

Consolidated Financial Statements of

**THE CORPORATION OF THE
CITY OF VAUGHAN**

And Independent Auditors' Report thereon

Year ended December 31, 2021



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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, 2021
- 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, 2021, 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.



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- 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.



A handwritten signature in black ink that reads "KPMG LLP". The signature is written in a cursive style and is underlined twice with a thin black line.

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

June 28, 2022

THE CORPORATION OF THE CITY OF VAUGHAN

Consolidated Statement of Financial Position

December 31, 2021, with comparative information for 2020

	2021	2020
Financial Assets		
Cash and cash equivalents	\$ 941,488,571	\$ 795,002,927
Taxes receivable	72,613,679	58,789,431
Water and sewer billings receivable	24,407,856	25,340,148
Accounts receivable	22,818,662	19,758,156
Investments (note 3)	83,512,690	82,378,515
Investment in Hydro Vaughan Corporations (note 4)	636,561,054	628,919,333
	1,781,402,512	1,610,188,510
Financial Liabilities		
Accounts payable and accrued liabilities	131,104,445	123,161,346
Accrued interest on long-term liabilities	53,737	73,695
Employee future benefits (note 5)	166,762,499	154,981,349
Deposits and deferred revenue (note 6(a))	41,558,716	33,374,323
Deferred revenue - obligatory reserve funds (note 6(b))	721,061,150	619,988,511
Debenture and other debt (note 7)	58,814,023	64,547,720
Note payable (note 8)	3,303,523	3,303,523
	1,122,658,093	999,430,467
Net financial assets	658,744,419	610,758,043
Non-Financial Assets		
Tangible capital assets (note 9)	9,387,175,371	9,203,062,448
Prepaid expenses	1,859,458	4,997,756
	9,389,034,829	9,208,060,204
Contractual rights (note 15)		
Commitments (note 16)		
Contingencies (note 17)		
Accumulated surplus (note 10)	\$ 10,047,779,248	\$ 9,818,818,247

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE CITY OF VAUGHAN

Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2021, with comparative information for 2020

	Budget (note 13) (note 1(p))	2021	2020
Revenue (note 12):			
Property taxation	\$ 221,998,291	\$ 224,200,805	\$ 218,292,594
Taxation from other governments	1,500,000	1,378,170	1,541,371
Municipal accommodation tax	1,500,000	1,315,783	624,660
User charges	49,236,281	57,422,511	53,943,797
Water and sewer billings	168,095,557	177,004,837	173,615,718
Government transfers (note 11)	21,884,820	29,056,700	24,712,732
Investment income	2,992,620	4,910,085	9,236,779
Penalties and interest on taxes	5,200,000	8,714,409	6,971,632
Other fees and services	10,689,636	7,835,863	5,921,743
Contributions from developers	165,128,162	51,996,723	41,300,710
Contributed assets (note 9(b))	—	184,837,997	174,547,055
Hydro Vaughan Corporations (note 4):			
Share of net earnings	14,450,000	23,517,485	16,132,631
Interest on notes receivable	—	3,450,220	3,450,220
	662,675,367	775,641,588	730,291,642
Expenses (note 12):			
General government	54,239,692	32,777,524	48,950,196
Protection to persons and property	92,588,580	97,832,785	94,785,214
Transportation services	131,185,576	76,734,303	73,930,106
Environmental services	221,001,805	221,128,707	212,852,436
Health services	121,818	120,580	143,864
Social and family services	362,075	98,727	121,711
Recreation and cultural services	181,060,387	91,965,746	91,230,794
Planning and development	63,785,428	24,918,355	27,484,674
	744,345,361	545,576,727	549,498,995
Annual surplus (deficit) before the undernoted	(81,669,994)	230,064,861	180,792,647
Adjustment for the decrease of the City's equity interest in the net assets of Alectra Inc. (note 4)	—	(1,103,860)	(1,710,202)
Annual surplus (deficit)	(81,669,994)	228,961,001	179,082,445
Accumulated surplus, beginning of year	9,818,818,247	9,818,818,247	9,639,735,802
Accumulated surplus, end of year	\$ 9,737,148,253	\$ 10,047,779,248	\$ 9,818,818,247

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE CITY OF VAUGHAN

Consolidated Statement of Change in Net Financial Assets

Year ended December 31, 2021, with comparative information for 2020

	Budget (note 13) (note 1(p))	2021	2020
Annual surplus (deficit)	\$ (81,669,994)	\$ 228,961,001	\$ 179,082,445
Amortization of tangible capital assets	—	79,520,353	78,978,870
Proceeds on disposal of tangible capital assets	—	117,560	37,135
Loss on disposal of tangible capital assets	—	9,673,501	17,368,663
Acquisition of tangible capital assets	—	(273,424,337)	(257,679,312)
	(81,669,994)	44,848,078	17,787,801
<u>Change in prepaid expenses</u>	<u>—</u>	<u>3,138,298</u>	<u>(2,642,012)</u>
Increase (decrease) in net financial assets	(81,669,994)	47,986,376	15,145,789
Net financial assets, beginning of year	610,758,043	610,758,043	595,612,254
<u>Net financial assets, end of year</u>	<u>\$ 529,088,049</u>	<u>\$ 658,744,419</u>	<u>\$ 610,758,043</u>

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE CITY OF VAUGHAN

Consolidated Statement of Cash Flows

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 228,961,001	\$ 179,082,445
Items not involving cash:		
Amortization of tangible capital assets	79,520,353	78,978,870
Loss on disposal of tangible capital assets	9,673,501	17,368,663
Contributed tangible capital assets	(184,837,997)	(174,547,055)
Share of net earnings of Hydro Vaughan Corporations	(23,517,485)	(16,132,631)
Decrease in equity interest in net assets of Alectra Inc.	1,103,860	1,710,202
Change in non-cash assets and liabilities:		
Increase in taxes receivable	(13,824,248)	(10,541,856)
Decrease (increase) in water and sewer billings receivable	932,292	(119,679)
Decrease (increase) in accounts receivable	(3,060,506)	1,817,165
Increase (decrease) in accounts payable and accrued liabilities	7,943,099	(1,960,351)
Decrease in accrued interest on long-term liabilities	(19,958)	(19,577)
Increase in employee future benefits	11,781,150	10,202,778
Increase (decrease) in deposits and deferred revenue	8,184,393	(6,639,109)
Increase in deferred revenue - obligatory reserve funds	101,072,639	805,675
Decrease (increase) in prepaid expenses	3,138,298	(2,642,012)
	<u>227,050,392</u>	<u>77,363,528</u>
Capital activities:		
Proceeds on disposal of tangible capital assets	117,560	37,135
Cash used to acquire tangible capital assets	(88,586,340)	(83,132,257)
	<u>(88,468,780)</u>	<u>(83,095,122)</u>
Financing activities:		
Debenture and other debt repaid	(5,733,697)	(5,733,698)
Debenture and other debt incurred	—	5,712,255
	<u>(5,733,697)</u>	<u>(21,443)</u>
Investing activities:		
Decrease (increase) in investments, net	(1,134,175)	6,232,069
Dividend and return of capital from Hydro Vaughan Corporations	14,771,904	14,823,409
	<u>13,637,729</u>	<u>21,055,478</u>
Increase in cash and cash equivalents	146,485,644	15,302,441
Cash and cash equivalents, beginning of year	795,002,927	779,700,486
Cash and cash equivalents, end of year	\$ 941,488,571	\$ 795,002,927
Supplemental cash flow information:		
Interest paid	\$ 380,915	\$ 527,512
Interest and dividends received	26,516,251	32,168,296

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements

Year ended December 31, 2021

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

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

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. ("Alectra"), 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 years of its useful life.

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

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

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

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 year employee services arising out of plan amendments are recognized in the year 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

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

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 year 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 year 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

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

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

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

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, 2021, 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

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

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 2021 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, 2021, 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 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).
- (ii) PS 1201, Financial Statement Presentation 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).
- (iii) 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

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

1. Significant accounting policies (continued):

- (iv) 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.
- (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 2021, 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	\$ 319,973,488	\$ 383,860,016
Taxation from other governments	770,493	1,038,752
<u>Amounts requisitioned and remitted</u>	<u>\$ 320,743,981</u>	<u>\$ 384,898,768</u>

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

3. Investments:

Investments consist of government and financial institution bonds and have effective interest rates of 1.9% to 2.55% (2020 - 1.83% to 4.02%) with maturity dates from March 2, 2022 – December 15, 2025 (2020 - April 26, 2021 - December 15, 2025). Market value of investments costing \$83,512,690 (2020 - \$82,378,515) is \$85,712,059 (2020 - \$84,729,243) at December 31, 2021.

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	
	2021	2020
Vaughan Holdings Inc. (including 100% ownership of Hydro Vaughan Energy Corporation and 20.5% (2020 - 20.5%) share interest in Alectra) 1446631 Ontario Inc.	100%	100%
	100%	100%

The shareholder ownership structure of Alectra 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%
Guelph Municipal Holdings Inc.	4.6%

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

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	2021	2020
Assets		
Current		
Investment in government business enterprises	\$ 22,083,003	\$ 19,575,787
Other	636,561,054	628,919,333
	217,052	200,575
Total assets	\$ 658,861,109	\$ 648,695,695
Liabilities		
Current	\$ 1,801,411	\$ 1,539,090
Total liabilities	1,801,411	1,539,090
Shareholders' equity		
Share capital	196,859,952	196,859,952
Retained earnings and contributed surplus	460,199,746	450,296,653
Total shareholders' equity	657,059,698	647,156,605
Total liabilities and shareholders' equity	\$ 658,861,109	\$ 648,695,695
Results of operations:		
	2021	2020
Revenue	\$ 23,836,049	\$ 16,448,066
Expenses	318,564	315,435
Net income	\$ 23,517,485	\$ 16,132,631

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

4. Investment in Hydro Vaughan Corporations (continued):

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

	2021	2020
Equity	\$ 551,558,384	\$ 543,916,663
Notes receivable	84,133,025	84,133,025
Accrued interest on notes receivable	869,645	869,645
Investment in Hydro Vaughan Corporations	\$ 636,561,054	\$ 628,919,333

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

	2021	2020
Equity pickup in Hydro Vaughan Corporations	\$ 23,517,485	\$ 16,132,631
Decrease in equity interest	(1,103,860)	(1,710,202)
Return of capital	(1,103,860)	(1,710,202)
Dividend	(13,668,044)	(13,113,207)
 Net change in investment in Hydro Vaughan Corporations	 7,641,721	 (400,980)
 Opening investment in Hydro Vaughan Corporations	 628,919,333	 629,320,313
 Closing investment in Hydro Vaughan Corporations	 \$ 636,561,054	 \$ 628,919,333

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

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

5. Employee future benefits:

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

	2021	2020
Post-retirement non-pension benefits (d)	\$ 147,920,163	\$ 139,303,097
Vacation entitlements (c)	11,466,436	9,390,352
WSIB (b)	7,375,900	6,287,900
	<hr/> \$ 166,762,499	<hr/> \$ 154,981,349

(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, 2021, OMERS has a deficit of \$3.1 billion (2020 - \$3.2 billion). If actuarial surpluses are not available to offset the existing deficit and subsidize future contributions, increases in contributions will be required in the future. The date of the most recent filed actuarial valuation for funding purposes for the OMERS Primary Pension Plan was December 31, 2020. The next required filing of an actuarial valuation for funding purposes will be performed with a date no later than December 31, 2023.

Total OMERS contributions amounted to \$32,017,443 in 2021 (2020 - \$31,810,056), of which \$16,008,721 (2020 - \$15,689,973) 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 \$7,375,900 (2020 - \$6,287,900) 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

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

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 \$11,466,436 (2020 - \$9,390,352).

(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, 2021 of \$147,920,163 (2020 - \$139,303,097) and the expense for the year ended December 31, 2021 of \$11,121,827 (2020 - \$10,835,008) was determined by actuarial valuation using a discount rate of 3.0% (2020 - 3.0%).

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

	2021	2020
Accrued benefit obligation, beginning of year	\$ 138,521,766	\$ 132,755,809
Actuarial gain	—	(3,665,458)
Service cost	6,858,104	6,839,180
Interest cost	4,323,825	4,055,930
Benefits paid	(2,504,761)	(1,463,695)
Accrued benefit obligation, end of year	147,198,934	138,521,766
Unamortized actuarial gain	721,229	781,331
Accrued benefit liability	\$ 147,920,163	\$ 139,303,097

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

5. Employee future benefits (continued):

Components of benefit expense:

	2021	2020
Service cost	\$ 6,858,104	\$ 6,839,180
Interest cost	4,323,825	4,055,930
Amortization of actuarial gain	(60,102)	(60,102)
Benefit expense	\$ 11,121,827	\$ 10,835,008

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 2021 actuarial study is assumed to be 3.0% (2020 - 3.0%) 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% annually from 2021 to 2024, increase at 5.30% annually from 2025 to 2034, increase at 4.60% annually from 2035 to 2039, and increase at 4.0% annually from 2040 and thereafter.

(iv) Dental costs:

Dental costs are assumed to increase at 4.70% annually from 2021 to 2024, increase at 5.60% annually from 2025 to 2029, increase at 5.30% annually from 2030 to 2034, increase at 4.60% annually from 2035 to 2039, and increase at 4.00% annually in 2040 and thereafter.

(v) Expected average remaining service life of the current active group is assumed to be 13 years.

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

6. Deferred revenue:

(a) Deposits and deferred revenue:

Deposits and deferred revenue as at December 31, 2021 is \$41,558,716 (2020 - \$33,374,323) 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:

	2021	2020
Recreational land (The Planning Act)	\$ 140,642,489	\$ 87,581,337
Development Charges Act	507,326,081	469,585,159
Sub-divider contributions	20,736,354	17,648,814
Federal gas tax	31,245,510	27,431,163
Building Standards Act	19,582,751	16,028,358
Ontario grants	1,527,965	1,713,680
	<hr/> \$ 721,061,150	<hr/> \$ 619,988,511

Deferred revenue - obligatory reserve funds continuity schedule:

	Opening balance	Received	Recognized as revenue	Interest allocated	Closing balance
Recreational land (The Planning Act)	\$ 87,581,337	\$ 56,110,129	\$ (3,868,359)	\$ 819,382	\$ 140,642,489
Development Charges Act	469,585,159	83,005,540	(48,649,032)	3,384,414	507,326,081
Sub-divider contributions	17,648,814	3,500,642	(514,735)	101,633	20,736,354
Federal gas tax	27,431,163	19,048,866	(15,474,415)	239,896	31,245,510
Building Standards Act	16,028,358	3,611,390	(179,047)	122,050	19,582,751
Ontario grants	1,713,680	-	(186,673)	958	1,527,965
	<hr/> \$ 619,988,511	<hr/> \$ 165,276,567	<hr/> \$ (68,872,261)	<hr/> \$ 4,668,333	<hr/> \$ 721,061,150

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

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:

	2021	2020
Debenture debt issued by the Region on the City's behalf:		
Serial debt	\$ 11,475,498	\$ 17,209,195
Debt payable to YMCA for construction of City Library and City Recreation Space in the Vaughan Metropolitan Centre	47,338,525	47,338,525
	<hr/> \$ 58,814,023	<hr/> \$ 64,547,720

Issuance of debenture is approved by by-law. Interest rates range from 2.19% to 2.58% and maturity dates range from December 2022 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 \$18,484,632 (2020 - \$15,907,106). 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, 2021 includes accrued construction and interest costs to date.

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

7. Debenture and other debt (continued):

Principal payments are as follows:

	YMCA	Region	Total
2022	\$ 1,183,463	\$ 4,453,098	\$ 5,636,561
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	2,366,926	1,302,800	3,669,726
2027 - 2042	36,687,358	—	36,687,358
	\$ 47,338,525	\$ 11,475,498	\$ 58,814,023

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

	2021	2020
Principal payments	\$ 5,733,697	\$ 5,733,698
Interest	380,915	527,512
	\$ 6,114,612	\$ 6,261,210

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

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

9. Tangible capital assets:

2021	Cost				Accumulated amortization				Net book value, December 31, 2021
	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	\$ 6,670,208,998	\$ 170,257,227	\$ —	\$ 6,840,466,225	\$ —	\$ 6,811,680	\$ —	\$ —	\$ 6,840,466,225
Land improvements	222,638,719	4,563,997	—	227,202,716	102,875,789	—	—	109,687,469	117,515,247
Buildings and facilities	386,816,284	16,310,595	(1,091,533)	402,035,346	160,027,807	11,349,338	(905,880)	170,471,265	231,564,081
Machinery and equipment	48,879,644	2,995,238	(3,543,164)	48,331,718	28,109,015	3,820,706	(3,505,154)	28,424,567	19,907,151
Vehicles	35,494,596	5,006,288	(904,875)	39,596,009	22,804,405	2,296,621	(868,131)	24,232,895	15,363,114
Furniture and fixtures	14,205,503	521,435	—	14,726,938	8,057,048	777,477	—	8,834,525	5,892,413
Information technology	12,324,357	1,496,257	—	13,820,614	8,628,316	1,362,900	—	9,991,216	3,829,398
Leasehold improvements	3,110,393	—	—	3,110,393	2,588,525	16,803	—	2,605,328	505,065
Roads infrastructure	1,077,049,164	72,962,932	(13,433,208)	1,136,578,888	540,065,809	30,379,815	(8,527,719)	561,917,905	574,660,983
Water and sewer infrastructure	1,842,876,928	22,216,038	(1,874,165)	1,863,218,801	443,162,723	22,705,013	(1,123,192)	464,744,544	1,398,474,257
Assets under construction	205,777,299	(22,905,670)	(3,874,192)	178,997,437	—	—	—	—	178,997,437
	\$ 10,519,381,885	\$ 273,424,337	\$ (24,721,137)	\$ 10,768,085,085	\$ 1,316,319,437	\$ 79,520,353	\$ (14,930,076)	\$ 1,380,909,714	\$ 9,387,175,371

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	\$ —	\$ 7,087,455	\$ (1,388,601)	\$ 102,875,789	\$ 6,670,208,998
Land improvements	216,183,889	8,402,535	(1,947,705)	222,638,719	97,176,935	—	—	119,762,930	119,762,930
Buildings and facilities	378,037,985	8,778,299	—	386,816,284	148,765,931	11,261,876	—	160,027,807	226,788,477
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	14,836,194	(7,213,035)	1,077,049,164	513,719,551	30,595,594	(4,249,336)	540,065,809	536,983,355
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	19,563,816	(13,041,668)	205,777,299	—	—	—	—	205,777,299
	\$ 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

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

9. Tangible capital assets (continued):

(a) Assets under construction:

Assets under construction having a value of \$178,997,437 (2020 - \$205,777,299) 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 \$95,110,705 (2020 - \$55,089,139).

(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 \$184,837,997 (2020 - \$174,547,055) comprising land and land improvements of \$166,639,473 (2020 - \$158,422,543), buildings and facilities of \$4,402,080 (2020 - \$2,361,103), roads infrastructure of \$4,561,486 (2020 - \$3,963,621), and water and wastewater and stormwater infrastructure \$9,234,958 (2020 - \$9,799,788).

(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

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

10. Accumulated surplus:

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

	2021	2020
Surplus (deficit):		
Investment in tangible capital assets	\$ 9,387,175,371	\$ 9,203,062,448
Amounts to be recovered in future years:		
From future revenue	(121,063,505)	(128,620,847)
From reserves and reserve funds on hand	(44,653,555)	(33,144,803)
Investment in Hydro Vaughan Corporations (note 4)	636,561,054	628,919,333
Other	(213,375,313)	(208,691,565)
	<u>9,644,644,052</u>	<u>9,461,524,566</u>
 Reserves set aside for specific purposes by City Council:		
Vehicle replacement	4,348,760	4,597,651
Fire equipment replacement	5,097,723	3,530,901
General working capital	17,244,746	17,029,976
Tax rate stabilization	11,833,581	6,144,629
Waterworks	78,923,841	76,581,125
State of good repair water	75,836	75,313
Wastewater (sanitary sewers)	63,897,519	66,834,853
Stormwater reserve	44,327,671	33,447,859
Keele Valley landfill	509,556	516,781
Heritage Fund	4,305,372	3,964,002
Employee benefits	44,653,555	33,144,803
Buildings	19,511,491	18,683,376
Roads infrastructure	6,444,196	9,078,883
Sale of public lands	8,931,751	7,210,294
Parks infrastructure	6,204,693	5,942,872
Winterization	5,519,776	2,500,000
Other	28,178,826	23,379,216
Debenture payments	10,990,967	9,689,853
Engineering	8,876,127	4,561,642
Planning	7,314,478	4,379,629
City Hall Funding	30,352	30,143
Expenditure reserve	2,475,964	2,438,985
Capital from taxation	23,438,415	23,530,895
	<u>403,135,196</u>	<u>357,293,681</u>
	<hr/>	<hr/>
	\$ 10,047,779,248	\$ 9,818,818,247

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

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:

	2021	2020
Provincial grants:		
Protection services	\$ 11,103,895	\$ 6,155,450
Transportation services	186,673	629,910
Environmental services	264,564	162,893
Recreation and cultural services	221,661	281,477
Planning and development	692,504	513,857
	12,469,297	7,743,587
Federal grants:		
General government	149,665	168,976
Transportation services	11,484,339	12,216,828
Environmental services	1,263,116	660,857
Recreation and cultural services	2,590,431	3,719,141
Planning and development	1,099,852	203,343
	16,587,403	16,969,145
	\$ 29,056,700	\$ 24,712,732

During 2021, the City received total funding of \$2,602,000 (2020 - \$6,152,800) from the provincial government as part Phase 2 of the Safe Restart Agreement. The Safe Restart Agreement is a federal investment to help provinces and territories safely restart their economies. In addition, the City received \$8,311,944 as part of the 2021 Provincial COVID-19 Financial Relief to help municipalities respond to ongoing and unprecedented 2021 COVID-19 operating pressures. The City recognized the full amount of government transfers reported for the current year, as per the funding allocations 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

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

12. Segmented information (continued):

2021	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	\$ 31,043,973	\$ 37,113,749	\$ 29,109,850	\$ 83,887,169	\$ 83,196	\$ 34,888,035	\$ 9,453,003	\$ —	\$ 225,578,975
Municipal accommodation tax	—	—	—	—	—	—	1,315,783	—	1,315,783
User charges	2,365,032	24,243,436	533,643	2,616,503	174,266	5,064,730	22,424,901	—	57,422,511
Water and sewer billings	—	—	—	177,004,837	—	—	—	—	177,004,837
Government transfers	149,665	11,103,895	11,671,012	1,527,680	—	2,812,092	1,792,356	—	29,056,700
Investment income	675,721	807,840	633,621	1,825,938	1,811	759,394	205,760	—	4,910,085
Penalties and interest on taxes	1,199,270	1,433,752	1,124,551	3,240,670	3,214	1,347,770	365,182	—	8,714,409
Other fees and services	1,905,922	(104,702)	2,102,172	511,450	5,843	3,334,881	80,297	—	7,835,863
Contributions from developers	149,897	128,282	37,184,292	—	—	12,705,655	1,828,597	—	51,996,723
Contributed assets	—	—	167,467,192	16,027,720	—	1,343,085	—	—	184,837,997
Hydro Vaughan Corporations	—	—	—	—	—	—	—	26,967,705	26,967,705
	37,489,480	74,726,252	249,826,333	286,641,967	268,330	62,255,642	37,465,879	26,967,705	775,641,588
Expenses:									
Salaries and benefits	52,951,077	75,403,398	7,638,658	9,839,029	49,292	50,484,510	20,338,645	—	216,704,609
Goods and services	21,476,463	4,967,973	18,759,290	153,888,659	108,435	14,407,952	1,267,766	—	214,876,538
Long-term debt interest	—	—	380,915	—	—	—	—	—	380,915
Other	(4,737,924)	3,742,815	(662,227)	8,860,638	36,446	(29,224)	(1,773,181)	—	5,437,343
Corporate support allocation	2,391,183	10,098,101	3,327,301	22,539,424	25,134	8,196,528	2,477,508	(49,055,179)	—
Loss on disposal of tangible capital assets	32,446	92,354	7,152,112	1,052,295	—	1,242,664	101,630	—	9,673,501
Amortization of tangible capital assets	6,426,055	2,457,438	31,534,016	23,499,446	—	15,548,839	54,559	—	79,520,353
Other capital related	3,293,403	1,070,706	8,604,238	1,449,216	—	2,114,477	2,451,428	—	18,983,468
	81,832,703	97,832,785	76,734,303	221,128,707	219,307	91,965,746	24,918,355	(49,055,179)	545,576,727
Annual surplus (deficit) before the undernoted	(44,343,223)	(23,106,533)	173,092,030	65,513,260	49,023	(29,710,104)	12,547,524	76,022,884	230,064,861
Adjustment for the decrease of the City's equity interest in the net assets of Alectra (note 4)	—	—	—	—	—	—	—	(1,103,860)	(1,103,860)
Annual surplus (deficit)	\$ (44,343,223)	\$ (23,106,533)	\$ 173,092,030	\$ 65,513,260	\$ 49,023	\$ (29,710,104)	\$ 12,547,524	\$ 74,919,024	\$ 228,961,001

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

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	2,412,878	22,034,952	714,858	2,432,342	228,342	6,943,328	19,177,097	—	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
	41,014,866	68,472,328	223,276,828	276,758,030	485,555	64,097,266	36,603,918	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	(4,248,938)	6,559,863	(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
	96,537,183	94,785,214	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	(55,522,317)	(26,312,886)	149,346,722	63,905,594	219,980	(27,133,528)	9,119,244	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)	\$ (55,522,317)	\$ (26,312,886)	\$ 149,346,722	\$ 63,905,594	\$ 219,980	\$ (27,133,528)	\$ 9,119,244	\$ 65,459,636	\$ 179,082,445

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

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 and Rescue Service that delivers fire suppression services, rescue services and fire prevention education. The Bylaw and Compliance department provides 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 Transportation and Fleet Management 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 Environmental Services Department. This section also includes the cost of potable water and wastewater services. The collection of waste and recycling materials is also provided by the Environmental Services 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

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

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 Services 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, Forestry and Horticulture 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 Development Planning and Policy Planning and Special Programs Departments 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

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

13. Budget data:

The budget data presented in these consolidated financial statements is based upon the 2021 operating and capital budgets approved by City Council on December 15, 2020. 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	\$ 317,927,834
Water, wastewater and stormwater budget	170,913,810
Capital budget	293,783,853
Add (less):	
Transfers from other funds	(100,348,416)
Proceeds from debt issue	(24,396,053)
Other adjustments	(2,300,000)
Hospital levy	7,094,339
	<u>662,675,367</u>
Expenses:	
Operating budget	317,927,834
Water, wastewater and stormwater budget	170,913,810
Capital budget	293,783,853
Add (less):	
Transfers to other funds	(35,100,138)
Debt principal payments	(7,974,237)
Other adjustments	(2,300,100)
Hospital levy	7,094,339
	<u>744,345,361</u>
Annual deficit	<u>\$ (81,669,994)</u>

14. Trust funds:

Trust funds administered by the City amounting to \$1,670,497 (2020 - \$1,571,594) 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

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

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 \$25.7 million (for the period 2022 to 2024). The City has also entered into a number of third-party contracts to provide shared services with estimated future recoveries of \$10.4 million (for the period 2022 to 2037). Future revenue from lease agreements for City-owned properties is approximately \$1.9 million (for the period 2022 to 2032).

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:

2022	\$ 46,058,867
2023	39,257,561
2024	32,406,248
2025	25,357,959
2026	17,127,974
Thereafter	19,574,181
	<hr/>
	\$ 179,782,790

(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, 2021 is \$3.0 million (2020 - \$3.0 million), is in good standing and no loss has been recognized.

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

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, 2021 is \$2.54 million (2020 - \$2.62 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 2021 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 effective January 1, 2022 to allow the agreement to continue through December 31, 2024. Alectra has opted out of billing services for the City after the end of the agreement. The City is pursuing other options for billing in 2025 and beyond.

(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, 2021 is approximately \$102.35 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.

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

17. 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.

18. 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.

The emergence of additional waves and different variants of COVID-19 resulted in severe and prolonged lockdowns in 2021. The City of Vaughan continued to follow public health recommendations related to the COVID-19 global pandemic and implemented measures to ensure safety and support for citizens, businesses, and employees. These measures included, but were not limited to:

- A freeze on property tax rates in 2021 to support residents and businesses during this challenging time;
- Closure of all City facilities and park amenities resulting in a loss of revenue in Recreation;
- Temporary layoffs and workforce re-balancing to correspond to the loss in revenue;
- Staff continued to work remotely where operationally feasible;

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

18. COVID-19 (continued):

- Additional costs to protect employees and the public (social distancing); and
- Requesting for and receiving financial support from senior levels of government.

The financial results for 2021 reflect the COVID-19 pandemic and measures taken by the City.