

**AUDIT COMMITTEE – MAY 31 , 2021****2020 DRAFT CITY CONSOLIDATED FINANCIAL STATEMENT HIGHLIGHTS****Financial Assets****Cash and Cash Investments**

- Cash balance totals \$795.0 (2019, \$779.7M)
- Net increase cash \$15.3M (2019, increase of \$49.3M)
- Net increase in cash from operating activities \$77.4M (2019, \$111.0M)
- Significant items not involving cash
  - Amortization \$79.0M (2019, \$76.7M)
  - Contributed tangible capital assets \$174.5M (2019, \$486.6M)
    - Assumed assets decreased in 2020
      - Assumption of assets related to development applications is developer driven
      - Developers cannot approach the city for assumption until the maintenance stage set out in their respective agreement
      - Market related factors such as sales of residential, commercial and industrial units affect the request by developers for assumption
      - Once a request is made, multiple city and external departments need to inspect and provide clearance for assumption
      - The restrictions of the COVID-19 pandemic resulted in construction and inspection delays thereby reducing the requested assumptions by developers and the approval of assumptions by the City
      - Assumptions requested in the first quarter of 2021 exceed the total assumptions in the year 2020.
    - Assumed assets include:
 

• Land	\$157.8M
• Land Improvements	0.6M
• Buildings and Facilities	2.3M
• Roads Infrastructure	4.0M
• Water & Sewer Infrastructure	9.8M
  - Share of net earnings of Hydro Vaughan Corps \$16.1M (2019, \$10.8M)
    - Increase resulting from higher income from Alectra \$75M (2019, \$49M) due to:
      - Increase in electricity sales driven by higher electricity prices
      - Higher other revenue from LED projects and increased consulting revenue
      - Higher distribution revenue as a result of higher distribution rates
    - Offset by:
      - Increase in the cost of power as a result of higher wholesale electricity prices
      - Higher operating expenses due to increases in expected credit losses attributed to the COVID-19 pandemic
      - Higher income taxes due to higher 2020 income
      - Higher amortization costs due to new additions in 2020
  - Increase in deferred revenues – obligatory reserve funds \$0.8M (2019, \$2.2M)
    - Revenues received increased by \$56.1M and interest increased by \$6.7M offset by expenditures of \$62.0M
    - Continued impact on revenues due to 2018 DC pre-payment agreements coupled with increasing development charge related capital expenditures

- Recreation Land revenues increased over 2019 due to increased development in intensification areas
- Net decrease in cash from capital activities \$83.1M (2019, \$82.2M)
  - Cash used to acquire tangible capital assets \$83.1M (2019, \$82.3M)
- Net increase in cash from financing activities \$0.0M (2019, \$5.5M)
  - Debenture and other debt repaid \$5.7M (2019, \$6.8M)
  - Debenture and other debt incurred \$5.7M (2019, \$12.3M)
    - Debt incurred relates to amount owing re YMCA construction interest
- Net increase in cash from investing activities \$21.1M (2019, \$15.0M)
  - Increase in cash due to decrease in investments \$6.2M (2019, decrease in cash due to increase in investments \$1.3M)
  - Increase in cash from Investment in Hydro Vaughan Corporations is \$14.8M (2019, \$16.3M) made up of operating dividends on solar and common shares, \$13.1M, a capital dividend on solar shares of \$1.7M from Alectra to Vaughan Holdings Inc. In 2019, the increase is made up of operating dividends on solar and common shares \$14.3M and a capital dividend of \$2.0M on solar shares from Vaughan Holdings Inc.

#### Taxes Receivable

- Taxes receivable are monies owing from property owners as at December 31<sup>st</sup>, 2020 and include the City's portion, Regional portion and the Provincial portion for education
- Taxes receivable totals \$58.8M (2019, \$48.2M)
  - Increase of \$10.6M primarily due to collection issues related to COVID-19
  - Waiver of penalty for interim billing effectively deferring payment of interim taxes until July 1<sup>st</sup>
  - Extension of final billing due date by 30 days to August
  - Arrears notices not sent out until year-end

#### Water and Wastewater Receivable

- The water and wastewater receivables total \$25.3M (2019, \$25.2M)
  - Increase of \$0.1M due to an increase in residential consumption offset by a decrease in commercial consumption during the pandemic

#### Investments

- Investments total \$82.4M (2019, \$88.6M)
  - Decrease of \$6.2M primarily related to a decrease in investment in PPN of \$7.5M, a decrease in investment in various banks of \$5.0M and a decrease in Federal bonds of \$0.6M offset by an increase in investment with CIBC Mellon of \$7.0M

#### Accounts Receivable

- The City's accounts receivable totals \$19.8M (2019, \$21.6M)
- Comprise a wide range of monies owing from various levels of government, outside agencies, and businesses
  - Decrease of \$1.8M mainly due the following:
    - a decrease of \$4.6M in miscellaneous accounts receivable
    - Offset by an increase in HST receivable of \$1.2M and Due to the Region of \$1.4M and an increase in by-law fines receivable of \$0.3M

#### 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) – owns 20.5% (2019, 20.5%) share of Alectra
- Hydro Vaughan Energy Corporation – 100% subsidiary of VHI
- 1446631 Ontario Inc. – inactive – 100% owned by the City of Vaughan (COV)
- Investment in Hydro Vaughan Corporations is \$628.9M (2019, \$629.3M)

- Gain on merger with Guelph Hydro Electric Systems Inc of \$0.0M (2019, 1.0M)
- Share of net earnings Hydro Vaughan Corporations of \$16.1M (2019, \$10.8M)
- Reduction of dividends paid from VHI to the City of Vaughan (COV) of \$13.1M (2019, \$14.3M)
- Return of capital on solar shares from Alectra to VHI of \$1.7M (2019, \$2.0M)
- Return of capital on solar shares form VHI to the COV of \$1.7M (2019, \$2.0M)
- 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, 2020 was \$123.2M (2019, \$125.1M)
  - Decrease of \$1.9M is primarily due to a decrease in the year-end amount owing to the School Boards, \$6.1M, a decrease of \$5.0M in capital accruals, a decrease of \$4.3M in year-end accruals and a decrease of \$0.1M in HST payable offset by increases in trade payables of \$9.0M, accrual for the refund of the disallowed library wage grant of \$3.1M, York Region payables of \$1.4M and payroll accruals of \$0.2M

### Employee Future Benefit Liability

- Employee Future Benefit Liability totals \$155.0M (2019, \$144.8M)
- Includes:
  - Post retirement non-pension benefits \$139.3M (2019, \$129.9M)
  - Accrued Vacation Pay \$9.4M (2019, \$7.6M)
  - Workplace Safety and Insurance Board (WSIB) \$6.3M (2019, 7.2M)
- Post retirement non-pension benefits are based on a new 3-year actuarial study beginning in 2020
- 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 \$33.1M (2019, \$29.9M)
- Vacation entitlement is earned during the course of employment and this liability represents the unused portion
- The WSIB valuation is based on a 2020 actuarial study
- WSIB liability represents the future expected claims and the liability is \$6.3M (2019, \$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 \$1.4M (2019, \$1.3M)
  - \$75,000 is budgeted annually as the transfer to the WSIB reserve
- The City has an insurance policy for single WSIB claims between \$0.5M and \$1.5M

## 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 \$33.4M (2019, \$40.0M)
- Decrease of \$6.6M primarily due to reduced deferred Recreation revenue due to COVID of \$2.1M Building Standards of \$2.6M and miscellaneous permits and licenses of \$1.9M

## 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

	<b>2020</b>	<b>2019</b>
Recreational land (The Planning Act)	\$ 87,581,337	\$ 72,544,521
Development Charges Act	469,585,159	482,519,449
Subdivider contributions	17,648,814	15,217,466
Federal Gas Tax Revenues	27,431,163	34,015,694
Building Standards Act	16,028,358	12,233,461
Ontario Grants	1,713,680	2,652,245
	<b>\$ 619,988,511</b>	<b>\$ 619,182,836</b>

## Debenture and Other Debt

- Debenture and other debt total \$64.6M (2019, \$64.6M)
- Consists of sinking fund debentures, serial debentures and other development related debt.
- 2020 debt ratio is 2%, well within the Provincial Debt limit of 25% and the City's Debt policy limit of 10%
  - Debt repayment of \$5.7M was offset by new debt issued in 2020 of \$5.7M 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, 2020 total \$9.2B (2019, \$9.0B)
- 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 2020 amortization expense was \$79.0M (2019, \$76.7M)
- Assets under construction totalling \$206.1M (2019, \$199.3M) 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, 2020 is \$9.8B (2019, 9.6B)
- Discretionary reserves increased to \$357.3M (2019, \$320.7M)
- 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 that for the year end December 31, 2020 is \$179.1M (2019, \$494.2M) 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 \$174.5M (2019, \$486.6) 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% (2019, 20.5%) 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 \$79.0M (2019, \$76.7M) versus reserve contributions of \$41.9M 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 \$1.7M (2019, decrease \$2.0M) not included in 4<sup>th</sup> quarter Fiscal Health Report

### **Audit of 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 (TVC), to serve as the City's tourism promotion entity. TVC was incorporated on May 15<sup>th</sup>, 2019
- The Financial Statements of TVC are included in the attached financial statement package and are also included in the City of Vaughan Consolidated Financial Statements
- 2020 Revenue from the MAT was \$0.3M (2019, \$1.1M), 50% of total MAT collected by the City. The significant reduction in 2020 was a result of reduced demand in the hospitality industry due to the COVID-19 pandemic. The collection of the MAT was suspended from March 17 until September 1<sup>st</sup>, 2020.
- TVC received a grant from the Tourism Association of Ontario Regional Relief and Recovery Fund of \$0.2M in 2020 to enable recovery from economic disruption associated with the COVID-19 pandemic

- 2020 Expenses were \$0.5M (2019, \$0.2M) and included professional fees and salary for 3 staff
- 2020 Net Profit was \$0.1M (2019, \$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
- The 2020 Gala and Golf events were cancelled due to the COVID-19 pandemic
- Any sponsorship revenue raised has been either returned or treated as deferred revenue for future Gala and Golf events
- Some expenditures paid in 2020 will be applied to future Gala and Golf events and have been treated as prepaid expenditures in 2020