August 24, 2020***

Consolidated Financial Statements of

**THE CORPORATION OF THE  
CITY OF VAUGHAN**

And Independent Auditors' Report thereon

Year ended December 31, 2019

## 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, 2019
- 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, 2019, and its consolidated results of operations, its consolidated change in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the **"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

September 29, 2020

# THE CORPORATION OF THE CITY OF VAUGHAN

## **DRAFT** Consolidated Statement of Financial Position

December 31, 2019, with comparative information for 2018

	2019	2018
<b>Financial Assets</b>		
Cash and cash equivalents	\$ 779,700,486	\$ 730,444,327
Taxes receivable	48,247,575	47,789,114
Water and sewer billings receivable	25,220,469	23,111,989
Accounts receivable	21,575,321	22,340,589
Investments (note 3)	88,610,584	87,293,174
Investment in Hydro Vaughan Corporations (note 4)	629,320,313	635,860,859
	<u>1,592,674,748</u>	<u>1,546,840,052</u>
<b>Financial Liabilities</b>		
Accounts payable and accrued liabilities	125,121,697	101,371,381
Accrued interest on long-term liabilities	93,272	115,548
Employee future benefits (note 5)	144,778,571	134,218,756
Deposits and deferred revenue (note 6(a))	40,013,432	40,032,009
Deferred revenue - obligatory reserve funds (note 6(b))	619,182,836	617,005,751
Debenture and other debt (note 7)	64,569,163	59,061,732
Note payable (note 8)	3,303,523	3,303,523
	<u>997,062,494</u>	<u>955,108,700</u>
Net financial assets	595,612,254	591,731,352
<b>Non-Financial Assets</b>		
Tangible capital assets (note 9)	9,041,767,804	8,551,359,525
Prepaid expenses	2,355,744	2,408,580
	<u>9,044,123,548</u>	<u>8,553,768,105</u>
Contractual rights (note 15)		
Commitments (note 16)		
Subsequent event and contingencies (note 17)		
Accumulated surplus (note 10)	<u>\$ 9,639,735,802</u>	<u>\$ 9,145,499,457</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, 2019, with comparative information for 2018

	Budget (note 13) (note 1(o))	2019	2018
Revenue (note 12):			
Property taxation	\$ 209,736,159	\$ 210,313,730	\$ 202,262,689
Taxation from other governments	1,500,000	1,649,320	1,495,421
Municipal accommodation tax	2,400,000	2,117,140	–
User charges	55,202,238	64,190,969	55,348,100
Water and sewer billings	175,807,601	162,355,455	150,397,663
Government transfers (note 11)	12,047,665	18,125,035	24,422,947
Investment income	5,345,500	8,675,665	6,132,140
Penalties and interest on taxes	5,200,000	5,774,042	5,736,228
Other fees and services	260,200	3,277,186	7,679,527
Contributions from developers	80,499,093	27,170,561	64,587,558
Contributed assets (note 9(b))	–	486,611,658	316,239,032
Hydro Vaughan Corporations (note 4):			
Share of net earnings	12,202,000	10,772,850	25,221,531
Interest on notes receivable	–	3,450,220	3,743,683
	560,200,456	1,004,483,831	863,266,519
Expenses (note 12):			
General government	44,690,235	28,653,424	29,951,241
Protection to persons and property	83,680,481	84,017,469	82,375,193
Transportation services	65,392,011	62,157,780	96,917,361
Environmental services	219,934,566	200,467,273	172,668,608
Health services	121,071	94,844	106,593
Social and family services	305,411	126,154	129,210
Recreation and cultural services	114,189,207	108,649,537	99,380,921
Planning and development	74,753,690	25,072,447	21,740,395
	603,066,672	509,238,928	503,269,522
	(42,866,216)	495,244,903	359,996,997
Gain on merger of Alectra Inc. with Guelph Hydro Electric Systems Inc. (note 4)	–	989,605	–
Adjustment for the decrease of the City's equity interest in the net assets of Alectra Inc. (note 4)	–	(1,998,163)	(2,211,345)
Annual surplus (deficit)	(42,866,216)	494,236,345	357,785,652
Accumulated surplus, beginning of year	9,145,499,457	9,145,499,457	8,787,713,805
Accumulated surplus, end of year	\$ 9,102,633,241	\$ 9,639,735,802	\$ 9,145,499,457

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, 2019, with comparative information for 2018

	Budget (note 13) (note 1(o))	2019	2018
Annual surplus (deficit)	\$ (42,866,216)	\$ 494,236,345	\$ 357,785,652
Amortization of tangible capital assets	–	76,674,645	74,041,429
Proceeds on disposal of tangible capital assets	–	137,172	120,100
Loss on disposal of tangible capital assets	–	1,741,538	39,163,780
Acquisition of tangible capital assets	–	(568,961,634)	(442,850,116)
	(42,866,216)	3,828,066	28,260,845
Acquisition of prepaid expenses	–	52,836	(1,034,103)
Increase (decrease) in net financial assets	(42,866,216)	3,880,902	27,226,742
Net financial assets, beginning of year	591,731,352	591,731,352	564,504,610
Net financial assets, end of year	\$ 548,865,136	\$ 595,612,254	\$ 591,731,352

See accompanying notes to consolidated financial statements.

# THE CORPORATION OF THE CITY OF VAUGHAN

## **DRAFT** Consolidated Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 494,236,345	\$ 357,785,652
Items not involving cash:		
Amortization of tangible capital assets	76,674,645	74,041,429
Loss on disposal of tangible capital assets	1,741,538	39,163,780
Contributed tangible capital assets	(486,611,658)	(316,239,032)
Gain on merger of Alectra Inc. with Guelph Hydro Electric Inc.	(989,605)	–
Share of net earnings of Hydro Vaughan Corporations	(10,772,850)	(25,221,531)
Decrease in equity interest in net assets of Alectra Inc.	1,998,163	2,211,345
Change in non-cash assets and liabilities:		
Increase in taxes receivable	(458,461)	(6,487,635)
Increase in water and sewer billings receivable	(2,108,480)	(4,453,521)
Decrease (increase) in accounts receivable	765,268	(6,577,609)
Increase (decrease) in accounts payable and accrued liabilities	23,750,316	(2,559,208)
Decrease in accrued interest on long-term liabilities	(22,276)	(22,170)
Increase in employee future benefits	10,559,815	9,642,922
(Decrease) increase in deposits and deferred revenue	(18,577)	8,092,529
Increase in deferred revenue - obligatory reserve funds	2,177,085	208,128,467
Decrease (increase) in prepaid expenses	52,836	(1,034,103)
	110,974,104	336,471,315
Capital activities:		
Proceeds on disposal of tangible capital assets	137,172	120,100
Cash used to acquire tangible capital assets	(82,349,976)	(126,611,084)
	(82,212,804)	(126,490,984)
Financing activities:		
Debenture and other debt repaid	(6,827,447)	(13,576,921)
Debenture and other debt incurred	12,334,878	16,104,977
	5,507,431	2,528,056
Investing activities:		
Increase in investments, net	(1,317,410)	(1,442,080)
Decrease in investment in Hydro Vaughan Corporations	16,304,838	23,664,032
	14,987,428	22,221,952
Increase in cash and cash equivalents	49,256,159	234,730,339
Cash and cash equivalents, beginning of year	730,444,327	495,713,988
Cash and cash equivalents, end of year	\$ 779,700,486	\$ 730,444,327
Supplemental cash flow information:		
Interest paid	\$ 693,472	\$ 881,561
Interest and dividends received	39,927,229	31,740,490

See accompanying notes to consolidated financial statements.

# THE CORPORATION OF THE CITY OF VAUGHAN

## **DRAFT** Notes to Consolidated Financial Statements

Year ended December 31, 2019

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

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

# THE CORPORATION OF THE CITY OF VAUGHAN

## **DRAFT** Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

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### **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. Under the modified equity basis, the business enterprise's accounting principles are not adjusted to conform with those of the City, and inter-organizational transactions and balances are not eliminated. The City recognizes its equity interest in the annual income or loss of the Hydro Vaughan Corporations in its consolidated statement of operations and accumulated surplus with a corresponding increase or decrease in its investment asset account. Any dividends that the City receives from the Hydro Vaughan Corporations are reflected as reductions in the investment asset account.

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

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

#### (iv) Trust funds:

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

#### (b) Basis of accounting:

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

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

# THE CORPORATION OF THE CITY OF VAUGHAN

## **DRAFT** Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

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### **1. Significant accounting policies (continued):**

#### **(c) Cash and cash equivalents:**

Cash and cash equivalents consist of deposits in banks, certificates of deposits and investments with original maturities of three months or less.

#### **(d) Investments:**

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

#### **(e) Government transfers:**

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

#### **(f) Deposits and deferred revenue:**

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

#### **(g) Deferred revenue - obligatory reserve funds:**

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



# THE CORPORATION OF THE CITY OF VAUGHAN

## **DRAFT** Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

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### **1. Significant accounting policies (continued):**

#### **(h) Pension, vacation entitlements and employee benefits:**

The City accounts for its participation in the Ontario Municipal Employees Retirement System ("OMERS"), a multi-employer public sector pension fund, as a defined contribution plan. 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 as at January 1, 2017 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, 2019

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### **1. Significant accounting policies (continued):**

#### **(i) Taxation and related revenue:**

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

#### **(j) Municipal accommodation tax:**

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

#### **(k) Investment income:**

Investment income earned on surplus funds is reported as revenue in the 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.

# THE CORPORATION OF THE CITY OF VAUGHAN

## **DRAFT** Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

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### **1. Significant accounting policies (continued):**

#### **(l) Segment disclosures:**

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

#### **(m) Non-financial assets:**

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

#### **(i) Tangible capital assets:**

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

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Land improvements	2 - 100 years
Buildings and facilities	5 - 85 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	2 - 75 years
Water and sewer infrastructure	20 - 95 years

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

# THE CORPORATION OF THE CITY OF VAUGHAN

## **DRAFT** Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

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### **1. Significant accounting policies (continued):**

#### (ii) Contributions of tangible capital assets:

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

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

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

#### (iv) Interest capitalization:

The City 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.

# THE CORPORATION OF THE CITY OF VAUGHAN

## **DRAFT** Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

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### **1. Significant accounting policies (continued):**

#### (o) Presentation of budget information:

The 2019 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.

#### (p) Adoption of new accounting policy:

The City has adopted the following PSAB Standard effective January 1, 2019:

##### Restructuring Transactions (PS 3430):

PS 3430 requires assets and liabilities in restructuring transactions be measured at their carrying amount. It also prescribes financial statement presentation and disclosure requirements. The adoption of this standard has not resulted in additional note disclosures.

#### (q) Future accounting pronouncements:

These standards and amendments were not yet effective for the year ended December 31, 2019, 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 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 standard is effective for fiscal years beginning on or after April 1, 2022 and applies when PS 3450, Financial Instruments, and PS 2601, Foreign Currency Translation, are adopted (the City's December 31, 2023 year-end).

(ii) PS 3450, Financial Instruments, establishes the standards on accounting for and reporting all types of financial instruments including derivatives. The effective date of this standard has been deferred and is now effective for fiscal periods beginning on or after April 1, 2022 (the City's December 31, 2023 year-end).

# THE CORPORATION OF THE CITY OF VAUGHAN

## **DRAFT** Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

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### **1. Significant accounting policies (continued):**

- (iii) PS 2601, Foreign Currency Translation, establishes the standards on accounting for and reporting transactions that are denominated in a foreign currency. The effective date of this standard has been deferred and is now effective for fiscal periods beginning on or after April 1, 2022 (the City's December 31, 2023 year-end). Earlier adoption is permitted. A public sector entity adopting this standard must also adopt the new financial instruments standard.
- (iv) PS 3280, Asset Retirement Obligations, addresses the recognition, measurement, presentation and disclosure of legal obligations associated with retirement of tangible capital assets in productive use. This standard is effective for fiscal years beginning on or after April 1, 2022 (the City's December 31, 2023 year-end).
- (v) PS 3400, Revenue, establishes a single framework to categorize revenues to enhance the consistency of revenue recognition and its measurement. This standard is effective for fiscal years beginning on or after April 1, 2023 (the City's December 31, 2024 year-end).

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

During 2019, requisitions were made by the district school boards and the Region of York requiring the City to collect property taxes and payments in lieu of property taxes on their behalf. The amounts collected and remitted are not recorded in these consolidated financial statements and are summarized below:

	District school boards	The Region
Property taxes, net of adjustments and write offs	\$ 313,918,711	\$ 356,206,399
Taxation from other governments	441,881	704,311
Amounts requisitioned and remitted	\$ 314,360,592	\$ 356,910,710

# THE CORPORATION OF THE CITY OF VAUGHAN

## **DRAFT** Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

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### **3. Investments:**

Investments consist of government and financial institution bonds and have effective interest rates of 1.83% to 4.02% (2018 - 1.83% to 5.03%) with maturity dates from June 24, 2020 - December 15, 2025 (2018 - April 29, 2019 - December 15, 2025). Market value of investments costing \$88,610,584 (2018 - \$87,293,174) is \$89,671,789 (2018 - \$85,663,590) at December 31, 2019.

### **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	
	2019	2018
Vaughan Holdings Inc. (including 100% ownership of Hydro Vaughan Energy Corporation and 20.5% (2018 - 21.49%) share interest in Alectra Inc.)	100%	100%
1446631 Ontario Inc.	100%	100%

On January 1, 2019, Alectra amalgamated with Guelph Hydro Electric Systems Inc. ("GHESI"). Alectra Inc. ("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 CORPORATION OF THE CITY OF VAUGHAN

## **DRAFT** Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

### 4. Investment in Hydro Vaughan Corporations (continued):

The new shareholder ownership structure as a result of this merger is as follows:

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

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	2019	2018
<b>Assets</b>		
Current	\$ 15,060,868	\$ 10,060,751
Investment in Hydro Vaughan Corporations	629,320,313	635,860,859
Other	202,256	170,839
<b>Total assets</b>	<b>\$ 644,583,437</b>	<b>\$ 646,092,449</b>
<b>Liabilities</b>		
Current	\$ 1,281,121	\$ 1,007,985
<b>Total liabilities</b>	<b>1,281,121</b>	<b>1,007,985</b>
<b>Shareholders' equity</b>		
Share capital	196,859,952	196,859,952
Retained earnings and contributed surplus	446,442,364	448,224,512
<b>Total shareholders' equity</b>	<b>643,302,316</b>	<b>645,084,464</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 644,583,437</b>	<b>\$ 646,092,449</b>



# THE CORPORATION OF THE CITY OF VAUGHAN

**DRAFT** Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

## 4. Investment in Hydro Vaughan Corporations (continued):

Results of operations and non-operations:

	2019	2018
Revenue	\$ 11,118,065	\$ 25,526,142
Expenses	345,215	304,611
Net income	\$ 10,772,850	\$ 25,221,531

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

	2019	2018
Equity	\$ 544,317,643	\$ 550,858,189
Notes receivable	84,133,025	84,133,025
Accrued interest on notes receivable	869,645	869,645
Investment in Hydro Vaughan Corporations	\$ 629,320,313	\$ 635,860,859

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

	2019	2018
Equity pickup in Hydro Vaughan Corporations	\$ 10,772,850	\$ 25,221,531
Payment of deferred interest	—	(8,802,016)
Gain on merger	989,605	—
Decrease in equity interest	(1,998,163)	(2,211,345)
Return of capital	(1,998,163)	(2,211,345)
Dividend	(14,306,675)	(12,650,671)
Net change in investment in Hydro Vaughan Corporations	(6,540,546)	(653,846)
Opening investment in Hydro Vaughan Corporations	635,860,859	636,514,705
Closing investment in Hydro Vaughan Corporations	\$ 629,320,313	\$ 635,860,859

# THE CORPORATION OF THE CITY OF VAUGHAN

## **DRAFT** Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

### **4. Investment in Hydro Vaughan Corporations (continued):**

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 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:

	2019	2018
Post-retirement non-pension benefits <sup>(d)</sup>	\$ 129,931,784	\$ 120,859,117
Vacation entitlements <sup>(c)</sup>	7,626,387	6,648,433
WSIB <sup>(b)</sup>	7,220,400	6,711,206
	<b>\$ 144,778,571</b>	<b>\$ 134,218,756</b>

#### **(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 \$31,186,897 in 2019 (2018 - \$29,091,253), of which \$15,613,181 (2018 - \$14,586,957) represented the City's portion.

# THE CORPORATION OF THE CITY OF VAUGHAN

## **DRAFT** Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

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### **5. Employee future benefits (continued):**

#### **(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 \$7,220,400 (2018 - \$6,711,206) 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.

#### **(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 \$7,626,387 (2018 - \$6,648,433).

#### **(d) Post-retirement non-pension benefits:**

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

The projected benefit liability for active employees and retirees at December 31, 2019 of \$129,931,784 (2018 - \$120,859,117) and the expense for the year ended December 31, 2019 of \$11,178,920 (2018 - \$10,895,324) was determined by actuarial valuation using a discount rate of 3.5% (2018 - 3.5%).

# THE CORPORATION OF THE CITY OF VAUGHAN

## **DRAFT** Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

### 5. Employee future benefits (continued):

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

	2019	2018
Accrued benefit liability:		
Balance, end of prior year	\$ 120,859,117	\$ 111,867,453
Amortization of actuarial loss	256,730	256,729
Service cost	6,397,250	6,415,204
Interest cost	4,524,940	4,223,391
Benefits paid	(2,106,253)	(1,903,660)
<b>Accrued benefit liability</b>	<b>129,931,784</b>	<b>120,859,117</b>
Unamortized actuarial loss	2,824,025	3,089,755
Projected accrued benefit obligation, end of year, as determined by actuarial valuation	\$ 132,755,809	\$ 123,948,872

Components of benefit expense:

	2019	2018
Service cost	\$ 6,397,250	\$ 6,415,204
Interest cost	4,524,940	4,223,391
Amortization of actuarial loss	256,730	256,729
<b>Benefit expense</b>	<b>\$ 11,178,920</b>	<b>\$ 10,895,324</b>

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% (2018 - 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.

# THE CORPORATION OF THE CITY OF VAUGHAN

## **DRAFT** Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

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### **5. Employee future benefits (continued):**

#### (iii) Medical costs:

Medical costs were assumed to increase at 5.90% in 2019 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 2019 and thereafter.

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

### **6. Deferred revenue:**

#### (a) Deposits and deferred revenue:

Deposits and deferred revenue as at December 31, 2019 is \$40,013,432 (2018 - \$40,032,009) and is made up of development security deposits and unearned recreation and licensing revenue.

#### (b) Deferred revenue - obligatory reserve funds:

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

	2019	2018
Recreational land (The Planning Act)	\$ 72,544,521	\$ 67,884,484
Development Charges Act	482,519,449	493,043,286
Sub-divider contributions	15,217,466	13,080,990
Federal gas tax	34,015,694	27,395,908
Building Standards Act	12,233,461	12,847,968
Ontario grants	2,652,245	2,753,115
	<b>\$ 619,182,836</b>	<b>\$ 617,005,751</b>

# THE CORPORATION OF THE CITY OF VAUGHAN

## **DRAFT** Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

### 6. Deferred revenue (continued):

Deferred revenue - obligatory reserve funds continuity schedule:

	Opening balance	Received	Recognized as revenue	Other	Closing balance
Recreational land (The Planning Act)	\$ 67,884,484	\$ 4,740,152	\$ (1,639,409)	\$ 1,559,294	\$ 72,544,521
Development Charges Act	493,043,286	4,622,265	(26,212,793)	11,066,691	482,519,449
Sub-divider contributions	13,080,990	2,111,790	(200,420)	225,106	15,217,466
Federal gas tax	27,395,908	18,643,640	(12,715,242)	691,388	34,015,694
Building Standards Act	12,847,968	—	(875,981)	261,474	12,233,461
Ontario grants	2,753,115	—	(128,267)	27,397	2,652,245
	<b>\$ 617,005,751</b>	<b>\$ 30,117,847</b>	<b>\$ (41,772,112)</b>	<b>\$ 13,831,350</b>	<b>\$ 619,182,836</b>

### 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:

	2019	2018
Debenture debt issued by the Region on the City's behalf:		
Serial debt	\$ 22,942,893	\$ 29,621,590
Debt payable to Block 11 Landowners' Group for Block 11 Valley Road Crossings and Pressure District 6 East, Rutherford Road Trunk Watermain	—	148,750
Debt payable to YMCA for construction of City Library and City Recreation Space in the Vaughan Metropolitan Centre	41,626,270	29,291,392
	<b>\$ 64,569,163</b>	<b>\$ 59,061,732</b>

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.

# THE CORPORATION OF THE CITY OF VAUGHAN

## **DRAFT** Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

### 7. Debenture and other debt (continued):

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 YMCA's obligations are in good standing and no loss has been recognized. The City's obligation outstanding at December 31, 2019 includes accrued construction and interest costs to date.

Principal payments are as follows:

	YMCA	Region	Total
2020	\$ 520,328	\$ 5,733,698	\$ 6,254,026
2021	2,081,314	5,733,698	7,815,012
2022	2,081,314	4,453,098	6,534,412
2023	2,081,314	2,208,400	4,289,714
2024	2,081,314	2,208,400	4,289,714
2025 - 2040	32,780,686	2,605,599	35,386,285
	<b>\$ 41,626,270</b>	<b>\$ 22,942,893</b>	<b>\$ 64,569,163</b>

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

	2019	2018
Principal payments	\$ 6,827,447	\$ 13,576,921
Interest	693,472	881,561
	<b>\$ 7,520,919</b>	<b>\$ 14,458,482</b>

# THE CORPORATION OF THE CITY OF VAUGHAN

**DRAFT** Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

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## 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, 2019

### 9. Tangible capital assets:

	Cost				Accumulated amortization				Net book value, December 31, 2019
	Balance, beginning of year	Acquisitions	Disposals and adjustments	Balance, end of year	Balance, beginning of year	Amortization	Disposals and adjustments	Balance, end of year	
2019									
Land	\$ 6,110,249,558	\$ 396,560,381	\$ —	\$ 6,506,809,939	\$ —	\$ —	\$ —	\$ —	\$ 6,506,809,939
Land improvements	188,200,268	27,983,621	—	216,183,889	90,668,968	6,507,967	—	97,176,935	119,006,954
Buildings and facilities	366,446,656	11,591,329	—	378,037,985	137,924,559	10,841,372	—	148,765,931	229,272,054
Machinery and equipment	40,716,046	3,914,798	(1,893,548)	42,737,296	24,193,168	3,449,895	(1,781,023)	25,862,040	16,875,256
Vehicles	34,648,746	3,357,880	(1,561,236)	36,445,390	22,196,483	2,009,277	(1,495,701)	22,710,059	13,735,331
Furniture and fixtures	11,736,405	709,590	(65,450)	12,380,545	6,809,849	632,238	(65,450)	7,376,637	5,003,908
Information technology	9,051,025	1,706,813	—	10,757,838	6,310,193	1,172,349	—	7,482,542	3,275,296
Leasehold improvements	3,110,393	—	—	3,110,393	2,554,919	16,803	—	2,571,722	538,671
Roads infrastructure	1,031,803,933	37,875,170	(253,098)	1,069,426,005	483,871,128	30,096,621	(248,198)	513,719,551	555,706,454
Water and sewer infrastructure	1,756,224,390	58,418,944	(357,744)	1,814,285,590	400,359,639	21,948,123	(310,962)	421,996,800	1,392,288,790
Assets under construction	174,061,011	26,843,108	(1,648,968)	199,255,151	—	—	—	—	199,255,151
	\$ 9,726,248,431	\$ 568,961,634	\$ (5,780,044)	\$ 10,289,430,021	\$ 1,174,888,906	\$ 76,674,645	\$ (3,901,334)	\$ 1,247,662,217	\$ 9,041,767,804

	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

# THE CORPORATION OF THE CITY OF VAUGHAN

## **DRAFT** Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

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### **9. Tangible capital assets (continued):**

#### **(a) Assets under construction:**

Assets under construction having a value of \$199,255,151 (2018 - \$174,061,011) 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 \$41,701,433 (2018 - \$37,444,221).

#### **(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 \$486,611,658 (2018 - \$316,239,032) comprising of land and land improvements of \$397,333,851 (2018 - \$260,831,461), roads infrastructure of \$33,860,057 (2018 - \$21,124,899), and water and wastewater and stormwater infrastructure of \$55,417,750 (2018 - \$34,282,672).

#### **(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, 2019

### 10. Accumulated surplus (deficit):

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

	2019	2018
Surplus (deficit):		
Investment in tangible capital assets	\$ 9,041,767,804	\$ 8,551,359,525
Amounts to be recovered in future years:		
From future revenue	(129,147,500)	(130,545,724)
From reserves and reserve funds on hand	(29,932,613)	(25,648,194)
Investment in Hydro Vaughan Corporations (note 4)	629,320,313	635,860,859
Other	(192,947,911)	(187,728,899)
	9,319,060,093	8,843,297,567
Reserves set aside for specific purposes by City Council:		
Vehicle replacement	4,229,265	3,931,896
Fire equipment replacement	3,763,753	4,536,101
General working capital	16,926,862	15,981,459
Tax rate stabilization	3,194,424	2,090,520
Waterworks	75,786,134	77,251,496
Wastewater (sanitary sewers)	61,296,174	58,226,519
Stormwater reserve	30,995,153	27,801,947
Keele Valley landfill	529,531	696,544
Heritage Fund	3,616,341	3,374,856
Employee benefits	29,932,613	25,648,194
Buildings	15,766,387	15,479,937
Roads infrastructure	9,203,032	8,220,575
Sale of public lands	7,039,144	6,963,216
Parks infrastructure	5,423,722	5,239,340
Other	20,228,351	17,210,862
Debenture payments	5,370,031	5,250,886
Engineering	1,676,261	1,841,923
Planning	1,767,159	1,032,623
City Hall Funding	29,822	29,160
Expenditure reserve	2,297,875	2,749,278
Capital from taxation	21,603,675	18,644,558
	320,675,709	302,201,890
	\$ 9,639,735,802	\$ 9,145,499,457

# THE CORPORATION OF THE CITY OF VAUGHAN

**DRAFT** Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

## 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:

	2019	2018
Provincial grants:		
General government	\$ 18,352	\$ 80,007
Transportation services	133,884	372,327
Environmental services	1,415,432	4,047,868
Recreation and cultural services	246,645	243,774
Planning and development	331,122	468,769
	<u>2,145,435</u>	<u>5,212,745</u>
Federal grants:		
General government	780,520	363,858
Transportation services	9,400,036	8,839,256
Environmental services	4,935,743	8,323,090
Recreation and cultural services	828,512	1,683,998
Planning and development	34,789	—
	<u>15,979,600</u>	<u>19,210,202</u>
	<u>\$ 18,125,035</u>	<u>\$ 24,422,947</u>

## 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, 2019

### 12. Segmented information (continued):

2019	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	\$ 28,138,240	\$ 32,136,831	\$ 23,775,461	\$ 76,679,089	\$ 84,532	\$ 41,558,642	\$ 9,590,255	\$ —	\$ 211,963,050
Municipal accommodation tax	—	—	—	—	—	—	2,117,140	—	2,117,140
User charges	6,594,653	7,207,133	544,271	2,113,198	101,083	21,631,168	25,999,463	—	64,190,969
Water and sewer billings	—	—	—	162,355,455	—	—	—	—	162,355,455
Government transfers	798,872	—	9,533,920	6,351,175	—	1,075,157	365,911	—	18,125,035
Investment income	1,151,700	1,315,363	973,132	3,138,481	3,460	1,700,999	392,530	—	8,675,665
Penalties and interest on taxes	766,508	875,433	647,663	2,088,799	2,303	1,132,090	261,246	—	5,774,042
Other fees and services	94,172	20,334	885,370	29,649	263,277	1,517,488	466,896	—	3,277,186
Contributions from developers	(1,246)	4,413,417	15,621,169	(258,587)	—	5,715,989	1,679,819	—	27,170,561
Contributed assets	—	—	—	—	—	—	—	486,611,658	486,611,658
Hydro Vaughan Corporations	—	—	—	—	—	—	—	14,223,070	14,223,070
	37,542,899	45,968,511	51,980,986	252,497,259	454,655	74,331,533	40,873,260	500,834,728	1,004,483,831
Expenses:									
Salaries and benefits	48,095,059	69,482,304	5,023,545	10,177,338	25,307	60,919,174	20,505,090	—	214,227,817
Goods and services	21,499,798	4,116,778	18,932,173	141,099,572	135,648	18,125,387	1,723,472	—	205,632,828
Long-term debt interest	—	—	693,472	—	—	—	—	—	693,472
Other	(3,301,169)	(61,413)	(17,758)	6,807,772	36,075	196,091	(1,977,313)	—	1,682,285
Corporate support allocation	2,352,896	8,616,796	2,903,890	19,285,835	23,968	9,361,433	2,365,440	(44,910,258)	—
Gain (loss) on disposal of tangible capital assets	(2,106,793)	(6,291)	439,662	45,271	—	3,369,689	—	—	1,741,538
Amortization of tangible capital assets	5,981,360	1,841,995	31,202,986	22,570,555	—	14,994,916	82,833	—	76,674,645
Other capital related	1,042,532	27,300	2,979,810	480,930	—	1,682,848	2,372,923	—	8,586,343
	73,563,683	84,017,469	62,157,780	200,467,273	220,998	108,649,538	25,072,445	(44,910,258)	509,238,928
Annual surplus (deficit) before the undernoted	(36,020,784)	(38,048,958)	(10,176,794)	52,029,986	233,657	(34,318,005)	15,800,815	545,744,986	495,244,903
Gain on merger of Alectra Inc. with Guelph Hydro Electric Systems Inc.	—	—	—	—	—	—	—	989,605	989,605
Adjustment for the decrease of the City's equity interest in the net assets of Alectra Inc. (note 4)	—	—	—	—	—	—	—	(1,998,163)	(1,998,163)
Annual surplus (deficit)	\$ (36,020,784)	\$ (38,048,958)	\$ (10,176,794)	\$ 52,029,986	\$ 233,657	\$ (34,318,005)	\$ 15,800,815	\$ 544,736,428	\$ 494,236,345

# THE CORPORATION OF THE CITY OF VAUGHAN

## **DRAFT** Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

### 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
Government transfers	443,865	—	9,211,583	12,370,958	—	1,927,772	468,769	—	24,422,947
Investment income	808,844	926,453	1,090,006	1,941,962	2,652	1,117,714	244,509	—	6,132,140
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
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
Contributions from developers	45,609	2,064,414	31,146,834	(5,531,260)	—	35,151,521	1,710,440	—	64,587,558
Contributed assets	—	—	—	—	—	—	—	316,239,032	316,239,032
Hydro Vaughan Corporations	—	—	—	—	—	—	—	28,965,214	28,965,214
	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)	—
Gain (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 decrease of the City's equity interest in the net assets of Alectra Inc. (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, 2019

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### **12. Segmented information (continued):**

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

(a) General government:

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

(b) Protection to persons and property:

Protection comprises the administration and operations of the Fire 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, 2019

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### **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 parks 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, 2019

### 13. Budget data:

The budget data presented in these consolidated financial statements is based upon the 2019 operating and capital budgets approved by Council on February 20, 2019. 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	\$ 310,333,389
Water, wastewater and stormwater budget	180,016,690
Capital budget	165,758,261
Add (less):	
Transfers from other funds	(85,720,960)
Proceeds from debt issue	(15,140,070)
Other adjustments	(2,141,193)
Hospital levy	7,094,339
	560,200,456
Expenses:	
Operating budget	310,333,389
Water, wastewater and stormwater budget	180,016,690
Capital budget	165,758,261
Add (less):	
Transfers to other funds	(52,026,113)
Debt principal payments	(6,858,700)
Other adjustments	(1,251,194)
Hospital levy	7,094,339
	603,066,672
Annual deficit	\$ (42,866,216)

### 14. Trust funds:

Trust funds administered by the City amounting to \$1,451,605 (2018 - \$1,411,960) 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, 2019

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### **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 \$40.8 million (for the period 2020 to 2023). The City has also entered into a number of third party contracts to provide shared services with estimated future recoveries of \$5.6 million (for the period 2020 to 2021). Future revenues from lease agreements for City-owned properties are approximately \$2.3 million (for the period 2020 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:

---

2020	\$ 56,350,000
2021	38,564,000
2022	24,794,000
2023	19,872,000
2024	16,903,000
Thereafter	46,519,000
	<hr/>
	\$ 203,002,000

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#### (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, 2019 is \$3.3 million (2018 - \$3.7 million), is in good standing and no loss has been recognized.

# THE CORPORATION OF THE CITY OF VAUGHAN

## **DRAFT** Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

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### **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, 2019 is \$2.95 million (2018 - \$3.4 million), is in good standing and no loss has been recognized.

(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 2019 is \$1.9 million in net charges to the City by Alectra. A new five-year agreement was finalized in 2016 before the merger with Alectra in February 2017 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, 2019 is approximately \$302.0 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, 2019

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### **17. Subsequent event and contingencies:**

#### **(a) Subsequent event:**

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian, Ontario and local governments, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally and in Ontario resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions, however, the success of these interventions is not currently determinable.

The City of Vaughan declared a state of emergency under the Emergency Management Act Ontario on March 17, 2020. The declaration of a state of emergency provides the Mayor with the ability to take action and make orders, as necessary, to protect the health, safety and welfare of residents. In addition, at the time of approval of these consolidated financial statements, the activities undertaken by the City of Vaughan in response to the pandemic include:

- Declaration of a State of Emergency and activation of the City's Emergency Operations Centre;
- Establishment of a COVID-19 Task Force led by Fire and Rescue Services and the Emergency Management Office to coordinate the City's response to the pandemic and activities to help flatten the curve;
- Closure of all City facilities and park amenities including refunds issued without penalty for all cancelled camps, programs and permits;
- Additional safety measures and protocols in all aspects of the City's operations and service delivery;
- Financial assistance with respect to deferral of property taxes (waived late payment penalty on the Interim billing until July 1);
- Deferred renewals of Business Licenses for existing businesses by up to 90 days;
- Deferred monthly rent payments for not-for-profit Tenants within City-owned facilities for three months (April to June);

# THE CORPORATION OF THE CITY OF VAUGHAN

## **DRAFT** Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

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### **17. Subsequent event and contingencies (continued):**

- Suspension of collection of Municipal Accommodation Tax until September 1;
- Deferral of the annual Stormwater Charge for 60 days;
- Cancellation of the 2020 Water and Wastewater rate increases planned for April 1; and
- Implemented workforce re-balancing measures, including temporary layoffs for non-essential staff who are unable to work from home, re-deployments and organizational re-alignments.

The current challenging economic climate may lead to adverse changes in cash flows, reduction of service levels and budgetary constraints, which may also have a direct impact on the City's revenues, annual surplus or deficit and reserve and reserve funds in the future. The situation is dynamic and the ultimate duration and magnitude of the impact on the City, surrounding economy, and services are not known at this time.

At this time, these factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect is not practicable at this time.

#### **(b) 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.

***DRAFT #6***  
***August 24, 2020***

Financial Statements of

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

And Independent Auditors' Report thereon

Year ended December 31, 2019

## 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, 2019
- 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, 2019, 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

September 29, 2020

# THE CORPORATION OF THE CITY OF VAUGHAN PUBLIC LIBRARY BOARD

## ***DRAFT*** Statement of Financial Position

December 31, 2019, with comparative information for 2018

	2019	2018
<b>Financial Assets</b>		
Cash	\$ 149,268	\$ 8,172
Due from the City of Vaughan (note 5)	252,858	210,356
	402,126	218,528
<b>Financial Liabilities</b>		
Accounts payable and accrued liabilities	403,915	193,611
Employee future benefits (note 2(b))	6,965,000	6,810,000
Deferred revenue	35,145	37,863
	7,404,060	7,041,474
Net debt	(7,001,934)	(6,822,946)
<b>Non-Financial Assets</b>		
Prepaid expenses	36,934	12,946
Tangible capital assets (note 3)	8,937,882	9,218,063
	8,974,816	9,231,009
Subsequent event (note 7)		
Accumulated surplus (note 4)	\$ 1,972,882	\$ 2,408,063

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, 2019, with comparative information for 2018

	Budget 2019 (note 6)	Actual 2019	Actual 2018
Revenue:			
Municipal contributions (note 5)	\$ 17,171,688	\$ 19,230,195	\$ 18,872,578
Grants and subsidies	145,200	189,819	209,344
Fees, rental and sundry	433,500	444,260	382,478
	17,750,388	19,864,274	19,464,400
Expenses:			
Salaries and wages	11,909,423	12,084,393	11,159,093
Employee benefits	2,968,560	3,080,739	2,796,833
General administration	795,400	844,162	867,561
Periodicals	528,800	533,378	432,886
Maintenance and repairs	537,000	494,486	551,633
Utilities	447,845	410,434	386,948
Office furniture and technology	258,660	267,328	356,415
Cleaning services	140,200	137,712	122,520
Programmes	57,900	86,153	78,754
Supplies	85,600	67,788	87,429
Consulting and outside services	21,000	21,982	20,225
Amortization of tangible capital assets (note 3)	—	2,270,900	2,123,774
	17,750,388	20,299,455	18,984,071
Annual surplus (deficit)	—	(435,181)	480,329
Accumulated surplus, beginning of year	2,408,063	2,408,063	1,927,734
Accumulated surplus, end of year	\$ 2,408,063	\$ 1,972,882	\$ 2,408,063

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, 2019, with comparative information for 2018

	2019	2018
Annual surplus (deficit)	\$ (435,181)	\$ 480,329
Net increase in prepaid expenses	(23,988)	(4,648)
Purchase of tangible capital assets	(1,990,719)	(2,765,409)
Amortization of tangible capital assets	2,270,900	2,123,774
Loss on disposal of tangible capital assets	—	4,306
Increase in net debt	(178,988)	(161,648)
Net debt, beginning of year	(6,822,946)	(6,661,298)
Net debt, end of year	\$ (7,001,934)	\$ (6,822,946)

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, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Annual surplus (deficit)	\$ (435,181)	\$ 480,329
Items not involving cash:		
Amortization of tangible capital assets	2,270,900	2,123,774
Loss on disposal of tangible capital assets	—	4,306
Increase in employee future benefits	155,000	157,000
Change in non-cash assets and liabilities:		
Due from the City of Vaughan	(42,502)	100,029
Accounts payable and accrued liabilities	210,304	(58,983)
Deferred revenue	(2,718)	(32,674)
Prepaid expenses	(23,988)	(4,648)
	2,131,815	2,769,133
Capital activities:		
Purchase of tangible capital assets	(1,990,719)	(2,765,409)
Increase in cash	141,096	3,724
Cash, beginning of year	8,172	4,448
Cash, end of year	\$ 149,268	\$ 8,172

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, 2019

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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, 2019

---

### **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
Vehicle	7 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.

# THE CORPORATION OF THE CITY OF VAUGHAN PUBLIC LIBRARY BOARD

## ***DRAFT*** Notes to Financial Statements (continued)

Year ended December 31, 2019

---

### **1. Significant accounting policies (continued):**

#### (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.

#### (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, 2019

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### **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 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 2019 are reflected on the statement of operations and accumulated surplus and in note 6. Actual revenue and expenses may differ significantly from annual budgets.

### **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 \$1,932,000 in 2019 (2018 - \$1,838,000), of which \$966,000 (2018 - \$919,000) represented the Library's portion.

# THE CORPORATION OF THE CITY OF VAUGHAN PUBLIC LIBRARY BOARD

## ***DRAFT*** Notes to Financial Statements (continued)

Year ended December 31, 2019

### **2. Employee future benefits (continued):**

#### **(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 liability for active employees and retirees at December 31, 2019 of \$6,548,000 (2018 - \$6,416,000) and the expense for the year ended December 31, 2019 of \$244,000 (2018 - \$237,000) was determined by actuarial valuation using a discount rate of 3.5% (2018 - 3.5%).

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

	2019	2018
Accrued benefit liability:		
Balance, beginning of year	\$ 6,416,000	\$ 6,285,000
Service	205,000	208,000
Interest	173,000	164,000
Amortization of actuarial gain	(134,000)	(135,000)
Benefits paid	(112,000)	(106,000)
<b>Accrued benefit liability</b>	<b>\$ 6,548,000</b>	<b>\$ 6,416,000</b>
Unamortized actuarial gain	(1,483,000)	(1,617,000)
Projected accrued benefit obligation, end of year, as determined by actuarial valuation	\$ 5,065,000	\$ 4,799,000
Components of benefit expense:		
Service	\$ 205,000	\$ 208,000
Interest	173,000	164,000
Amortization of actuarial gain	(134,000)	(135,000)
<b>Benefit expense</b>	<b>\$ 244,000</b>	<b>\$ 237,000</b>

# THE CORPORATION OF THE CITY OF VAUGHAN PUBLIC LIBRARY BOARD

## ***DRAFT*** Notes to Financial Statements (continued)

Year ended December 31, 2019

### 2. Employee future benefits (continued):

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

	2019	2018
Post-retirement non-pension benefits	\$ 6,548,000	\$ 6,416,000
Vacation pay	417,000	394,000
	<b>\$ 6,965,000</b>	<b>\$ 6,810,000</b>

### 3. Tangible capital assets:

Cost	Balance, December 31, 2018	Additions	Disposals	Balance, December 31, 2019
Books	\$ 9,281,218	\$ 1,066,357	\$ 926,593	\$ 9,420,982
Audiovisual materials	4,124,180	656,856	473,282	4,307,754
Furniture and fixtures	2,767,875	93,511	65,449	2,795,937
Equipment	1,578,001	118,820	—	1,696,821
Vehicle	—	55,175	—	55,175
<b>Total</b>	<b>\$ 17,751,274</b>	<b>\$ 1,990,719</b>	<b>\$ 1,465,324</b>	<b>\$ 18,276,669</b>

Accumulated amortization	Balance, December 31, 2018	Amortization expense	Disposals	Balance, December 31, 2019
Books	\$ 4,109,775	\$ 1,368,758	\$ 926,593	\$ 4,551,940
Audiovisual materials	1,918,692	603,601	473,282	2,049,011
Furniture and fixtures	1,616,362	144,025	65,449	1,694,938
Equipment	888,382	149,260	—	1,037,642
Vehicle	—	5,256	—	5,256
<b>Total</b>	<b>\$ 8,533,211</b>	<b>\$ 2,270,900</b>	<b>\$ 1,465,324</b>	<b>\$ 9,338,787</b>

# THE CORPORATION OF THE CITY OF VAUGHAN PUBLIC LIBRARY BOARD

## ***DRAFT*** Notes to Financial Statements (continued)

Year ended December 31, 2019

### **3. Tangible capital assets:**

Net book value	2019	2018
Books	\$ 4,869,042	\$ 5,171,443
Audiovisual materials	2,258,743	2,205,488
Furniture and fixtures	1,100,999	1,151,513
Equipment	659,179	689,619
Vehicle	49,919	—
<b>Total</b>	<b>\$ 8,937,882</b>	<b>\$ 9,218,063</b>

### **4. Accumulated surplus:**

Accumulated surplus consists of the following:

	2019	2018
Surplus invested in tangible capital assets (note 3)	\$ 8,937,882	\$ 9,218,063
Unfunded employee benefits (note 2)	(6,965,000)	(6,810,000)
	<b>\$ 1,972,882</b>	<b>\$ 2,408,063</b>

### **5. Related party transactions and balance:**

During the year, the Library received municipal contributions from the City of Vaughan of \$19,230,195 (2018 - \$18,872,578).

Amounts due from the City of Vaughan of \$252,858 (2018 - \$210,356) have no specific terms of repayment and the amounts do not bear any interest due from the City of Vaughan.

# THE CORPORATION OF THE CITY OF VAUGHAN PUBLIC LIBRARY BOARD

## ***DRAFT*** Notes to Financial Statements (continued)

Year ended December 31, 2019

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### **6. Budget data:**

The audited budget data presented in these financial statements is based upon the 2019 operating and capital budgets approved by the Library on September 13, 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 financial statements.

	Budget amount
Revenue:	
Approved operating budget	\$ 17,750,388
Approved capital budget	38,979,507
	56,729,895
Less elimination of capital expense budget	38,979,507
Total revenue and expense	\$ 17,750,388

### **7. Subsequent event:**

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian, Ontario and local governments, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown.

As of the date these financial statements were approved, the Library was closed as of March 14, 2020 and will reopen after due consideration of Ontario Provincial legislation, York Regional Health advisories, and City of Vaughan declarations. At this time, it is not yet determinable when the Library will be able to fully reopen to the public or the financial impact that this subsequent event will have upon the Library.

***DRAFT #2***  
***August 13, 2020***

Financial Statements of

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

And Independent Auditors' Report thereon

Year ended December 31, 2019

## INDEPENDENT AUDITORS' REPORT

To the Board Members of Kleinburg Business Improvement Area,  
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, 2019
- 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, 2019, 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  
September 29, 2020

# BOARD OF MANAGEMENT FOR THE KLEINBURG BUSINESS IMPROVEMENT AREA

## ***DRAFT*** Statement of Financial Position

December 31, 2019, with comparative information for 2018

	2019	2018
<b>Financial Assets</b>		
Cash	\$ 13,567	\$ 2,462
Taxes receivable	1,838	5,289
	15,405	7,751
<b>Financial Liabilities</b>		
Accounts payable and accrued liabilities	6,763	4,356
Net financial assets	8,642	3,395
<b>Non-Financial Assets</b>		
Prepaid expenses	905	739
Subsequent event (note 3)		
Accumulated surplus	\$ 9,547	\$ 4,134

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, 2019, with comparative information for 2018

	Budget 2019 (note 2(e))	Actual 2019	Actual 2018
Revenue:			
Kleinburg Business Improvement			
Area special area levy	\$ 47,500	\$ 47,500	\$ 46,000
Grants	—	5,469	3,767
Other income	—	122	14,169
Event dollars raised	—	—	1,433
	47,500	53,091	65,369
Expenses:			
Outside contract services	24,500	29,729	37,383
Special events	10,000	6,424	—
Chamber of Commerce partnership	—	4,070	4,520
Advertising and marketing	6,400	2,167	10,631
Miscellaneous	3,400	2,640	2,153
Insurance	1,550	1,548	1,993
Consulting fees	—	1,100	1,801
Street Art	—	—	7,194
OBIAA conference and membership	1,650	—	1,927
Christmas decoration replacement	—	—	3,226
	47,500	47,678	70,828
Annual surplus (deficit)	—	5,413	(5,459)
Accumulated surplus, beginning of year	4,134	4,134	9,593
Accumulated surplus, end of year	\$ 4,134	\$ 9,547	\$ 4,134

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, 2019, with comparative information for 2018

	Budget 2019 (note 2(e))	Actual 2019	Actual 2018
Annual surplus (deficit)	\$ —	\$ 5,413	\$ (5,459)
Use (acquisition) of prepaid expenses	—	(166)	4,517
Increase (decrease) in net financial assets	—	5,247	(942)
Net financial assets, beginning of year	3,395	3,395	4,337
Net financial assets, end of year	\$ 3,395	\$ 8,642	\$ 3,395

See accompanying notes to financial statements.

# BOARD OF MANAGEMENT FOR THE KLEINBURG BUSINESS IMPROVEMENT AREA

## ***DRAFT*** Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operations:		
Annual surplus (deficit)	\$ 5,413	\$ (5,459)
Change in taxes receivable	3,451	(3,561)
Change in prepaid expenses	(166)	4,517
Change in accounts payable and accrued liabilities	2,407	4,356
Increase (decrease) in cash	11,105	(147)
Cash, beginning of year	2,462	2,609
Cash, end of year	\$ 13,567	\$ 2,462

See accompanying notes to financial statements.

# BOARD OF MANAGEMENT FOR THE KLEINBURG BUSINESS IMPROVEMENT AREA

**DRAFT** Notes to Financial Statements

Year ended December 31, 2019

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## 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, 2019

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## **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 February 12, 2019.

## **3. Subsequent event:**

Subsequent to year end, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The COVID-19 pandemic is currently impacting many organizations, as all levels of government are advising individuals to self-isolate or to practice social-distancing. It is currently not known how long or to what extent the pandemic will impact the Board's operations. Currently, an estimate of the financial effect to the Board cannot be made as the pandemic's impact is changing daily.

***DRAFT #3***  
***August 13, 2020***

Financial Statements of

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

And Independent Auditors' Report thereon

Year ended December 31, 2019



## INDEPENDENT AUDITORS' REPORT

To the 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 Trust Funds (the Entity), which comprise:

- the statement of financial position as at December 31, 2019
- the statement of operations and changes in fund balance 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, 2019, 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

September 29, 2020

# THE CORPORATION OF THE CITY OF VAUGHAN TRUST FUNDS

## ***DRAFT*** Statement of Financial Position

December 31, 2019, with comparative information for 2018

	2019	2018
<b>Financial Assets</b>		
Cash	\$ 1,443,990	\$ 1,395,348
Due from The Corporation of the City of Vaughan (note 2)	7,615	16,612
	<b>\$ 1,451,605</b>	<b>\$ 1,411,960</b>
<b>Fund Balance</b>		
	<b>\$ 1,451,605</b>	<b>\$ 1,411,960</b>
Subsequent event (note 3)		
	<b>\$ 1,451,605</b>	<b>\$ 1,411,960</b>

See accompanying notes 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, 2019, with comparative information for 2018

	2019	2018
Sources of funds:		
Capital receipts - sale of plots/markers (note 1(a))	\$ 39,645	\$ 42,808
Interest earned (note 1(a))	32,031	26,196
	<u>71,676</u>	<u>69,004</u>
Use of funds:		
Maintenance (note 1(a))	32,031	26,196
Net activity	39,645	42,808
Fund balance, beginning of year	1,411,960	1,369,152
Fund balance, end of year	<u>\$ 1,451,605</u>	<u>\$ 1,411,960</u>

See accompanying notes to financial statements.

# THE CORPORATION OF THE CITY OF VAUGHAN TRUST FUNDS

## ***DRAFT*** Notes to Financial Statements

Year ended December 31, 2019

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### **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.

### **2. Due from The Corporation of the City of Vaughan:**

The balance due from The Corporation of the City of Vaughan is non-interest bearing and has no specific terms of repayment.

### **3. Subsequent event:**

Subsequent to year end, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The COVID-19 pandemic is currently impacting many organizations, as all levels of government are advising individuals to self-isolate or to practice social-distancing.

It is currently not known how long or to what extent the pandemic will impact the Trust Funds. Currently, an estimate of the financial effect to the Trust Funds cannot be made as the pandemic's impact is changing daily.

***DRAFT #4***  
***July 20, 2020***

Statement of Revenue and Expenditures and  
Fund Balance of

**THE CORPORATION OF THE  
CITY OF VAUGHAN**

MAYOR'S GALA AND GOLF EVENTS

And Independent Auditors' Report thereon

Year ended December 31, 2019

## INDEPENDENT AUDITORS' REPORT

To the Mayor and Members of Council 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 of The Corporation of the City of Vaughan (the Entity) for the year ended December 31, 2019, and notes to the statement, including a summary of significant accounting policies (Hereinafter referred to as the "statement").

In our opinion, except for the possible effects of the matter described in the "***Basis for Qualified Opinion***" section of our auditors' report, the accompanying statement for the year ended December 31, 2019 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 Entity derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Entity.

Therefore, we were not able to determine whether any adjustments might be necessary to:

- the revenues and surpluses reported in the statements of revenue and expenditures and fund balance for the years ended December 31, 2019 and December 31, 2018
- the fund balances, at the beginning and end of the year, reported in the statements of revenue and expenditures and fund balance for the years ended December 31, 2019 and December 31, 2018

Our opinion on the statement for the year ended December 31, 2018 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 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 qualified opinion.

***Emphasis of Matter - Financial Reporting Framework***

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

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 a 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

September 29, 2020

# 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, 2019, with comparative information for 2018

	2019	2018
<b>Mayor's Gala Event</b>		
Revenue:		
Revenue received by City, net of harmonized sales tax	\$ 716,757	\$ 583,467
Expenditures:		
Mayor's Gala Event	197,164	170,439
City administration recovery (note 2)	23,757	23,816
Professional fees	22,865	22,147
	243,786	216,402
Surplus from Mayor's Gala Event	472,971	367,065
<b>Mayor's Golf Tournament</b>		
Revenue:		
Revenue received by City, net of harmonized sales tax	220,628	194,142
Expenditures:		
Mayor's Golf Tournament	83,791	83,539
City administration recovery (note 2)	23,343	23,372
Professional fees	2,366	2,125
	109,500	109,036
Surplus from Mayor's Golf Tournament	111,128	85,106
Total surplus from Mayor's Gala Event and Mayor's Golf Tournament	584,099	452,171
Balance carried forward from previous years	601,188	149,017
Total funds available for distribution	1,185,287	601,188
City distributions to qualified recipients (note 3)	(711,670)	—
Subsequent event (note 4)		
Fund balance, end of year	\$ 473,617	\$ 601,188

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, 2019

---

#### **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.

The purpose of the financial statement is to report on the Mayor's Gala and Golf Events as directed by City Council.

#### **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 2019, \$711,670 distributions (2018 - nil) were made to these qualified recipients.

Included in distributions is \$25,000 paid to the City's RecAssist program, which subsidizes the cost of the City's recreation programs for low income individuals and families in Vaughan, and \$5,000 in support of the City's Earth Hour event.

#### **4. Subsequent event:**

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization. In response to the pandemic, the 2020 Mayor's Gala and Mayor's Classic Golf events have been postponed to 2021. The effect of this event on the Mayor's Gala and Golf Events is not yet determinable.

***DRAFT #3***  
***August 20, 2020***

Financial Statements of

**TOURISM VAUGHAN  
CORPORATION**

And Independent Auditors' Report thereon

Period from May 15, 2019 to December 31, 2019

## 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 financial statements of Tourism Vaughan Corporation (the Entity), which comprise:

- the balance sheet as at December 31, 2019
- the statement of income and retained earnings for the period from May 15, 2019 to December 31, 2019
- the statement of cash flows for the period from May 15, 2019 to December 31, 2019
- 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, 2019, and its results of operations and its cash flows for the period from May 15, 2019 to December 31, 2019 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

September 29, 2020



# TOURISM VAUGHAN CORPORATION

## **DRAFT** Balance Sheet

December 31, 2019

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### Assets

Current assets:

Due from the City of Vaughan (note 2)	\$ 891,624
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	\$ 891,624
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### Liabilities and Shareholder's Equity

Current liabilities:

Accounts payable and accrued liabilities	\$ 5,000
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Shareholder's equity (note 3):

Retained earnings	886,624
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Subsequent event (note 5)

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	\$ 891,624
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See accompanying notes to financial statements.

# TOURISM VAUGHAN CORPORATION

## ***DRAFT*** Statement of Income and Retained Earnings

Period from May 15, 2019 to December 31, 2019

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Revenue:	
Municipal accommodation tax	\$ 1,058,570
Expenses:	
General operating expenses	2,579
Administration fees	16,062
Professional fees	135,439
Salaries and benefits	17,866
	171,946
Net income, being retained earnings, end of period	\$ 886,624

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See accompanying notes to financial statements.

# TOURISM VAUGHAN CORPORATION

## ***DRAFT*** Statement of Cash Flows

Period from May 15, 2019 to December 31, 2019

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Cash provided by (used in):

Operations:

Net income	\$ 886,624
Change in non-cash operating working capital:	
Due from the City of Vaughan	(891,624)
Accounts payable and accrued liabilities	5,000

---

Increase in cash and cash equivalents,	
being cash and cash equivalents, end of period	\$ —

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See accompanying notes to financial statements.

# TOURISM VAUGHAN CORPORATION

## **DRAFT** Notes to Financial Statements

Period from May 15, 2019 to December 31, 2019

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Tourism Vaughan Corporation (the "Corporation") is a municipal services corporation incorporated pursuant to Ontario Regulation 599/06 - Municipal Services Corporations, a regulation under the Municipal Act, 2001.

The Corporation was established to promote and market the city of Vaughan as a leading destination for tourism, leisure and business travel.

The Corporation of the City of Vaughan (the "City of Vaughan") passed a by-law effective April 1, 2019 charging a 4% municipal accommodation tax levy on the purchase of transient accommodation such as hotels, motels and bed and breakfast establishments.

By regulation, 50% of this levy must be transferred from the City of Vaughan to the Corporation to expend for the purposes of expanding tourism in the city of Vaughan.

The Corporation's operations shall be conducted without the purpose of gain for its sole member, the City of Vaughan. Any profits will be used in promoting the objective of enhancing tourism in the city of Vaughan.

### **1. Significant accounting policies:**

These financial statements have been prepared 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 Corporation are as follows:

#### **(a) Basis of accounting:**

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

#### **(b) 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.

# TOURISM VAUGHAN CORPORATION

## **DRAFT** Notes to Financial Statements (continued)

Period from May 15, 2019 to December 31, 2019

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### **1. Significant accounting policies (continued):**

#### **(c) Government transfers:**

Government transfers are recognized in the financial statements as revenue in the period in which the 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.

#### **(d) Financial instruments:**

Financial instruments except freestanding derivatives, are initially recorded at fair value. Equity instruments are thereafter carried at cost. Interest bearing assets and liabilities are subsequently accounted for at amortized cost using the effective interest method.

When there is a loss in value of a financial asset that is other than temporary, the asset is written down and the loss is recorded in the statement of income and retained earnings. The write-down is not reversed if there is a subsequent increase in value.

Freestanding derivatives are recorded at fair value with changes in fair value being recorded in the statement of income and retained earnings.

Derivative financial instruments in an effective hedging relationship are accounted for using the accrual method.

No financial statement recognition is given to embedded derivatives or non-financial contracts with derivative characteristics.

#### **(e) 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 period. Actual results could differ from those estimates.

# TOURISM VAUGHAN CORPORATION

## **DRAFT** Notes to Financial Statements (continued)

Period from May 15, 2019 to December 31, 2019

### **2. Due from the City of Vaughan:**

The amount due from the City of Vaughan is as follows:

Municipal accommodation tax revenue	\$ 1,058,570
Less cumulative amount of the Corporation's expenses paid by the City of Vaughan	166,946
	<u>\$ 891,624</u>

### **3. Share capital:**

The Corporation was incorporated without share capital. The Corporation of the City of Vaughan is the only member. The Corporation is limited to providing services to owners or members of the Corporation on behalf of the City of Vaughan in lieu of the municipality providing those services itself.

### **4. Fair value of financial assets and financial liabilities:**

The fair value of the Corporation's accounts payable and accrued liabilities approximates its carrying amount due to the relatively short period to maturity of this financial instrument.

The fair value of the amounts due from the City of Vaughan are determinable and are transacted at fair market value.

### **5. Subsequent event:**

Subsequent to year end, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The COVID-19 pandemic is currently impacting many organizations, as all levels of government are advising individuals to self-isolate or to practice social-distancing.

It is currently not known how long or to what extent the pandemic will impact the Corporation. Currently, an estimate of the financial effect to the Corporation cannot be made as the pandemic's impact is changing daily.

# The Corporation of the City of Vaughan

Audit Findings Report  
for the year ended December 31, 2019

*KPMG LLP*

Licensed Public Accountants

Prepared August 19, 2020

Presented September 22, 2020

[kpmg.ca/audit](http://kpmg.ca/audit)



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# Executive summary

## Purpose of this report<sup>1</sup>

The purpose of this Audit Findings Report is to assist you, as a member of the Committee of the Whole (2), in your review of the results of our audit of the consolidated financial statements of the Corporation of the City of Vaughan (the “City” or the “Entity”) for the year ended December 31, 2019.

### Changes from the Audit Plan

The significant changes from our audit plan resulted from COVID-19, which impacts the City's operations subsequent to December 31, 2019. As a result of the pandemic, our audit approach and plan was adjusted to incorporate additional elements, testing and discussions with management, as well as the way in which we conducted our audit. The timing of the year-end audit took place in July. Subsequent events were assessed as part of our audit. See pages 4 and 15.

There have been no other significant changes.

### Finalizing the Audit

As of the date of this report, we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include amongst others:

- Completing our discussions with the Committee
- Completing subsequent events procedures, up to the date of approval of the financial statements, including receipt of the final legal enquiry letter
- Receipt of the signed management representation letter (dated upon City Council approval of the financial statements)
- Obtaining evidence of City Council's approval of the financial statements

We will update the Committee, and not solely the Chair, 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.

### Financial statement presentation and disclosure

The presentation and disclosure of the consolidated financial statements are, in all material respects, in accordance with the City's relevant financial reporting framework, Canadian public sector accounting standards.

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<sup>1</sup> This Audit Findings Report should not be used for any other purpose or by anyone other than the Committee of the Whole (2), City Council, and Management of the Entity. 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 (continued)

## Significant accounting policies and practices

There was no change to the significant accounting policies during the year.

The City adopted a new public sector accounting standard in 2019. See page 14 for considerations regarding the implementation of the new standard in the current year financial statements.

## 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.

See page 16 for additional information.

## Control and other observations

We did not identify any control deficiencies that we determined to be significant deficiencies in internal control over financial reporting. We do, however, provide our observations and recommendations on best practices on page 18.

## Accounting estimates

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

The areas of estimates relate to the carrying value of tangible capital assets, provisions for certain accrued liabilities, including obligations related to employee future benefits and provisions for liabilities arising from legal claims.

See pages 10 and 11.

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.

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

## Financial impact of COVID-19

We have discussed the impact of COVID-19 on the operations of the City with management. Due to the uncertainty of the future financial impact to the City, management has added a subsequent event to the notes to the financial statements. See page 15 for additional information.

See also page 4 for considerations in our audit and for resources.

# Materiality

Materiality determination	Comments	Group amount
<b>Materiality</b>	<p>Determined to plan and perform the audit and to evaluate the effects of identified misstatements on the audit and of any uncorrected misstatements on the financial statements.</p> <p>The corresponding amount for the prior year's audit was \$17,000,000.</p>	\$17,000,000
<b>Benchmark</b>	<p>Determined during our planning stage, and based on prior year total revenues as an estimate for revenue.</p> <p>This benchmark is consistent with the prior year.</p>	\$863,000,000
<b>% of Benchmark</b>	<p>This is within the acceptable range of 0.5 to 3%.</p> <p>The corresponding percentage for the prior year's audit was 2%.</p>	2%
<b>Audit Misstatement Posting Threshold (AMPT)</b>	<p>Threshold used to accumulate misstatements identified during the audit.</p> <p>The corresponding amount for the prior year's audit was \$850,000.</p>	\$850,000
Significant Component Statutory Audit Materiality:		Amount
<b>VHI</b>	Materiality for the audit of VHI, determined to be within the City of Vaughan's group audit requirements. The corresponding amount for the prior year's audit was \$8.6M.	\$5,500,000
<b>Alectra</b>	<p>Group Materiality for the audit of Alectra.</p> <p>Alectra materiality specific to the City of Vaughan group audit – 20.5%.</p> <p>The corresponding amounts for the prior year's audit was 21.49% and \$9,240,000.</p>	<p>\$49,000,000</p> <p>\$10,045,000</p>

Materiality is used to scope the audit, identify risks of material misstatements and evaluate the level at which we think misstatements will reasonably influence users of the financial statements. It considers both quantitative and qualitative factors.

To respond to aggregation risk, we design our procedures to detect misstatements at a lower level of materiality.

## We have reported to the Committee:



Corrected audit misstatements



Uncorrected audit misstatements

See page 16.

# Audit Response to COVID-19 Pandemic

COVID-19 was a key consideration in our audit approach for the December 31, 2019 financial statements.

Audit implications	Subsequent event considerations
<p>Planning and risk assessment</p> <ul style="list-style-type: none"><li>• We obtained an understanding of the actual and potential financial reporting impacts, the changes in environment, and their impact on our:<ul style="list-style-type: none"><li>◦ identified and assessed risks of material misstatement</li><li>◦ audit strategy, including the involvement of others and the nature, timing and extent of tests of controls and substantive procedures</li></ul></li></ul> <p>Executing</p> <ul style="list-style-type: none"><li>• We performed a remote audit in July, which included increased use of collaboration tools.</li><li>• Increased use of electronic evidence (and understanding the Entity's processes to provide such evidence to us)</li></ul> <p>Enhanced considerations</p> <ul style="list-style-type: none"><li>• We discussed any financial implications and actions undertaken by the City with management in relation to COVID-19, including:<ul style="list-style-type: none"><li>◦ Events or conditions that cast significant doubt regarding going concern and other indicators of financial distress</li><li>◦ Impairment of non-financial assets (e.g., tangible capital assets)</li><li>◦ Impairment of financial assets (e.g., financial instruments, such as investments and receivables)</li><li>◦ Provisions and contingencies</li></ul></li></ul>	<p>Subsequent to year-end, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market, and social dislocating impact. As such, enhanced subsequent event procedures are warranted.</p> <p>There are two types of subsequent events, with the accounting treatment dependent on the categorization as follows:</p> <ul style="list-style-type: none"><li>• Events that provide future evidence of conditions that existed at the financial statement date. For these conditions, the financial statements should be adjusted for measurable impact to the assets, liabilities, revenues and expenditures.</li><li>• Events that are indicative of conditions that arose subsequent to the financial statement date. For these conditions, disclosures, at a minimum, should include a description of the event and an estimate of the financial impact, when practicable, or a statement that an estimate cannot be made.</li></ul> <p>We discussed the types of subsequent events with management and the impact on the City's financial statement disclosures. A subsequent event note disclosure is included in note 17(a) to the financial statements.</p>
Potential financial reporting implications	Resources

Refer to our [COVID-19 Financial Reporting](#) site for considerations of potential ongoing impacts to financial reporting.

## [COVID-19 Alerts \(Live Link\)](#)

Please visit our COVID-19 website for resources regarding operational topics, including tax, legal and business continuity considerations. This site is being updated daily based on information being released by Federal, Provincial and Municipal news releases.

# Audit risks and results

We highlight our significant findings in respect of significant financial reporting risks.

## 1 Significant Risk

Fraud risk from revenue recognition

### Significant financial reporting risk

Fraud risk from revenue recognition.

### Why is it significant?

This is a presumed fraud risk, as required under our professional auditing standards.

The primary risk of fraudulent revenue recognition resides with manual journal entries for revenue transactions not in the normal course of business as well as management's calculation of the deferred revenue – obligatory reserve funds balance.

### 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 contributions from developers 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, and approvals of journal entries.

Other audit procedures included:

- Tested journal entries that are susceptible to manipulation through management override and unusual journal entries. See further details on page 12.
- As part of our audit approach to address the inherent risk of error in revenue recognition, we substantively tested revenues (both recognized and amounts held as deferred at year end) and analyzed unspent obligatory reserve funds through auditing management's methodology.
- Substantively tested development charges and other obligatory reserves cash receipts.
- 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 2019 were used to fund eligible 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

## 2 Significant Risk

Fraud risk from management override of controls

### Significant financial reporting risk

Fraud risk from management override of controls.

### Why is it significant?

This is a presumed fraud risk, as required under our professional auditing standards.

We have not identified any specific additional risks of management override relating to this audit.

### Our response and significant findings

As the risk is not rebuttable, our audit methodology incorporates the required procedures in professional standards to address this risk. These procedures include testing of journal entries and other adjustments, performing a retrospective review of estimates, as relevant, and evaluating the business rationale of significant unusual transactions.

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. Using these extractions, we selected a sample of journal entries and verified if they were supported by proper documentation and followed the journal entry initiation and approval controls and process in place. We did not find any exceptions in our testing over journal entries. Please see page 12 for details and results.
- Evaluated the completeness of the journal entry population through a roll-forward of all general ledger accounts.
- We evaluated the reasonableness of estimates. We found that management's process for identifying accounting estimates is considered adequate.
- We did not identify 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 areas of focus are as follows:

## 3 Area of focus Vaughan Holdings Inc.

### Other area of focus

- We assessed Vaughan Holdings Inc. (“VHI”) as a significant component of the City’s consolidated financial statements.

### Our response and significant findings

- The City recognizes its investment in Hydro Vaughan Corporations using the modified equity method. Using the criteria under Public Sector Accounting Standards (“PSA Standards”) PS 3070 – Investment in Government Business Enterprises, we determined that the City’s investment in Hydro Vaughan Corporations continues to meet the criteria of the standard, and therefore it is appropriate to continue to record the investment using the modified equity method of accounting.
- In 2019, the City’s share of Hydro Vaughan Corporations’ net income and dividends paid out totalled \$10.8M and \$14.3M, respectively (2018 - \$25.2M and \$12.7M, respectively).
- VHI received a \$1.9M (2018 - \$2.2M) return of capital from Alectra, which was recorded as a reduction to VHI’s investment in Alectra. VHI issued a similar return of capital of \$1.9M to the City.
- On January 1, 2019, Alectra amalgamated 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% and also resulted in a net gain to the City, through VHI, of \$989.6K.
- 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, 2019.
- **Based on our audit, we conclude that management has appropriately recorded and presented its investment in Hydro Vaughan Corporations using modified equity accounting.**

# Other areas of focus

## 4 Area of focus YMCA Project

### Other area of focus

- In 2017, the City entered into an arrangement with YMCA of Greater Toronto Area (“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 City is funding a significant portion of the construction costs and is guarantor to the YMCA’s share of financing.

### Our response and significant findings

- 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%.
- The City is funding its 30% share of the facility and 2/3 of YMCA’s 70% share of the facility.
- 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, 2019, the City has incurred a cumulative \$53.0M (2018 - \$40.5M) on the project, comprising:
 

(millions)	<u>2019</u>	<u>2018</u>
Land	\$11.0	\$11.0
Land transfer tax	1.5	1.5
The City’s portion of the facility	15.6	10.8
The YMCA’s portion of the facility	<u>24.9</u>	<u>17.2</u>
	\$53.0	\$40.5
- The City has reported the \$53.0M (2018 - \$40.5M) as assets under construction as part of its tangible capital assets. A total of \$11.4M (2018 - \$11.4M) has been paid by the City with a remainder of \$41.6M (2018 - \$29.3M) 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 2019. We obtained direct confirmation from YMCA of the long term debt and repayment schedule owing to them, including confirmation that YMCA has not defaulted on their loan with OILC as at December 31, 2019, and confirmed with management subsequently up to the date of this report.
- **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 areas of focus

5

## Area of focus

## Municipal Accommodation Tax

### Other area of focus

- Municipal Accommodation tax revenue (MAT) is a new revenue source for the City in 2019.
- The City incorporated a new municipal services corporation called Tourism Vaughan Corporation to carry out tourism promotion activities using 50% of MAT revenue.

### Our response and significant findings

- The Municipal Act allows a local municipality to impose a transient accommodation tax and the City has done so by passing By-Law 029-2019, which, effective April 1, 2019, requires accommodation providers to charge a 4% municipal accommodation tax. For the 2019 year, the total amount recorded as revenue of the City is \$2.1M.
- In May 2019, Tourism Vaughan Corporation was incorporated. 50% of MAT revenues collected by the City is transferred to Tourism Vaughan, with the business objective of tourism promotion in the city of Vaughan. Expenses related to such tourism promotion activities are recorded as expenses of Tourism Vaughan, unless shared expenses are mutually beneficial to the City, in which case, the costs are allocated between the two entities.
- As Tourism Vaughan is controlled by the City, its accounts are consolidated with the City and reported in the consolidated financial statements.
- The remaining 50% of MAT revenues retained, and unspent, by the City, are maintained in a discretionary reserve fund with a balance of \$865K at the end of 2019.
- We selected a sample of revenues and tested their collections to cash receipts and remittance forms submitted by accommodation providers. We also tested expenses by sampling expenses and testing selected items to invoices and other supporting documentation.
- **We did not note any issues with municipal accommodation tax revenue or amounts reported in the Tourism Vaughan Corporation financial statements.**

# Other areas of focus - estimates

## 6 Area of focus Employee Future Benefits

### Other area of focus

- There is estimation uncertainty due to assumptions and estimates used by the actuary in calculating the liability for Employee Future Benefits.
- Management is required to disclose information in the financial statements about the assumptions it makes about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to carrying amounts of assets and liabilities within the next financial year.
- We believe management's process for identifying and accounting for estimates is considered adequate.

### 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 performed as at January 1, 2017 for the 3 years of 2017 to 2019:
  - **Post-retirement non-pension benefits**
  - **WSIB**
- 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.
- 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.
- We recalculated the accruals based on the information noted above and did not identify any discrepancies.
- 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.**

# Other areas of focus – estimates

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## 7 Area of focus Contingencies

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### Other area of focus

- There is estimation uncertainty related to the likelihood and measurement of a contingent liability.

### Our response and significant findings

- 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 legal claims, potential contamination of City-owned sites, etc.
- We reviewed the City's assessments of contingent liabilities 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.
- **We did not note any issues in the City's assessment of contingent liabilities and amount of related liabilities that were recorded and reported for the year-ended December 31, 2019.**

# Technology in the audit

We have utilized technology and D&A to enhance the quality and effectiveness of the audit.

Tool	Our results and insights
<b>Journal entry testing</b>	<p>We utilized our proprietary D&amp;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"><li>— We did not identify any issues with completeness through our roll-forward procedures.</li></ul> <p>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.</p>
<b>Tangible capital assets</b>	<p><b>WIP transfers to asset additions:</b> 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"><li>— 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.</li><li>— We did not identify any issues with the completeness of transfers out of work in progress as any remaining items were supported.</li></ul> <p><b>Disposals:</b> 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"><li>— 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.</li><li>— We did not identify any issues with the overstatement of assets being retained on the books for disposed assets.</li></ul> <p><b>Depreciation expense:</b> We utilized IDEA to analyze depreciation expense on an asset level.</p> <ul style="list-style-type: none"><li>— We replicated the formula used to determine individual assets' annual amortization expense and recalculated an expected amount after verifying the appropriate inputs were used.</li></ul> <p>We did not find any issues in our recalculation of amortization expense compared to the amounts recorded by the City.</p>

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**Holdback completeness**

We utilized D&A 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.

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**Cash deposits deferred revenue**

We utilized D&A 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 and 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 complete and accurately calculated.

There were no issues with the completeness of prior year deposits in the records of the current year.

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# Significant accounting policies and practices



## Initial selections

There were no initial selections of significant accounting policies and practices. The following new accounting policy was effective and applied during the year as required under Public Sector Accounting Standards.



## Changes

Changes to significant accounting policies and practices and the impact on the financial statements are disclosed in note 1(q) to the financial statements.

Beginning in fiscal 2019, the City is now required to adopt the following new public sector accounting standard (PSAS), which was applied prospectively:

### PS 3430 – Restructuring Transactions

- This section establishes standards on how to account for and report restructuring transactions by both transferors and recipients of asset and/or liabilities, together with related program and operating responsibilities. Individual assets and liabilities received in a restructuring transaction should be recognized by the recipient if they meet the definitions of assets and liabilities and applicable recognition criteria at the restructuring date. Individual assets and liabilities transferred in a restructuring transaction should be derecognized by the transferor if they no longer meet the definition of assets and liabilities and applicable recognition criteria at the restructuring date.
  - The City has internal policies to identify and monitor restructuring transactions. Our findings from our review of internal policies and procedures were consistent in this regard. At the completion of the audit, we will obtain from management a signed representation letter indicating that there were no restructuring transactions that were not identified to us or disclosed in the financial statements.
- As at December 31, 2019, and for the year then ended, the City does not have any restructuring transactions, as defined by the PS3430 to report.
-

# Other matters

Professional standards require us to communicate to the Committee Other Matters, such as material inconsistencies or material misstatements between MD&A and the audited financial statements, identified fraud or non-compliance with laws and regulations, consultations with other accountants, significant matters relating to the Entity's related parties, significant difficulties encountered during the audit, and disagreements with management.

We have highlighted below other significant matters that we would like to bring to your attention:

Matter	Comments
<b>Subsequent event (note 17(a) to the financial statements)</b>	<ul style="list-style-type: none"><li>– In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This matter has far-reaching consequences for many organizations.</li><li>– We have considered the potential impact on the financial statements with management and determined that a subsequent events disclosure is warranted. Financial implications are not fully known at this time.</li><li>– We also updated our discussion with management on their assessment of the City as a going concern. Management notes that while there are closures of certain facilities and services and reduced revenues, management has asserted that its financial position is adequate to support the continued use of the going concern assumption at this time, and that there are cost savings from closures.</li><li>– Disclosure describing the COVID-19 event and the potential financial implications of it to the City are included in the financial statements.</li></ul>

# Uncorrected differences and Corrected Adjustments

Differences and adjustments include disclosure differences and adjustments.

Professional standards require that we request of management and the Committee that all identified differences be corrected. We have already made this request of management.

## Uncorrected differences

We did not identify differences that remain uncorrected.

## Corrected adjustments

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



# Control deficiencies

In accordance with professional standards, we are required to communicate to the Committee significant deficiencies in internal control over financial reporting (ICFR) that we identified during our audit.

The purpose of our audit is to express an opinion on the financial statements. Our audit included consideration of ICFR 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 ICFR. The matters being reported are limited to those deficiencies that we have identified during our audit and that we have concluded are of sufficient importance to merit being reported to the audit committee.

## Significant deficiencies

There were no significant deficiencies identified.

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# Other observations

Item	Observation
Vacation accrual	<ul style="list-style-type: none"> <li>– Disclosed in the financial statements is vacation entitlements liability (see note 5(c)), which is \$7.6M in 2019 and \$6.6M in 2018. The City's various collective agreements, Management bylaw and other HR policies permit certain maximum days to be carried over if unused. We note that there is an upward trend in this accrual over the past several years and we understand that this increase is due to factors such as compensation increases and increased number of unused days carried over.</li> <li>– We note that there are several risks associated with maintaining high levels of vacation accruals, for example, the cost of those vacation entitlements become increasingly more expensive as compensation levels increase, it can be potentially disruptive to the City's operations in the case where employees are granted extended leaves, and the financial impact to the City's financial position becomes less favourable as more reliance is placed on reserves or future funding in order to fund this liability.</li> <li>– In line with leading practices, we recommend that management carefully assess vacation entitlements, and put a plan in place to draw down on entitlements in order to better manage this liability and avoid servicing it at a higher cost than necessary. We note that in 2020, this liability is anticipated to amplify as employees defer vacation plans in light of COVID-19 and associated travel restrictions. We understand that senior management has issued formal communications to staff to encourage vacation usage. The City should consider developing and enforcing an effective policy with a specific objective of drawing down the liability.</li> <li>– Additionally, as another leading practice and as a fraud prevention measure, we note that management should ensure that staff take annual vacations and that another employee perform their work in their absence. This cost efficient control is one of the most effective methods of identifying any potential irregularities in performance. It also provides cross training for succession planning purposes.</li> </ul>

# Current developments and audit trends

## Thought Leadership

Our discussions with you 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
<b>Audit &amp; Assurance Insights</b>	Curated thought leadership, research and insights from subject matter experts across KPMG in Canada	<a href="#">Learn more</a>
<b>The business implications of coronavirus (COVID 19)</b>	Resources to help you understand your exposure to COVID-19, and more importantly, position your business to be resilient in the face of this and the next global threat.	<a href="#">Learn more</a>
	Financial reporting and audit considerations: The impact of COVID-19 on financial reporting and audit processes.	<a href="#">Learn more</a>
	KPMG Global IFRS Institute - COVID-19 financial reporting resource center.	<a href="#">Learn more</a>
<b>Return to the Workplace</b>	<p>As all levels of government begin to take steps toward re-opening the country and restarting our economy, planning for the return to a physical workplace is quickly becoming a top priority for many organizations. With the guidelines for the pandemic continuing to evolve daily, there are many considerations, stages and factors employers need to assess in order to properly develop a robust action plan which can ensure the health and safety of their workforce.</p> <p>Questions for your leadership team:</p> <ul style="list-style-type: none"> <li>• Can your organization continue to operate remotely for the near future without any significant challenges?</li> <li>• If productivity levels have not been impacted, is the cost of real estate necessary for the organization?</li> <li>• What is the mental health risk to your employees from continuing to work remotely?</li> <li>• How many employees need to be in a physical office to properly perform their roles?</li> <li>• How many employees depend on public transit to get to your office(s)?</li> <li>• Do you have the capabilities to screen, track and isolate infected employees to prevent the spread of the virus within the confines of a physical workplace?</li> </ul>	<a href="#">Learn more</a>

<b>How audit committees can respond to COVID-19</b>	As the effects of the COVID-19 outbreak continue to evolve, organizations are racing to understand the business risks and implications on their financial reporting. The mandate of the audit committee includes critical items to be considered during the COVID-19 outbreak.	<a href="#">Learn more</a>
<b>Accelerate</b>	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.	<a href="#">Learn more</a>
<b>Momentum</b>	A quarterly Canadian newsletter which provides a snapshot of KPMG's latest thought leadership, audit and assurance insights and information on upcoming and past audit events – keeping management and board members abreast on current issues and emerging challenges within audit.	<a href="#">Sign-up now</a>
<b>Current Developments</b>	Series of quarterly publications for Canadian businesses including Spotlight on IFRS, Canadian Securities & Auditing Matters and US.	<a href="#">Learn more</a>
<b>Board Leadership Centre</b>	Leading insights to help board members maximize boardroom opportunities.	<a href="#">Learn more</a>
<b>2019 Audit Quality and Transparency Report</b>	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?	<a href="#">Learn more</a>
<b>Put your data to work to gain competitive advantage</b>	There is no "digital economy". The economy is digital and "digits" refer to data. Data is the lifeblood of every organization on this planet and organizations that embrace this notion are well positioned to grow as industries continue to evolve and disrupt at an ever increasing pace.	<a href="#">Learn more</a>
<b>Predictive analytics, it works</b>	CEOs recognize the value that predictive analytics delivers to their decision-making process.	<a href="#">Learn more</a>
<b>Creating the workforce of the future</b>	You can't transform the organization without also transforming the workforce. It may be time to rethink the people strategy.	<a href="#">Learn more</a>
<b>Bracing for digital disruption</b>	The digital revolution may be well into its prime, but the disruption is far from over. New and emerging technologies continue to shape (and reshape) how organizations operate and adapt to their customers. While these tools have opened the doors to new capabilities and market opportunities, they have also driven the need for stronger and more adaptive risk management strategies.	<a href="#">Learn more</a>

## Public Sector Accounting Standards

Title	Details	Link
<b>Public Sector Update – connection series</b>	Public Sector Accounting Standards are evolving – Get a comprehensive update on the latest developments from our PSAB professionals. Learn about current changes to the standards, active projects and exposure drafts, and other items.	Contact your KPMG team representative to sign up for these webinars. <a href="#">Public Sector Minute Link</a>

The following are upcoming changes that are effective in the current year or will be effective in future periods as they pertain to Public Sector Accounting Standards. 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
<b>Asset Retirement Obligations</b>  (applicable for the year ending December 31, 2023 with option for retrospective application effective December 31, 2022)	<ul style="list-style-type: none"> <li>— A new standard, PS3280 <i>Asset Retirement Obligations</i>, has been approved that is effective for fiscal years beginning on or after April 1, 2022 (the City's 2023 year-end).</li> <li>— 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.</li> <li>— 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.</li> <li>— As a result of the new standard, the public sector entity would have to:                         <ul style="list-style-type: none"> <li>○ consider how the additional liability will impact net debt, as a new liability will be recognized with no corresponding increase in a financial asset;</li> <li>○ 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;</li> <li>○ 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.</li> </ul> </li> </ul>

Standard	Summary and implications
<b>Revenue</b>	<ul style="list-style-type: none"> <li>— A new standard, PS3400 <i>Revenues</i>, has been approved that is effective for fiscal years beginning on or after April 1, 2023 (the City's 2024 year-end).</li> <li>— The new standard establishes a single framework to categorize revenues to enhance the consistency of revenue recognition and its measurement.</li> <li>— 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.</li> <li>— 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.</li> </ul>
<b>Financial Instruments and Foreign Currency Translation</b>	<ul style="list-style-type: none"> <li>— 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, 2022 (the City's 2023 year-end).</li> <li>— 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.</li> <li>— Hedge accounting is not permitted.</li> <li>— A new statement, the Statement of Re-measurement 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.</li> <li>— 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 2020. 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.</li> </ul>
<b>Employee Future Benefit Obligation</b>	<ul style="list-style-type: none"> <li>— 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.</li> <li>— 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.</li> <li>— The ultimate objective of this project is to issue a new employment benefits section to replace existing guidance.</li> </ul>

Standard	Summary and implications
<b>Public Private Partnerships (“P3”)</b>	<ul style="list-style-type: none"> <li>– 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. The objective is to develop a public sector accounting standard specific to public private partnerships.</li> <li>– 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. An Exposure Draft of the new standard was issued in November 2019.</li> <li>– Public private partnership infrastructure is recognized as an asset when the public sector entity acquires control of the infrastructure. A liability is recognized when the asset is recognized and may be a financial liability, a performance obligation or a combination of both.</li> <li>– An infrastructure asset acquired in an exchange transaction is recorded at cost which is equal to its fair value on the measurement date. The liability is measured at the cost of the infrastructure asset initially.</li> <li>– Subsequently, the infrastructure asset is amortized in a rational and systematic manner over its useful life.</li> <li>– Subsequent measurement of the financial liability would reflect the payments made by the public sector entity to settle the liability as well as the finance charge passed on to the public sector entity through the public private partnership agreement.</li> <li>– Subsequent measurement of the performance obligation: revenues are recognized and the liability reduced in accordance with the substance of the public private partnership agreement.</li> </ul>
<b>Concepts Underlying Financial Performance</b>	<ul style="list-style-type: none"> <li>– PSAB is in the process of reviewing the conceptual framework that provides the core concepts and objectives underlying Canadian public sector accounting standards.</li> <li>– PSAB is developing two exposure drafts (one for a revised conceptual framework and one for a revised reporting model) with two accompanying basis for conclusions documents and resulting consequential amendments. PSAB expects to issue the two exposure drafts and accompanying documents in 2020.</li> <li>– A Statement of Concepts (“SOC”) and Statement of Principles (“SOP”) were issued for comment in May 2018.</li> <li>– 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.</li> <li>– The SOP includes principles intended to replace PS 1201 <i>Financial Statement Presentation</i>. The SOP proposes: <ul style="list-style-type: none"> <li>○ 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.</li> <li>○ Changes to common terminology used in the financial statements, including re-naming accumulated surplus (deficit) to net assets (liabilities).</li> <li>○ Restructuring the statement of financial position to present non-financial assets before liabilities.</li> <li>○ 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).</li> <li>○ A new provision whereby an entity can use an amended budget in certain circumstances.</li> </ul> </li> <li>– Inclusion of disclosures related to risks and uncertainties that could affect the entity's financial position.</li> </ul>

Standard	Summary and implications
<b>2019 – 2020 Annual Improvements</b>	<ul style="list-style-type: none"> <li>PSAB adopted an annual improvements process to make minor improvements to the CPA Canada Public Sector Accounting (PSA) Handbook or Statements of Recommended Practices (other guidance).</li> <li>The annual improvement process: <ul style="list-style-type: none"> <li>clarifies standards or other guidance; or</li> <li>corrects relatively minor unintended consequences, conflicts or oversights.</li> </ul> </li> <li>Major or narrow scope amendments to the standards or other guidance are not included in the annual improvement process.</li> </ul>
<b>International Strategy</b>	<ul style="list-style-type: none"> <li>PSAB is in the process of reviewing its current approach towards International Public Sector Accounting Standards (IPSAS). This project may result in changes to the role PSAB plays in setting standards in Canada.</li> <li>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. Over 2017-2021 period, PSAB intends to do the following: <ul style="list-style-type: none"> <li>conduct research on differences between Canadian Public Sector Accounting Standards and International Accounting Standards;</li> <li>learn about experiences of other jurisdictions that choose to follow IPSAS; publish a consultation paper to get the opinion of stakeholders;</li> <li>and, develop options for PSAB's International strategy.</li> </ul> </li> </ul>
<b>Purchased Intangibles</b>	<ul style="list-style-type: none"> <li>As a result of stakeholder feedback received, PSAB will revisit validity of the prohibition against recognizing purchased intangibles in public sector financial statements and will consider a narrow scope amendment.</li> <li>Input received in response to the 2018 conceptual framework and reporting model documents for comment supported PSAB relocating the recognition prohibitions from the conceptual framework to the standards level. This is a bigger issue for Indigenous governments. PSAB is looking into the question of why purchased intangibles acquired through an exchange transaction cannot be recognized in public sector financial statements as they are measureable at the price in the transaction.</li> </ul>

## New auditing standards that are effective for fiscal year 2020 are as follows:

Standard	Expected impact on the audit	Reference
<b>CAS 540, Auditing Accounting Estimates and Related Disclosures</b>  <b>Effective for audits of Entities with year-ends on or after December 15, 2020</b>	<ul style="list-style-type: none"> <li>more emphasis on the need for exercising professional skepticism</li> <li>more granular risk assessment to address each of the components in an estimate (method, data, assumptions)</li> <li>more granular audit response designed to specifically address each of the components in an estimate (method, data, assumptions)</li> <li>more focus on how we respond to levels of estimation uncertainty</li> <li>more emphasis on auditing disclosures related to accounting estimates</li> <li>more detailed written representations required from management</li> </ul>	<a href="#">CPA Canada Client Briefing</a>



# Appendices

## Content

**Appendix 1: Other Required Communications**

**Appendix 2: Audit Quality and Risk Management**

**Appendix 3: Use of Technology in the Audit**

**Appendix 4: KPMG's Audit Approach and Methodology**

**Appendix 5: Preparing for PSAB Standard Changes**



# Appendix 1: Other Required Communications

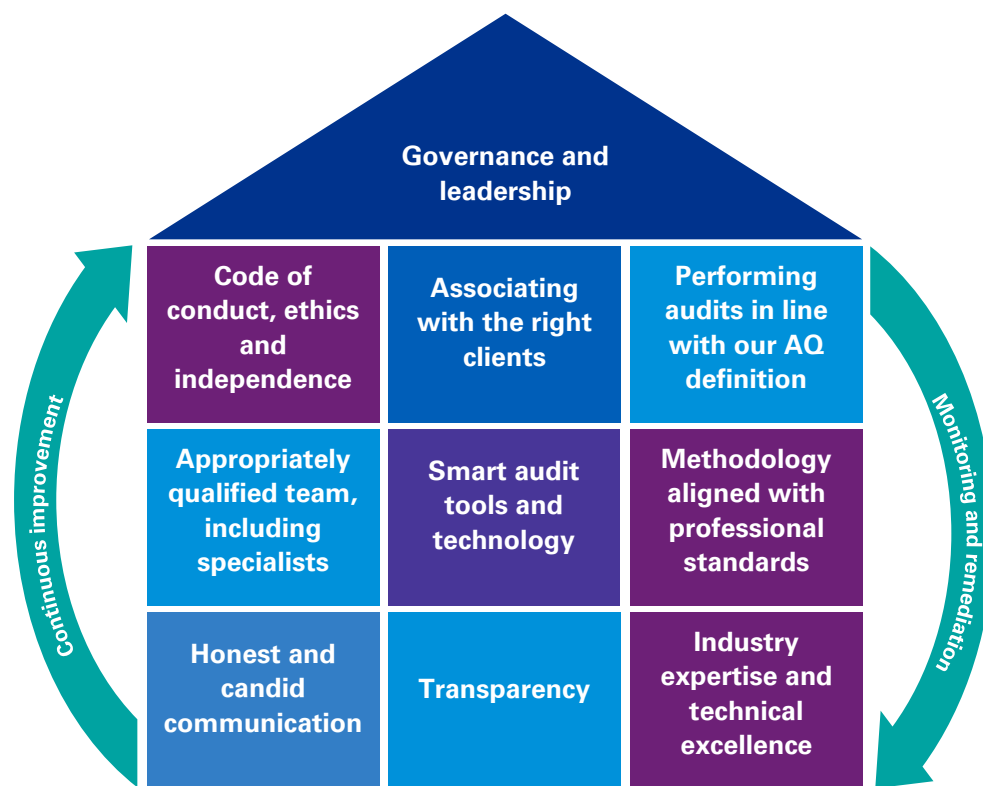
In accordance with professional standards, there are a number of communications that are required during the course of and upon completion of our audit. These include:

<b>Engagement letter</b>	<b>Audit findings report</b>
The objectives of the audit, our responsibilities in carrying out our audit, as well as management's responsibilities, are set out in the engagement letter dated November 30, 2018 as provided by management.	This report.
<b>Auditors' report</b>	<b>Management representation letter</b>
The conclusion of our audit is set out in our draft auditors' report attached to the draft financial statements.	In accordance with professional standards, a copy of the management representation letter is provided to the Committee by Management.
<b>Independence</b>	<b>Audit quality</b>
We are independent and have extensive quality control and conflict checking processes in place. We provide complete transparency on all services and follow Committee and Council approved protocols.	<p>Audit Quality (AQ) is at the core of everything we do at KPMG. Appendix 2 provides more information on AQ.</p> <p>The following links are external audit quality reports for referral by the audit committee:</p> <ul style="list-style-type: none"><li>• <a href="#">CPAB Audit Quality Insights Report: 2019 Annual Inspections Results</a></li><li>• <a href="#">CPAB Audit Quality Insights Report: 2019 Fall Inspection Results</a></li></ul>
<b>Required inquiries</b>	
Professional standards require that we obtain your views on risk of fraud and other matters. We make similar inquiries of management.	
<ul style="list-style-type: none"><li>— What are your views about fraud risk at the entity?</li><li>— How do those charged with governance exercise effective oversight of management's processes for identifying and responding to the risk of fraud in the entity and internal controls management has established to mitigate these fraud risks?</li><li>— Are you aware of or have you identified any instances of actual, suspected, or alleged fraud, including misconduct or unethical behaviour related to financial reporting or misappropriation of assets? If so, have the instances been appropriately addressed and how have they been addressed?</li><li>— Is the entity in compliance with laws and regulations?</li><li>— Has the entity entered into any significant unusual transactions?</li></ul>	

# 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 key elements of our quality control system.



Audit Quality Framework

## What do we mean by audit quality?

Audit Quality (AQ) is at the core of everything we do at KPMG.

We believe that it is not just about reaching the right opinion, but how we reach that opinion.

We define 'audit quality' as being the outcome when audits are:

- Executed consistently, in line with the requirements and intent of applicable professional standards within a strong system of quality controls and
- All of our related activities are undertaken in an environment of the utmost level of **objectivity, independence, ethics, and integrity**.

Our AQ Framework summarises how we deliver AQ. Visit our [Audit Quality Resources page](#) for more information including access to our [Audit Quality and Transparency report](#).

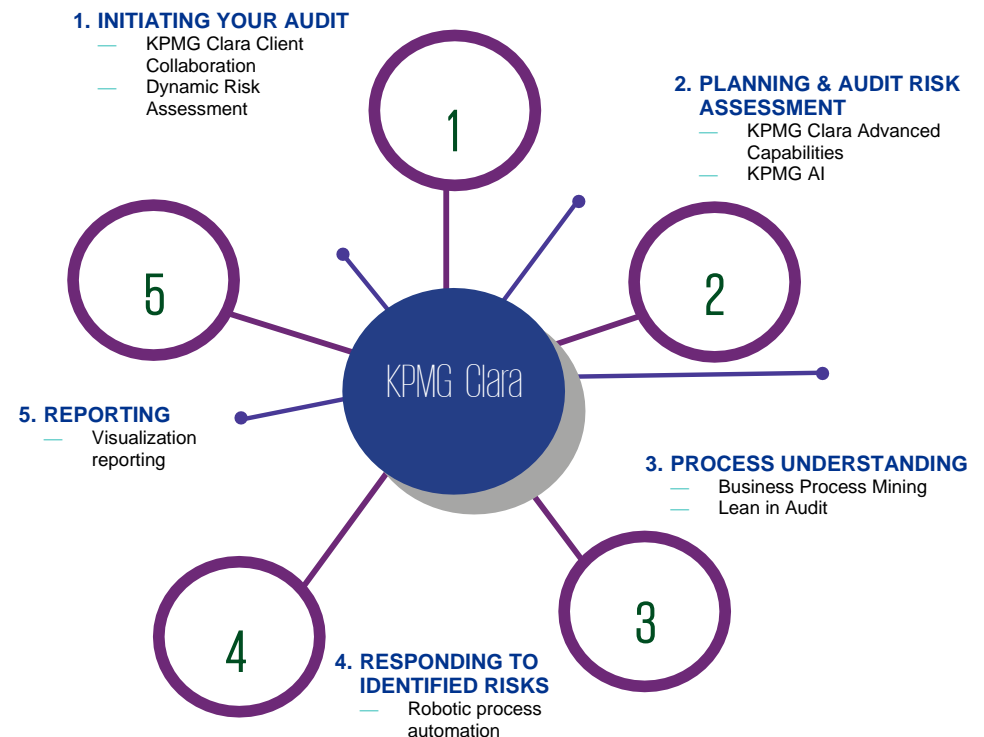
# Appendix 3: Use of technology in the audit

Clara is KPMG's integrated, smart global audit platform that allows our teams globally to work simultaneously on audit documentation while sharing real time information. Clara also leverages advanced technology in the execution of various audit procedures, for overall risk assessment and for performing substantive audit procedures over 100% of selected transactions through the use of robotic process automation (KPMG "Bots"). KPMG's use of technology provides for:

1. a **higher quality audit** – looking at 100% of selected data
2. a **more efficient audit** as we are focussed on the transactions that are considered higher risk and
3. an audit that provides **insights into your business** through the use of technology in your audit with our extensive industry knowledge.

We are also actively piloting Artificial Intelligence ("AI") tools which will be used in future audits.

## Our five-phased audit approach



# Appendix 4: KPMG's audit approach and methodology

## 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 5:

# Preparing for PSAB Standard Changes

Are you ready to implement PSAB's impactful series of new standards?



Public sector entities are preparing to implement three significant Public Sector Accounting standards through 2023. These standards will impact not only your accounting policies, but also how Finance engages key stakeholders.

## Asset Retirement Obligations

PS3280 addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets and solid waste landfill sites by public sector entities. **PS3280 will apply to fiscal years beginning on or after April 1, 2022 (the City's 2023 fiscal year). Earlier adoption is permitted. Three transition options are available – retroactive, modified retroactive, prospective.**

Asset retirement activities are defined to include all activities related to an asset retirement obligation. These may include but are not limited to:

- decommissioning or dismantling a tangible capital asset that was acquired, constructed or developed
- decontamination created by the normal use of the tangible capital asset
- post-retirement activities such as monitoring
- constructing other tangible capital assets in order to perform postretirement activities

With the introduction of PS3280 PSAB has withdrawn existing Section PS3270, solid waste landfill closure and post-closure liability.

Some examples of asset retirement obligations which fall under scope of proposed PS3280 include:

- end of lease provisions (from a lessee perspective)
- removal of radiologically contaminated medical equipment
- wastewater or sewage treatment facilities
- firewater holding tanks
- closure and post-closure obligations associated with landfills
- septic beds
- fuel storage tank removal

Under PS3280, an asset retirement obligation should be recognized when, as at the financial reporting date, ALL of the following criteria are met:

- there is a legal obligation to incur retirement costs in relation to a tangible capital asset
- the past transaction or event giving rise to the liability has occurred
- it is expected that future economic benefits will be given up
- a reasonable estimate of the amount can be made

This accounting standard will have implications for your organization if you report under the Public Sector Accounting Standards.

# Are You Ready?

1. *Has a project plan been developed for the implementation of this section?*
2. *Has Finance communicated with key stakeholders, including Council or Board on the impact of this section?*
3. *Does Finance communicate with representatives of the Public Works, Asset Management, Facilities Management or Legal functions through the financial reporting process?*
4. *Has a complete inventory been developed of all inactive or active assets or sites, to provide a baseline for scoping of potential retirement obligations?*
5. *If a complete inventory has been developed, does it reconcile back to information currently reported in the entity's financial statements for tangible capital assets or contaminated sites?*
6. *Does your entity have data on non-recorded assets or sites (ie: assets which were originally expensed on purchase, or recorded at no book value) which could have retirement obligations?*
7. *Does your entity have an active solid waste landfill site?*
8. *If yes, does your entity have an existing estimate of the full costs to retire and monitor the landfill site?*
9. *Is your entity aware of any of its buildings which have asbestos?*
10. *If so, does your entity have information to inform a cost estimate to remove/ treat the asbestos?*
11. *Is your entity aware of underground fuel storage tanks or boilers which must be removed at end of life?*
12. *If so, does your entity have information to inform a cost estimate to remove the tanks?*
13. *Is your entity aware of any lease arrangements where it will be required to incur costs to return the premises to pre-existing conditions at the end of the lease?*
14. *Has your entity determined if it has any sewage or wastewater treatment plants which have closure plans or environmental approvals which require full or partial retirement of the plant at the end of its life?*
15. *Is your entity aware of any other contractual or legal obligations to retire or otherwise dismantle or remove an asset at the end of its life?*

## Revenues

PS3400 outlines a framework describing two categories of revenue – transactions with performance obligations (exchange transactions) and transactions without performance obligations (unilateral transactions).

- This section will apply to fiscal years beginning on or after April 1, 2023, with earlier adoption permitted.
- This Section may be applied retroactively or prospectively.
- This section will not impact the present accounting for taxation revenues and government transfers.

Transactions which give rise to one or more performance obligations are considered to be exchange transactions. Performance obligations are defined as enforceable promises to provide goods or services to a payer as a result of exchange transactions. Revenue from an exchange transaction would be recognized when the public sector entity has satisfied the performance obligation(s), at a point in time or over a period of time.

If no performance obligations are present, the transaction would represent unilateral revenue, and be recognized when the public sector entity has the authority to claim or retain an inflow of economic resources and a past event gives rise to a claim of economic resources.

Public sector entities will need to review their revenue recognition policies for in-scope transaction types. Impacted areas may include:

- Development charges
- Permits
- Licences
- Advertising programs

## Are You Ready?

1. *Has the entity identified any revenue-generating transactions other than taxation or government transfer revenues which create performance obligations (ie: the entity is required to provide a good or service to earn that revenue)?*
2. *If so, has the entity reviewed its accounting policies for these transactions to verify revenue is recognized only as performance obligations are being met?*
3. *Has the entity quantified the impact of any change in accounting policy, or determined that there is no impact?*

## Financial Instruments

PS3450 establishes standards on how to account for and report all types of financial instruments including derivatives.

- This Section applies to fiscal years beginning on or after April 1, 2022. Earlier adoption is permitted.
- Government organizations that applied the CPA Canada Handbook – Accounting prior to their adoption of the CPA Canada Public Sector Accounting Handbook applied this Section to fiscal years beginning on or after April 1, 2012.
- This section must be adopted with Section PS 2601, Foreign Currency Translation.
- Specific transition requirements are outlined in the section.

This section prescribes a fair value measurement framework for derivatives, and equity instruments that are quoted in an active market.

Where an entity manages risks, the investment strategy, or performance of a group of financial assets, financial liabilities or both on a fair value basis, they may also be measured at fair value.

Other financial instruments are measured at cost/ amortized cost.

Changes in the fair value of a financial instrument in the fair value category are recognized in the Statement of Remeasurement Gains and Losses as a remeasurement gain or loss until the financial instrument is derecognized.

- Upon derecognition, the remeasurement gain or loss is realized in the Statement of Operations.

## Are You Ready?

1. *Does the entity hold any financial assets which are equity or derivative instruments?*
2. *Has the entity determined if it has any embedded derivatives that might arise from existing contractual arrangements?*
3. *Does the entity have other financial assets which it assesses performance of based on fair value, and for which it might elect a fair value measure?*
4. *If yes to any of the above three questions, does the entity have readily observable market data to inform a fair value measure?*
5. *Has the entity reviewed existing financial instrument note disclosure in the financial statements to determine any required revisions to meet the requirements of this section?*
6. *Does the entity enter into transactions involving foreign exchange?*
7. *Does the entity hold any monetary assets and monetary liabilities, or non-monetary assets denominated in a foreign currency?*





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