

DRAFT #3
May 14, 2021

Consolidated Financial Statements of

**THE CORPORATION OF THE
CITY OF VAUGHAN**

And Independent Auditors' Report thereon

Year ended December 31, 2020

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, 2020
- 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, 2020, 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

June 22, 2021

THE CORPORATION OF THE CITY OF VAUGHAN

DRAFT Consolidated Statement of Financial Position

December 31, 2020, with comparative information for 2019

	2020	2019
Financial Assets		
Cash and cash equivalents	\$ 795,002,927	\$ 779,700,486
Taxes receivable	58,789,431	48,247,575
Water and sewer billings receivable	25,340,148	25,220,469
Accounts receivable	19,758,156	21,575,321
Investments (note 3)	82,378,515	88,610,584
Investment in Hydro Vaughan Corporations (note 4)	628,919,333	629,320,313
	<u>1,610,188,510</u>	<u>1,592,674,748</u>
Financial Liabilities		
Accounts payable and accrued liabilities	123,161,346	125,121,697
Accrued interest on long-term liabilities	73,695	93,272
Employee future benefits (note 5)	154,981,349	144,778,571
Deposits and deferred revenue (note 6(a))	33,374,323	40,013,432
Deferred revenue - obligatory reserve funds (note 6(b))	619,988,511	619,182,836
Debenture and other debt (note 7)	64,547,720	64,569,163
Note payable (note 8)	3,303,523	3,303,523
	<u>999,430,467</u>	<u>997,062,494</u>
Net financial assets	610,758,043	595,612,254
Non-Financial Assets		
Tangible capital assets (note 9)	9,203,062,448	9,041,767,804
Prepaid expenses	4,997,756	2,355,744
	<u>9,208,060,204</u>	<u>9,044,123,548</u>
Contractual rights (note 15)		
Commitments (note 16)		
Contingencies (note 17)		
Accumulated surplus (note 10)	<u>\$ 9,818,818,247</u>	<u>\$ 9,639,735,802</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, 2020, with comparative information for 2019

	Budget (note 13) (note 1(p))	2020	2019
Revenue (note 12):			
Property taxation	\$ 218,955,021	\$ 218,292,594	\$ 210,313,730
Taxation from other governments	1,500,000	1,541,371	1,649,320
Municipal accommodation tax	3,600,000	624,660	2,117,140
User charges	57,954,511	53,943,797	64,190,969
Water and sewer billings	190,352,167	173,615,718	162,355,455
Government transfers (note 11)	12,411,620	24,712,732	18,125,035
Investment income	6,330,700	9,236,779	8,675,665
Penalties and interest on taxes	5,200,000	6,971,632	5,774,042
Other fees and services	241,320	5,921,743	3,277,186
Contributions from developers	102,816,767	41,300,710	27,170,561
Contributed assets (note 9(b))	–	174,547,055	486,611,658
Hydro Vaughan Corporations (note 4):			
Share of net earnings	12,202,000	16,132,631	10,772,850
Interest on notes receivable	–	3,450,220	3,450,220
	<u>611,564,106</u>	<u>730,291,642</u>	<u>1,004,483,831</u>
Expenses (note 12):			
General government	42,758,047	48,950,196	28,653,424
Protection to persons and property	88,708,813	94,785,214	84,017,469
Transportation services	58,835,111	73,930,106	62,157,780
Environmental services	225,134,340	212,852,436	200,467,273
Health services	121,038	143,864	94,844
Social and family services	306,710	121,711	126,154
Recreation and cultural services	108,061,551	91,230,794	108,649,537
Planning and development	108,553,164	27,484,674	25,072,447
	<u>632,478,774</u>	<u>549,498,995</u>	<u>509,238,928</u>
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)	–	(1,710,202)	(1,998,163)
Annual surplus (deficit)	(20,914,668)	179,082,445	494,236,345
Accumulated surplus, beginning of year	9,639,735,802	9,639,735,802	9,145,499,457
Accumulated surplus, end of year	<u>\$ 9,618,821,134</u>	<u>\$ 9,818,818,247</u>	<u>\$ 9,639,735,802</u>

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, 2020, with comparative information for 2019

	Budget (note 13) (note 1(p))	2020	2019
Annual surplus (deficit)	\$ (20,914,668)	\$ 179,082,445	\$ 494,236,345
Amortization of tangible capital assets	–	78,978,870	76,674,645
Proceeds on disposal of tangible capital assets	–	37,135	137,172
Loss on disposal of tangible capital assets	–	17,368,663	1,741,538
Acquisition of tangible capital assets	–	(257,679,312)	(568,961,634)
	(20,914,668)	17,787,801	3,828,066
Acquisition of prepaid expenses	–	(2,642,012)	52,836
Increase (decrease) in net financial assets	(20,914,668)	15,145,789	3,880,902
Net financial assets, beginning of year	595,612,254	595,612,254	591,731,352
Net financial assets, end of year	\$ 574,697,586	\$ 610,758,043	\$ 595,612,254

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE CITY OF VAUGHAN

DRAFT Consolidated Statement of Cash Flows

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 179,082,445	\$ 494,236,345
Items not involving cash:		
Amortization of tangible capital assets	78,978,870	76,674,645
Loss on disposal of tangible capital assets	17,368,663	1,741,538
Contributed tangible capital assets	(174,547,055)	(486,611,658)
Gain on merger of Alectra Inc. with Guelph Hydro Electric Systems Inc.	-	(989,605)
Share of net earnings of Hydro Vaughan Corporations	(16,132,631)	(10,772,850)
Decrease in equity interest in net assets of Alectra Inc.	1,710,202	1,998,163
Change in non-cash assets and liabilities:		
Increase in taxes receivable	(10,541,856)	(458,461)
Increase in water and sewer billings receivable	(119,679)	(2,108,480)
Decrease in accounts receivable	1,817,165	765,268
Increase (decrease) in accounts payable and accrued liabilities	(1,960,351)	23,750,316
Decrease in accrued interest on long-term liabilities	(19,577)	(22,276)
Increase in employee future benefits	10,202,778	10,559,815
Decrease in deposits and deferred revenue	(6,639,109)	(18,577)
Increase in deferred revenue - obligatory reserve funds	805,675	2,177,085
Decrease (increase) in prepaid expenses	(2,642,012)	52,836
	77,363,528	110,974,104
Capital activities:		
Proceeds on disposal of tangible capital assets	37,135	137,172
Cash used to acquire tangible capital assets	(83,132,257)	(82,349,976)
	(83,095,122)	(82,212,804)
Financing activities:		
Debenture and other debt repaid	(5,733,698)	(6,827,447)
Debenture and other debt incurred	5,712,255	12,334,878
	(21,443)	5,507,431
Investing activities:		
Decrease (increase) in investments, net	6,232,069	(1,317,410)
Dividend and return of capital from Hydro Vaughan Corporations	14,823,409	16,304,838
	21,055,478	14,987,428
Increase in cash and cash equivalents	15,302,441	49,256,159
Cash and cash equivalents, beginning of year	779,700,486	730,444,327
Cash and cash equivalents, end of year	\$ 795,002,927	\$ 779,700,486
Supplemental cash flow information:		
Interest paid	\$ 527,512	\$ 693,472
Interest and dividends received	32,168,296	39,927,229

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE CITY OF VAUGHAN

DRAFT Notes to Consolidated Financial Statements

Year ended December 31, 2020

The Corporation of the City of Vaughan (the "City" or "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.

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. Since the first quarter of 2020, the COVID-19 pandemic has impacted the global economic environment due to government-imposed lockdowns and social distancing requirements. The economic conditions and City's response to the COVID-19 pandemic had an operational and financial impact on the City. The full extent of the financial impact is currently indeterminable due to the evolving nature of the COVID-19 pandemic.

1. Significant accounting policies:

The consolidated financial statements of the 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, 2020

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, 2020

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. Cash and cash equivalents are recorded at cost with write down to market when there is a decrease in value.

(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 for the purpose for which they were collected.

THE CORPORATION OF THE CITY OF VAUGHAN

DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

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. The City does not recognize any share of the pension plan deficit based on the fair market value of OMERS assets, as this is a joint responsibility of all Ontario municipalities and their employees.

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, 2020 for 2020, 2021 and 2022 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, 2020

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 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 a 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, 2020

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:

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

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.

(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.

THE CORPORATION OF THE CITY OF VAUGHAN

DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

1. Significant accounting policies (continued):

(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) Assets:

The assets standard provides additional guidance on the definition of assets and what is meant by economic resources, control, past transactions and events from which future economic benefits are to be obtained. For the year ended December 31, 2020, all material assets have been disclosed and reported within this definition.

(o) 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, 2020

1. Significant accounting policies (continued):

The full extent of the impact that the COVID-19 pandemic, including government and regulatory responses to the pandemic, will have on the Canadian economy and the City's operations remains uncertain at this time. Actual results could differ from these estimates.

(p) Presentation of budget information:

The 2020 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.

(q) Future accounting pronouncements:

These standards and amendments were not yet effective for the year ended December 31, 2020, 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, 2020

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).
- (vi) Public Sector Guideline 8 Purchased Intangibles, allows public sector entities to recognize intangibles purchased through an exchange transaction. This guideline 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 2020, 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	\$ 316,173,069	\$ 367,466,771
Taxation from other governments	441,928	781,962
Amounts requisitioned and remitted	\$ 316,614,997	\$ 368,248,733

THE CORPORATION OF THE CITY OF VAUGHAN

DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

3. Investments:

Investments consist of government and financial institution bonds and have effective interest rates of 1.83% to 4.02% (2019 - 1.83% to 4.02%) with maturity dates from April 26, 2021 - December 15, 2025 (2019 - June 24, 2020 - December 15, 2025). Market value of investments costing \$82,378,515 (2019 - \$88,610,584) is \$84,729,243 (2019 - \$89,671,789) at December 31, 2020.

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	
	2020	2019
Vaughan Holdings Inc. (including 100% ownership of Hydro Vaughan Energy Corporation and 20.5% (2019 - 20.5%) share interest in Alectra Inc.)	100%	100%
1446631 Ontario Inc.	100%	100%

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

DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

4. Investment in Hydro Vaughan Corporations (continued):

The following table provides condensed supplementary financial information in respect of the City's investment accounted for on a modified equity basis in Hydro Vaughan Corporations.

Financial position	2020	2019
Assets		
Current	\$ 19,575,787	\$ 15,060,868
Investment in government business enterprises	628,919,333	629,320,313
Other	200,575	202,256
Total assets	\$ 648,695,695	\$ 644,583,437
Liabilities		
Current	\$ 1,539,090	\$ 1,281,121
Total liabilities	1,539,090	1,281,121
Shareholders' equity		
Share capital	196,859,952	196,859,952
Retained earnings and contributed surplus	450,296,653	446,442,364
Total shareholders' equity	647,156,605	643,302,316
Total liabilities and shareholders' equity	\$ 648,695,695	\$ 644,583,437

Results of operations:

	2020	2019
Revenue	\$ 16,448,066	\$ 11,118,065
Expenses	315,435	345,215
Net income	\$ 16,132,631	\$ 10,772,850

THE CORPORATION OF THE CITY OF VAUGHAN

DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

4. Investment in Hydro Vaughan Corporations (continued):

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

	2020	2019
Equity	\$ 543,916,663	\$ 544,317,643
Notes receivable	84,133,025	84,133,025
Accrued interest on notes receivable	869,645	869,645
Investment in Hydro Vaughan Corporations	\$ 628,919,333	\$ 629,320,313

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

	2020	2019
Equity pickup in Hydro Vaughan Corporations	\$ 16,132,631	\$ 10,772,850
Gain on merger	–	989,605
Decrease in equity interest	(1,710,202)	(1,998,163)
Return of capital	(1,710,202)	(1,998,163)
Dividend	(13,113,207)	(14,306,675)
Net change in investment in Hydro Vaughan Corporations	(400,980)	(6,540,546)
Opening investment in Hydro Vaughan Corporations	629,320,313	635,860,859
Closing investment in Hydro Vaughan Corporations	\$ 628,919,333	\$ 629,320,313

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%. 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.

THE CORPORATION OF THE CITY OF VAUGHAN

DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

5. Employee future benefits:

The components of the liability for employee future benefits are as follows:

	2020	2019
Post-retirement non-pension benefits ^(d)	\$ 139,303,097	\$ 129,931,784
Vacation entitlements ^(c)	9,390,352	7,626,387
WSIB ^(b)	6,287,900	7,220,400
	<u>\$ 154,981,349</u>	<u>\$ 144,778,571</u>

(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.

The City is current with all payments to OMERS. As at December 31, 2020, OMERS has a deficit of \$3.2 billion (2019 - \$3.4 billion). The date of the most recent filed actuarial valuation for funding purposes for the OMERS Primary Pension Plan was December 31, 2019. The next required filing of an actuarial valuation for funding purposes will be performed with a date no later than December 31, 2022.

Total OMERS contributions amounted to \$31,810,056 in 2020 (2019 - \$31,186,897), of which \$15,689,973 (2019 - \$15,613,181) represented the City's portion.

(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 \$6,287,900 (2019 - \$7,220,400) 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.

THE CORPORATION OF THE CITY OF VAUGHAN

DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

5. Employee future benefits (continued):

(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 \$9,390,352 (2019 - \$7,626,387).

(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, 2020 of \$139,303,097 (2019 - \$129,931,784) and the expense for the year ended December 31, 2020 of \$10,835,008 (2019 - \$11,178,920) was determined by actuarial valuation using a discount rate of 3.0% (2019 - 3.5%).

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

	2020	2019
Accrued benefit obligation, beginning of year	\$ 132,755,809	\$ 123,939,872
Actuarial gain	(3,665,458)	
Service cost	6,839,180	6,397,250
Interest cost	4,055,930	4,545,940
Benefits paid	(1,463,695)	(2,106,253)
Accrued benefit obligation, end of year	138,521,766	132,755,809
Unamortized actuarial gain (loss)	781,331	(2,824,025)
Accrued benefit liability	\$ 139,303,097	\$ 129,931,784

THE CORPORATION OF THE CITY OF VAUGHAN

DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

5. Employee future benefits (continued):

Components of benefit expense:

	2020	2019
Service cost	\$ 6,839,180	\$ 6,397,250
Interest cost	4,055,930	4,524,940
Amortization of actuarial (gain) loss	(60,102)	256,730
Benefit expense	\$ 10,835,008	\$ 11,178,920

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 2020 actuarial study is assumed to be 3.0% (2019 - 3.50%) per annum reflecting Canadian Municipal bond yields and lending rates.

(ii) Salary levels:

Future general salary and wage levels are assumed to increase at a rate management believes fairly reflects inflation.

(iii) Medical costs:

Medical costs are assumed to increase at 4.40% beginning in 2021, increase at 5.30% beginning in 2025, increase at 4.60% beginning in 2035, and increase at 4.00% beginning in 2040 and thereafter.

(iv) Dental costs:

Dental costs are assumed to increase at 4.70% beginning in 2021, increase at 5.60% beginning in 2025, increase at 5.30% beginning in 2030, increase at 4.60% beginning in 2035, and increase at 4.00% beginning in 2040 and thereafter.

(v) Expected average remaining service life of the current active group is assumed to be 14 years.

THE CORPORATION OF THE CITY OF VAUGHAN

DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

6. Deferred revenue:

(a) Deposits and deferred revenue:

Deposits and deferred revenue as at December 31, 2020 is \$33,374,323 (2019 - \$40,013,432) 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:

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

Deferred revenue - obligatory reserve funds continuity schedule:

	Opening balance	Received	Recognized as revenue	Other	Closing balance
Recreational land (The Planning Act)	\$ 72,544,521	\$ 15,458,890	\$ (1,226,206)	\$ 804,132	\$ 87,581,337
Development Charges Act	482,519,449	21,522,165	(39,597,475)	5,141,020	469,585,159
Sub-divider contributions	15,217,466	3,295,331	(992,311)	128,328	17,648,814
Federal gas tax	34,015,694	9,289,956	(16,283,105)	408,618	27,431,163
Building Standards Act	12,233,461	6,568,522	(2,956,919)	183,294	16,028,358
Ontario grants	2,652,245	-	(945,890)	7,325	1,713,680
	\$ 619,182,836	\$ 56,134,864	\$ (62,001,906)	\$ 6,672,717	\$ 619,988,511

THE CORPORATION OF THE CITY OF VAUGHAN

DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

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:

	2020	2019
Debenture debt issued by the Region on the City's behalf:		
Serial debt	\$ 17,209,195	\$ 22,942,893
Debt payable to YMCA for construction of City Library and City Recreation Space in the Vaughan Metropolitan Centre	47,338,525	41,626,270
	<u>\$ 64,547,720</u>	<u>\$ 64,569,163</u>

Debenture has been approved by by-law. Interest rates range from 2.19% to 2.71% and maturity dates range from December 2021 to May 2026. 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.

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 YMCA's liability amounts to \$15,907,106 (2019 - \$12,482,091). 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, 2020 includes accrued construction and interest costs to date.

THE CORPORATION OF THE CITY OF VAUGHAN

DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

7. Debenture and other debt (continued):

Principal payments are as follows:

	YMCA	Region	Total
2021	\$ 591,733	\$ 5,733,698	\$ 6,325,431
2022	2,366,926	4,453,097	6,820,023
2023	2,366,926	2,208,400	4,575,326
2024	2,366,926	2,208,400	4,575,326
2025	2,366,926	1,302,800	3,669,726
2026 - 2040	37,279,088	1,302,800	38,581,888
	\$ 47,338,525	\$ 17,209,195	\$ 64,547,720

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

	2020	2019
Principal payments	\$ 5,733,698	\$ 6,827,447
Interest	527,512	693,472
	\$ 6,261,210	\$ 7,520,919

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, 2020

9. Tangible capital assets:

2020	Cost				Accumulated amortization				Net book value, December 31, 2020
	Balance, beginning of year	Acquisitions	Disposals and adjustments	Balance, end of year	Balance, beginning of year	Amortization	Disposals and adjustments	Balance, end of year	
Land	\$ 6,506,809,939	\$ 163,399,059	\$ -	\$ 6,670,208,998	\$ -	\$ -	\$ -	\$ -	\$ 6,670,208,998
Land improvements	216,183,889	8,402,535	(1,947,705)	222,638,719	97,176,935	7,087,455	(1,388,601)	102,875,789	119,762,930
Buildings and facilities	378,037,985	8,751,190	-	386,789,175	148,765,931	11,261,876	-	160,027,807	226,761,368
Machinery and equipment	42,737,296	7,598,897	(1,456,549)	48,879,644	25,862,040	3,682,226	(1,435,251)	28,109,015	20,770,629
Vehicles	36,445,390	1,098,997	(2,049,791)	35,494,596	22,710,059	2,086,202	(1,991,856)	22,804,405	12,690,191
Furniture and fixtures	12,380,545	1,824,958	-	14,205,503	7,376,637	680,411	-	8,057,048	6,148,455
Information technology	10,757,838	1,566,519	-	12,324,357	7,482,542	1,145,774	-	8,628,316	3,696,041
Leasehold improvements	3,110,393	-	-	3,110,393	2,571,722	16,803	-	2,588,525	521,868
Roads infrastructure	1,069,426,005	14,543,738	(7,213,035)	1,076,756,708	513,719,551	30,595,594	(4,249,336)	540,065,809	536,690,899
Water and sewer infrastructure	1,814,285,590	30,610,038	(2,018,700)	1,842,876,928	421,996,800	22,422,529	(1,256,606)	443,162,723	1,399,714,205
Assets under construction	199,255,151	19,883,381	(13,041,668)	206,096,864	-	-	-	-	206,096,864
	\$ 10,289,430,021	\$ 257,679,312	\$ (27,727,448)	\$ 10,519,381,885	\$ 1,247,662,217	\$ 78,978,870	\$ (10,321,650)	\$ 1,316,319,437	\$ 9,203,062,448

2019	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	
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

THE CORPORATION OF THE CITY OF VAUGHAN

DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

9. Tangible capital assets (continued):

(a) Assets under construction:

Assets under construction having a value of \$206,096,864 (2019 - \$199,255,151) 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 \$55,089,139 (2019 - \$41,701,433).

(b) Contributed tangible capital assets:

Contributed tangible capital assets have been recognized at fair market value at the date of contribution. The value of contributed assets received during the year is \$174,547,055 (2019 - \$486,611,658) comprising land and land improvements of \$158,422,543 (2019 - \$397,333,851), buildings and facilities of \$2,361,103 (2019 - nil), roads infrastructure of \$3,963,621 (2019 - \$33,860,057), and water and wastewater and stormwater infrastructure of \$9,799,788 (2019 - \$55,417,750).

(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, 2020

10. Accumulated surplus:

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

	2020	2019
Surplus (deficit):		
Investment in tangible capital assets	\$ 9,203,062,448	\$ 9,041,767,804
Amounts to be recovered in future years:		
From future revenue	(128,620,847)	(129,147,500)
From reserves and reserve funds on hand	(33,144,803)	(29,932,613)
Investment in Hydro Vaughan Corporations (note 4)	628,919,333	629,320,313
Other	(208,691,565)	(192,947,911)
	<u>9,461,524,566</u>	<u>9,319,060,093</u>
Reserves set aside for specific purposes by City Council:		
Vehicle replacement	4,597,651	4,229,265
Fire equipment replacement	3,530,901	3,763,753
General working capital	17,029,976	16,926,862
Tax rate stabilization	6,144,629	3,194,424
Waterworks	76,581,125	75,786,134
State of good repair water	75,313	-
Wastewater (sanitary sewers)	66,834,853	61,296,174
Stormwater reserve	33,447,859	30,995,153
Keele Valley landfill	516,781	529,531
Heritage Fund	3,964,002	3,616,341
Employee benefits	33,144,803	29,932,613
Buildings	18,683,376	15,766,387
Roads infrastructure	9,078,883	9,203,032
Sale of public lands	7,210,294	7,039,144
Parks infrastructure	5,942,872	5,423,722
Winterization	2,500,000	-
Other	23,379,216	20,228,351
Debenture payments	9,689,853	5,370,031
Engineering	4,561,642	1,676,261
Planning	4,379,629	1,767,159
City Hall Funding	30,143	29,822
Expenditure reserve	2,438,985	2,297,875
Capital from taxation	23,530,895	21,603,675
	<u>357,293,681</u>	<u>320,675,709</u>
	<u>\$ 9,818,818,247</u>	<u>\$ 9,639,735,802</u>

THE CORPORATION OF THE CITY OF VAUGHAN

DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

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:

	2020	2019
Provincial grants:		
General government	\$ –	\$ 18,352
Protection services	6,155,450	–
Transportation services	629,910	133,884
Environmental services	162,893	1,415,432
Recreation and cultural services	281,477	246,645
Planning and development	513,857	331,122
	<u>7,743,587</u>	<u>2,145,435</u>
Federal grants:		
General government	168,976	780,520
Transportation services	12,216,828	9,400,036
Environmental services	660,857	4,935,743
Recreation and cultural services	3,719,141	828,512
Planning and development	203,343	34,789
	<u>16,969,145</u>	<u>15,979,600</u>
	<u>\$ 24,712,732</u>	<u>\$ 18,125,035</u>

During the year, the City received total funding of \$6,152,800 from the provincial government as part of the Safe Restart Agreement. The Safe Restart Agreement is a federal investment to help provinces and territories safely restart their economies. City recognized the full amount as government transfers reported for the current year, as per the funding allocation from the Province of Ontario.

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, 2020

12. Segmented information (continued):

2020	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	\$ 35,542,873	\$ 34,897,837	\$ 27,219,444	\$ 78,367,599	\$ 97,780	\$ 33,589,178	\$ 10,119,254	\$ -	\$ 219,833,965
Municipal accommodation tax	-	-	-	-	-	-	624,660	-	624,660
User charges	2,971,411	5,815,374	714,858	2,432,342	228,307	6,943,363	34,838,142	-	53,943,797
Water and sewer billings	-	-	-	173,615,718	-	-	-	-	173,615,718
Government transfers	168,976	6,155,450	12,846,738	823,750	-	4,000,618	717,200	-	24,712,732
Investment income	1,493,407	1,466,305	1,143,681	3,292,777	4,109	1,411,319	425,181	-	9,236,779
Penalties and interest on taxes	1,127,176	1,106,721	863,215	2,485,285	3,102	1,065,219	320,914	-	6,971,632
Other fees and services	211,123	(17,173)	1,168,916	292,837	152,222	1,132,955	2,980,863	-	5,921,743
Contributions from developers	58,433	2,828,236	19,224,653	1,611,840	-	15,338,799	2,238,749	-	41,300,710
Contributed assets	-	-	160,095,323	13,835,882	-	615,850	-	-	174,547,055
Hydro Vaughan Corporations	-	-	-	-	-	-	-	19,582,851	19,582,851
	41,573,399	52,252,750	223,276,828	276,758,030	485,520	64,097,301	52,264,963	19,582,851	730,291,642
Expenses:									
Salaries and benefits	50,946,286	71,443,788	7,510,026	8,695,119	54,181	49,002,333	20,584,987	-	208,236,720
Goods and services	21,881,892	4,673,314	17,505,578	149,259,090	144,771	14,287,994	1,028,828	-	208,781,467
Long-term debt interest	-	-	527,512	-	-	-	-	-	527,512
Other	(4,248,937)	6,559,862	(389,869)	7,459,826	36,023	(156,220)	(1,441,771)	-	7,818,914
Corporate support allocation	2,460,775	9,617,458	3,199,635	21,698,238	30,600	8,038,231	2,542,050	(47,586,987)	-
Loss on disposal of tangible capital assets	4,871,524	18,636	9,506,764	1,376,130	-	1,328,703	266,906	-	17,368,663
Amortization of tangible capital assets	6,092,524	2,257,634	31,684,046	23,099,333	-	15,790,774	54,559	-	78,978,870
Other capital related	14,533,120	214,521	4,386,414	1,264,700	-	2,938,979	4,449,115	-	27,786,849
	96,537,184	94,785,213	73,930,106	212,852,436	265,575	91,230,794	27,484,674	(47,586,987)	549,498,995
Annual surplus (deficit) before the undernoted	(54,963,785)	(42,532,463)	149,346,722	63,905,594	219,945	(27,133,493)	24,780,289	67,169,838	180,792,647
Adjustment for the decrease of the City's equity interest in the net assets of Alectra Inc. (note 4)	-	-	-	-	-	-	-	(1,710,202)	(1,710,202)
Annual surplus (deficit)	\$ (54,963,785)	\$ (42,532,463)	\$ 149,346,722	\$ 63,905,594	\$ 219,945	\$ (27,133,493)	\$ 24,780,289	\$ 65,459,636	\$ 179,082,445

THE CORPORATION OF THE CITY OF VAUGHAN

DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

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	-	-	424,229,440	58,126,744	-	4,255,474	-	-	486,611,658
Hydro Vaughan Corporations	-	-	-	-	-	-	-	14,223,070	14,223,070
	37,542,899	45,968,511	476,210,426	310,624,003	454,655	78,587,007	40,873,260	14,223,070	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)	-
Loss (gain) 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)	414,052,646	110,156,730	233,657	(30,062,531)	15,800,815	59,133,328	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)	\$ 414,052,646	\$ 110,156,730	\$ 233,657	\$ (30,062,531)	\$ 15,800,815	\$ 58,124,770	\$ 494,236,345

THE CORPORATION OF THE CITY OF VAUGHAN

DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

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, 2020

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, 2020

13. Budget data:

The budget data presented in these consolidated financial statements is based upon the 2020 operating and capital budgets approved by City Council on December 17, 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	\$ 320,837,735
Water, wastewater and stormwater budget	195,153,186
Capital budget	172,587,246
Add (less):	
Transfers from other funds	(72,498,605)
Proceeds from debt issue	(9,309,795)
Other adjustments	(2,300,000)
Hospital levy	7,094,339
	<u>611,564,106</u>
Expenses:	
Operating budget	320,837,735
Water, wastewater and stormwater budget	195,153,186
Capital budget	172,587,246
Add (less):	
Transfers to other funds	(55,092,042)
Debt principal payments	(5,733,700)
Other adjustments	(2,367,990)
Hospital levy	7,094,339
	<u>632,478,774</u>
Annual deficit	<u>\$ (20,914,668)</u>

14. Trust funds:

Trust funds administered by the City amounting to \$1,571,594 (2019 - \$1,451,605) 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, 2020

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 \$54.4 million (for the period 2021 to 2023). The City has also entered into a number of third-party contracts to provide shared services with estimated future recoveries of \$0.5 million (for 2021). Future revenues from lease agreements for City-owned properties are approximately \$2.3 million (for the period 2021 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:

2021	\$ 52,240,000
2022	36,987,000
2023	30,473,000
2024	24,689,000
2025	19,505,000
Thereafter	34,427,000
	<hr/>
	\$ 198,321,000

(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, 2020 is \$3.0 million (2019 - \$3.3 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, 2020

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, 2020 is \$2.62 million (2019 - \$2.95 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, amounts of which are disclosed in note 7.

(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 2020 was \$1.7 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. An amendment was made in 2020 to allow the agreement to continue through 2021 with the financial impact limited to a flat fee increase of 3%.

(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 commitments at December 31, 2020 is approximately \$13.8 million. Expenditures relating to capital works are recorded in the year in which they 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, 2020

17. Contingencies:

(a) COVID-19:

On March 11, 2020, 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, 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, at various times as required by the provincial government, 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 certain deferral of property taxes;
- 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 2020);

THE CORPORATION OF THE CITY OF VAUGHAN

DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

17. Contingencies (continued):

- Suspension of collection of municipal accommodation tax until September 1, 2020;
- Deferral of the annual stormwater charge for 60 days;
- Cancellation of the 2020 water and wastewater rate increases planned for April 1, 2020;
- 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;
- no cost of living increases for non-union staff in 2021;
- A 0% tax levy increase in 2021; and
- The 2020 budget adopted by City Council reflects the measures taken that continue into 2021 such as closure of all City facilities and workforce rebalancing.

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 ongoing 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.

THE CORPORATION OF THE CITY OF VAUGHAN

DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

18. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.

DRAFT #7
May 14, 2021

Financial Statements of

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

And Independent Auditors' Report thereon

Year ended December 31, 2020

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, 2020
- 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, 2020, 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

June 22, 2021

THE CORPORATION OF THE CITY OF VAUGHAN PUBLIC LIBRARY BOARD

DRAFT Statement of Financial Position

December 31, 2020, with comparative information for 2019

	2020	2019
Financial Assets		
Cash	\$ 8,065	\$ 149,268
Due from the City of Vaughan (note 5)	3,314,869	252,858
	<u>3,322,934</u>	<u>402,126</u>
Financial Liabilities		
Accounts payable and accrued liabilities	3,292,867	403,915
Employee future benefits (note 2(b))	7,159,000	6,965,000
Deferred revenue	30,067	35,145
	<u>10,481,934</u>	<u>7,404,060</u>
Net debt	(7,159,000)	(7,001,934)
Non-Financial Assets		
Prepaid expenses	–	36,934
Tangible capital assets (note 3)	8,271,373	8,937,882
	<u>8,271,373</u>	<u>8,974,816</u>
Accumulated surplus (note 4)	<u>\$ 1,112,373</u>	<u>\$ 1,972,882</u>

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, 2020, with comparative information for 2019

	Budget 2020 (note 6)	Actual 2020	Actual 2019
Revenue:			
Municipal contributions (note 5)	\$ 18,192,516	\$ 16,266,053	\$ 19,230,195
Grants and subsidies	145,200	154,023	189,819
Fees, rental and sundry	438,020	123,730	444,260
	<u>18,775,736</u>	<u>16,543,806</u>	<u>19,864,274</u>
Expenses:			
Salaries and wages	12,740,753	9,694,370	12,084,393
Employee benefits	3,123,723	2,825,313	3,080,739
General administration	845,770	693,838	844,162
Periodicals	594,305	553,245	533,378
Maintenance and repairs	494,600	548,319	494,486
Utilities	419,033	344,671	410,434
Office furniture and technology	236,970	118,848	267,328
Cleaning services	125,232	158,714	137,712
Programmes	78,000	39,874	86,153
Supplies	93,350	117,432	67,788
Consulting and outside services	24,000	4,928	21,982
Amortization of tangible capital assets (note 3)	–	2,304,763	2,270,900
	<u>18,775,736</u>	<u>17,404,315</u>	<u>20,299,455</u>
Annual deficit	–	(860,509)	(435,181)
Accumulated surplus, beginning of year	1,972,882	1,972,882	2,408,063
Accumulated surplus, end of year	<u>\$ 1,972,882</u>	<u>\$ 1,112,373</u>	<u>\$ 1,972,882</u>

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, 2020, with comparative information for 2019

	2020	2019
Annual deficit	\$ (860,509)	\$ (435,181)
Net increase in prepaid expenses	36,934	(23,988)
Purchase of tangible capital assets	(1,638,254)	(1,990,719)
Amortization of tangible capital assets	2,304,763	2,270,900
Increase in net debt	(157,066)	(178,988)
Net debt, beginning of year	(7,001,934)	(6,822,946)
Net debt, end of year	\$ (7,159,000)	\$ (7,001,934)

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, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Annual deficit	\$ (860,509)	\$ (435,181)
Items not involving cash:		
Amortization of tangible capital assets	2,304,763	2,270,900
Increase in employee future benefits	194,000	155,000
Change in non-cash assets and liabilities:		
Due from the City of Vaughan	(3,062,011)	(42,502)
Accounts payable and accrued liabilities	2,888,952	210,304
Deferred revenue	(5,078)	(2,718)
Prepaid expenses	36,934	(23,988)
	1,497,051	2,131,815
Capital activities:		
Purchase of tangible capital assets	(1,638,254)	(1,990,719)
Increase (decrease) in cash	(141,203)	141,096
Cash, beginning of year	149,268	8,172
Cash, end of year	\$ 8,065	\$ 149,268

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, 2020

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, 2020

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
Digital resources	2 - 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 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, 2020

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, 2020

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 2020 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 \$1,816,000 in 2020 (2019 - \$1,932,000), of which \$908,000 (2019 - \$966,000) 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, 2020

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 accrued benefit liability for active employees and retirees at December 31, 2020 of \$6,687,000 (2019 - \$6,548,000) and the expense for the year ended December 31, 2020 of \$185,000 (2019 - \$244,000) was determined by actuarial valuation using a discount rate of 3% (2019 - 3.5%).

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

	2020	2019
Accrued benefit obligation, beginning of year	\$ 5,065,000	\$ 4,799,000
Actuarial gain	(590,000)	-
Service cost	194,000	205,000
Interest cost	139,000	173,000
Benefits paid	(46,000)	(112,000)
Accrued benefit obligation, end of year	4,762,000	5,065,000
Unamortized actuarial loss	1,925,000	1,483,000
Accrued benefit liability	\$ 6,687,000	\$ 6,548,000
Components of benefit expense:		
Service	\$ 194,000	\$ 205,000
Interest	139,000	173,000
Amortization of actuarial loss	(148,000)	(134,000)
Benefit expense	\$ 185,000	\$ 244,000

THE CORPORATION OF THE CITY OF VAUGHAN PUBLIC LIBRARY BOARD

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2020

2. Employee future benefits (continued):

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

	2020	2019
Post-retirement non-pension benefits	\$ 6,687,000	\$ 6,548,000
Vacation pay	472,000	417,000
	\$ 7,159,000	\$ 6,965,000

3. Tangible capital assets:

Cost	Balance, December 31, 2019	Additions	Disposals	Balance, December 31, 2020
Books	\$ 8,981,586	\$ 718,798	\$ 889,927	\$ 8,810,457
Audio visual materials	4,307,754	367,154	449,604	4,225,304
Digital resources	439,396	341,669	–	781,065
Furniture and fixtures	2,795,937	162,075	–	2,958,012
Equipment	1,696,821	48,558	–	1,745,379
Vehicle	55,175	–	–	55,175
	\$ 18,276,669	\$ 1,638,254	\$ 1,339,531	\$ 18,575,392

Accumulated amortization	Balance, December 31, 2019	Amortization expense	Disposals	Balance, December 31, 2020
Books	\$ 4,404,899	\$ 1,341,741	\$ 889,927	\$ 4,856,713
Audio visual materials	2,049,011	614,273	449,604	2,213,680
Digital resources	147,041	43,922	–	190,963
Furniture and fixtures	1,694,938	137,455	–	1,832,393
Equipment	1,037,642	159,490	–	1,197,132
Vehicle	5,256	7,882	–	13,138
	\$ 9,338,787	\$ 2,304,763	\$ 1,339,531	\$ 10,304,019

THE CORPORATION OF THE CITY OF VAUGHAN PUBLIC LIBRARY BOARD

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2020

3. Tangible capital assets (continued):

Net book value	2020	2019
Books	\$ 3,953,744	\$ 4,576,687
Audio visual materials	2,011,624	2,258,743
Digital resources	590,102	292,355
Furniture and fixtures	1,125,619	1,100,999
Equipment	548,247	659,179
Vehicles	42,037	49,919
	\$ 8,271,373	\$ 8,937,882

4. Accumulated surplus:

Accumulated surplus consists of the following:

	2020	2019
Surplus invested in tangible capital assets (note 3)	\$ 8,271,373	\$ 8,937,882
Unfunded employee benefits (note 2)	(7,159,000)	(6,965,000)
	\$ 1,112,373	\$ 1,972,882

5. Related party transactions and balance:

During the year, the Library received municipal contributions from the City of Vaughan of \$16,266,053 (2019 - \$19,230,195).

Amounts due from the City of Vaughan of \$3,314,869 (2019 - \$252,858) 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, 2020

6. Budget data:

The audited budget data presented in these financial statements is based upon the 2020 operating and capital budgets approved by the Library on September 17, 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 financial statements.

	Budget amount
Revenue:	
Approved operating budget	\$ 18,775,736
Approved capital budget	7,441,560
	<u>26,217,296</u>
Less elimination of capital expense budget	7,441,560
Total revenue and expense	\$ 18,775,736

7. Financial risk management:

It is management's opinion that the Library is not exposed to significant liquidity, interest rate, credit, market, or cash flow risk. There has been no change to the risk exposure from 2019, except as noted below.

General economic risk:

During the year, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in the Canadian and Provincial governments enacting emergency measures to combat the spread of the virus. These measures include the implementation of travel bans, self-imposed quarantine periods and social distancing.

The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on operations is not known at this time. These emergency measures and economic impacts could include potential future decreases in revenue and expenses.

THE CORPORATION OF THE CITY OF VAUGHAN PUBLIC LIBRARY BOARD

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2020

8. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.

DRAFT #3
May 17, 2021

Financial Statements of

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

And Independent Auditors' Report thereon

Year ended December 31, 2020

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, 2020
- 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, 2020, 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

June 22, 2021

BOARD OF MANAGEMENT FOR THE KLEINBURG BUSINESS IMPROVEMENT AREA

DRAFT Statement of Financial Position

December 31, 2020, with comparative information for 2019

	2020	2019
Financial Assets		
Cash	\$ 10,475	\$ 13,567
Taxes receivable	4,042	1,838
Accounts receivable	1,044	—
Accrued revenue (note 3)	9,054	—
	<u>24,615</u>	<u>15,405</u>
Financial Liabilities		
Accounts payable and accrued liabilities	<u>1,423</u>	<u>6,763</u>
Net financial assets	23,192	8,642
Non-Financial Assets		
Prepaid expenses	994	905
Accumulated surplus	<u>\$ 24,186</u>	<u>\$ 9,547</u>

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, 2020, with comparative information for 2019

	Budget 2020 (note 2(e))	Actual 2020	Actual 2019
Revenue:			
Kleinburg Business Improvement			
Area special area levy	\$ 52,250	\$ 52,250	\$ 47,500
Grants (note 3)	–	9,054	5,469
Other income	–	11,046	122
	<u>52,250</u>	<u>72,350</u>	<u>53,091</u>
Expenses:			
Outside contract services	22,000	24,009	23,989
Salaries	–	3,273	5,740
Special events	12,000	934	6,424
Chamber of Commerce partnership	–	–	4,070
Advertising and marketing	13,850	22,079	2,167
Miscellaneous	4,400	4,493	2,640
Insurance	–	1,593	1,548
Consulting fees	–	1,330	1,100
	<u>52,250</u>	<u>57,711</u>	<u>47,678</u>
Annual surplus	–	14,639	5,413
Accumulated surplus, beginning of year	4,134	9,547	4,134
Accumulated surplus, end of year	<u>\$ 4,134</u>	<u>\$ 24,186</u>	<u>\$ 9,547</u>

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, 2020, with comparative information for 2019

	Budget 2020 (note 2(e))	Actual 2020	Actual 2019
Annual surplus	\$ -	\$ 14,639	\$ 5,413
Acquisition of prepaid expenses	-	(89)	(166)
Increase in net financial assets	-	14,550	5,247
Net financial assets, beginning of year	8,642	8,642	3,395
Net financial assets, end of year	\$ 8,642	\$ 23,192	\$ 8,642

See accompanying notes to financial statements.

BOARD OF MANAGEMENT FOR THE KLEINBURG BUSINESS IMPROVEMENT AREA

DRAFT Statement of Cash Flows

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operations:		
Annual surplus	\$ 14,639	\$ 5,413
Change in taxes receivable	(2,204)	3,451
Change in accounts receivable	(1,044)	-
Change in accrued revenue	(9,054)	-
Change in prepaid expenses	(89)	(166)
Change in accounts payable and accrued liabilities	(5,340)	2,407
Increase (decrease) in cash	(3,092)	11,105
Cash, beginning of year	13,567	2,462
Cash, end of year	\$ 10,475	\$ 13,567

See accompanying notes to financial statements.

BOARD OF MANAGEMENT FOR THE KLEINBURG BUSINESS IMPROVEMENT AREA

DRAFT Notes to Financial Statements

Year ended December 31, 2020

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.

(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.

BOARD OF MANAGEMENT FOR THE KLEINBURG BUSINESS IMPROVEMENT AREA

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2020

2. Significant accounting policies (continued):

(e) Budget information:

The audited budget information presented in these financial statements is based on the budget approved by City Council on January 28, 2020.

3. Accrued revenue:

During the year, the Board entered into a grant agreement with Central Counties Tourism ("CCT") to augment the Board's marketing program. CCT approved a total grant of \$9,000, which was received in 2021. An amount of \$6,366 was accrued and recognized as grant revenue in 2020 based on actual eligible expenditures. The remaining grant available of \$2,634 will be recorded in 2021 when earned.

4. Financial risk management:

It is management's opinion that the Board is not exposed to significant liquidity, interest rate, market, or cash flow risk. There has been no change to the risk exposure from 2019, except as noted below.

General economic risk:

During the year, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in the Canadian and Provincial 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 resulted in a decline in revenue due to the cancellation of events and lockdown measures.

The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on operations is not known at this time. These emergency measures and economic impacts could include potential future decreases in revenue and expenses.

BOARD OF MANAGEMENT FOR THE KLEINBURG BUSINESS IMPROVEMENT AREA

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2020

5. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.

DRAFT #3
May 19, 2021

Financial Statements of

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

And Independent Auditors' Report thereon

Year ended December 31, 2020

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, 2020
- 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, 2020, 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

June 22, 2021

THE CORPORATION OF THE CITY OF VAUGHAN TRUST FUNDS

DRAFT Statement of Financial Position

December 31, 2020, with comparative information for 2019

	2020	2019
Financial Assets		
Cash	\$ 1,467,149	\$ 1,443,990
Due from The Corporation of the City of Vaughan (note 2)	104,445	7,615
	<u>\$ 1,571,594</u>	<u>\$ 1,451,605</u>
Fund Balance	\$ 1,571,594	\$ 1,451,605
	<u>\$ 1,571,594</u>	<u>\$ 1,451,605</u>

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, 2020, with comparative information for 2019

	2020	2019
Sources of funds:		
Capital receipts - sale of plots/markers (note 1(a))	\$ 119,989	\$ 39,645
Interest earned (note 1(a))	15,544	32,031
	135,533	71,676
Use of funds:		
Maintenance (note 1(a))	15,544	32,031
Net activity	119,989	39,645
Fund balance, beginning of year	1,451,605	1,411,960
Fund balance, end of year	\$ 1,571,594	\$ 1,451,605

See accompanying notes to financial statements.

THE CORPORATION OF THE CITY OF VAUGHAN TRUST FUNDS

DRAFT Notes to Financial Statements

Year ended December 31, 2020

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. Financial risk management:

It is management's opinion that the trust funds are not exposed to significant liquidity, interest rate, credit, market, or cash flow risk. There has been no change to the risk exposure from 2019, except as noted below.

General economic risk:

During the year, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in the Canadian and Provincial governments enacting emergency measures to combat the spread of the virus. These measures include the implementation of travel bans, self-imposed quarantine periods and social distancing.

THE CORPORATION OF THE CITY OF VAUGHAN TRUST FUNDS

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2020

3. Financial risk management (continued):

The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on operations is not known at this time. These emergency measures and economic impacts could include potential future decreases in revenue and expenses.

DRAFT #2
April 14, 2021

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, 2020

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, 2020, 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, 2020 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, 2020 and December 31, 2019
- 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, 2020 and December 31, 2019

Our opinion on the statement for the year ended December 31, 2019 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

June 22, 2021

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, 2020, with comparative information for 2019

	2020	2019
Mayor's Gala Event		
Revenue:		
Revenue received by City, net of harmonized sales tax (note 4)	\$ –	\$ 716,757
Expenditures:		
Mayor's Gala Event	147	197,164
City administration recovery (note 2)	103	23,757
Professional fees	–	22,865
	<u>250</u>	<u>243,786</u>
Surplus (deficit) from Mayor's Gala Event	(250)	472,971
Mayor's Golf Tournament		
Revenue:		
Revenue received by City, net of harmonized sales tax (note 4)	–	220,628
Expenditures:		
Mayor's Golf Tournament	147	83,791
City administration recovery (note 2)	103	23,343
Professional fees	–	2,366
	<u>250</u>	<u>109,500</u>
Surplus (deficit) from Mayor's Golf Tournament	(250)	111,128
Total surplus (deficit) from Mayor's Gala Event and Mayor's Golf Tournament	(500)	584,099
Balance carried forward from previous years	473,617	601,188
Total funds available for distribution	473,117	1,185,287
City distributions to qualified recipients (note 3)	(158,059)	(711,670)
Fund balance, end of year	<u>\$ 315,058</u>	<u>\$ 473,617</u>

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, 2020

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 2020, \$158,059 distributions (2019 - \$711,670) were made to these qualified recipients.

4. Impact of COVID-19:

In response to the COVID-19 pandemic, the 2020 Mayor's Gala and Mayor's Classic Golf events were postponed until safety protocols permit. Funds raised through sponsorships but not refunded in 2020, net of expenditures made in 2020 have been carried forward for use in subsequent Gala and Golf events and have not been presented within the financial statement for the year ended December 31, 2020.

DRAFT #3
May 4, 2021

Financial Statements of

**TOURISM VAUGHAN
CORPORATION**

And Independent Auditors' Report thereon

Year ended December 31, 2020

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 statement of financial position as at December 31, 2020
- the statement of operations and accumulated surplus for the year then ended
- the statement of change in net financial assets for the year then ended
- the statement of cash flows for the 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, 2020, and its results of operations 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

June 22, 2021

TOURISM VAUGHAN CORPORATION

DRAFT Statement of Financial Position

December 31, 2020, with comparative information for 2019

	2020	2019
Financial Assets		
Due from the City of Vaughan (note 2)	\$ 1,130,479	\$ 891,624
Financial Liabilities		
Accounts payable and accrued liabilities	–	5,000
Deferred revenue (note 3)	166,537	–
	166,537	5,000
Net financial assets, being accumulated surplus	\$ 963,942	\$ 886,624

See accompanying notes to financial statements.

TOURISM VAUGHAN CORPORATION

DRAFT Statement of Operations and Accumulated Surplus

Year ended December 31, 2020, with comparative information for the period from May 15, 2019 to December 31, 2019

	Budget	2020	2019
Revenue:			
Municipal accommodation tax transferred from the City of Vaughan	\$ 409,798	\$ 312,330	\$ 1,058,570
Provincial grants	426,625	217,425	–
	836,423	529,755	1,058,570
Expenses:			
Purchased services from the City of Vaughan	240,115	236,391	17,866
Professional fees	455,810	173,301	135,439
General operating expenses	200,000	34,649	2,579
Administration fees	40,292	8,096	16,062
	936,217	452,437	171,946
Excess (deficiency) of revenue over expense	(99,794)	77,318	886,624
Accumulated surplus, beginning of period	886,624	886,624	–
Accumulated surplus, end of period	\$ 786,830	\$ 963,942	\$ 886,624

See accompanying notes to financial statements.

TOURISM VAUGHAN CORPORATION

DRAFT Statement of Change in Net Financial Assets

Year ended December 31, 2020, with comparative information for the period from May 15, 2019 to December 31, 2019

	Budget	2020	2019
Excess (deficiency) of revenue over expenses	\$ (99,794)	\$ 77,318	\$ 886,624
Increase in net financial assets	(99,794)	77,318	886,624
Net financial assets, beginning of period	886,624	886,624	–
Net financial assets, end of period	\$ 786,830	\$ 963,942	\$ 886,624

See accompanying notes to financial statements.

TOURISM VAUGHAN CORPORATION

DRAFT Statement of Cash Flows

Year ended December 31, 2020, with comparative information for the period from May 15, 2019 to December 31, 2019

	2020	2019
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 77,318	\$ 886,624
Change in non-cash operating working capital:		
Due from the City of Vaughan	(238,855)	(891,624)
Accounts payable and accrued liabilities	(5,000)	5,000
Deferred revenue	166,537	–
Increase in cash, being cash and cash equivalents, end of period	\$ –	\$ –

See accompanying notes to financial statements.

TOURISM VAUGHAN CORPORATION

DRAFT Notes to Financial Statements

Year ended December 31, 2020

Tourism Vaughan Corporation (the "Corporation") is a municipal services corporation incorporated without share capital, 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 is limited to providing services to owners or members of the Corporation on behalf of The Corporation of the City of Vaughan ("the City of Vaughan") in lieu of the municipality providing those services itself.

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 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 year 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)

Year ended December 31, 2020

1. Significant accounting policies (continued):

(c) Government transfers:

Government transfers are recognized in the financial statements as revenue in the year 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 operations and accumulated surplus. 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 operations and accumulated surplus.

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 year. Actual results could differ from those estimates.

TOURISM VAUGHAN CORPORATION

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2020

2. Due from the City of Vaughan:

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

	2020	2019
Opening balance	\$ 891,624	\$ –
Municipal accommodation tax revenue	312,330	1,058,570
Provincial grants (note 3)	217,425	–
Deferred provincial grants (note 3)	166,537	–
Less cumulative amount of the Corporation's expenses paid by the City of Vaughan	457,437	166,946
	<u>\$ 1,130,479</u>	<u>\$ 891,624</u>

3. Deferred revenue:

The Corporation entered into a contribution agreement with Tourism Industry Association of Ontario ("TIAO") to promote and develop a strong and diversified Southern Ontario economy. TIAO approved a total grant of \$383,962, all of which was received by the City of Vaughan during the year. An amount of \$166,537 has been deferred to 2021 based on actual grant spending. The remaining grant receivable of \$217,425 is receivable from the City of Vaughan.

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.

TOURISM VAUGHAN CORPORATION

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2020

5. Financial risk management:

It is management's opinion that the Corporation is not exposed to significant liquidity, interest rate, credit, market, or cash flow risk. There has been no change to the risk exposure from 2019, except as noted below:

General economic risk:

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in the Canadian and Provincial governments enacting emergency measures to combat the spread of the virus. These measures include the implementation of travel bans, self-imposed quarantine periods and social distancing. The City of Vaughan suspended collection of municipal accommodation tax until September 1, 2020, which impacted the allocation of revenue that the Corporation received during the year.

The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on operations is not known at this time. These emergency measures and economic impacts could include potential future decreases in revenue and expenses.