

Consolidated Financial Statements of

**THE CORPORATION OF
THE CITY OF VAUGHAN**

And Independent Auditor's Report thereon

Year ended December 31, 2023

**KPMG LLP**

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INDEPENDENT AUDITOR'S 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, 2023
- the consolidated statement of operations for the year then ended
- the consolidated statement of change in net financial assets for the year then ended
- the consolidated statement of remeasurement gains and losses 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, 2023, and its consolidated results of operations, its consolidated remeasurement gains and losses, 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 ***"Auditor's Responsibilities for the Audit of the Financial Statements"*** section of our auditor's 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.

Auditor's 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 auditor's 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.



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- 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 auditor's 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 auditor's 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

June 25, 2024

THE CORPORATION OF THE CITY OF VAUGHAN

Consolidated Statement of Financial Position

December 31, 2023, with comparative information for 2022

	2023	2022
Financial Assets		
Cash and cash equivalents	\$ 139,683,918	\$ 262,264,411
Taxes receivable	77,588,580	70,944,367
Water and sewer billings receivable	27,856,203	25,673,528
Accounts receivable	55,564,562	34,616,364
Other assets	—	35,355
Investments (note 3)	932,460,377	866,844,526
Investment in Hydro Vaughan Corporations (note 4)	651,125,611	633,845,671
	1,884,279,251	1,894,224,222
Financial Liabilities		
Accounts payable and accrued liabilities	160,565,312	148,232,315
Accrued interest on long-term liabilities	23,970	36,632
Employee future benefits (note 5)	192,516,412	177,655,055
Deposits and deferred revenue (note 6(a))	51,281,029	43,101,931
Deferred revenue - obligatory reserve funds (note 6(b))	743,625,675	831,281,344
Debenture and other debt (note 7)	104,726,989	63,351,251
Note payable (note 8)	3,303,523	3,303,523
Asset retirement obligation (note 10)	8,128,223	—
Liability for contaminated sites (note 11)	1,584,000	—
	1,265,755,133	1,266,962,051
Net financial assets	618,524,118	627,262,171
Non-Financial Assets		
Tangible capital assets (note 9)	10,333,479,371	9,774,342,160
Prepaid expenses	1,313,962	4,851,622
	10,334,793,333	9,779,193,782
Contractual rights (note 17)		
Commitments (note 18)		
Contingencies (note 19)		
	\$ 10,953,317,451	\$ 10,406,455,953
Accumulated surplus (note 12)	\$ 10,953,271,201	\$ 10,406,455,953
Accumulated remeasurement gains	46,250	—
	\$ 10,953,317,451	\$ 10,406,455,953

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE CITY OF VAUGHAN

Consolidated Statement of Operations

Year ended December 31, 2023, with comparative information for 2022

	Budget (note 15)	2023	2022
Revenue (note 14):			
Property taxation	\$ 232,352,847	\$ 231,082,740	\$ 228,352,343
Taxation from other governments	1,570,000	1,313,364	1,319,583
Municipal accommodation tax	2,300,000	3,729,360	2,834,267
User charges	61,915,925	68,647,219	81,710,328
Water and sewer billings	189,750,238	192,825,790	186,184,291
Government transfers (note 13)	19,926,833	25,622,892	18,542,184
Investment income	2,006,000	25,904,011	11,105,425
Penalties and interest on taxes	7,000,000	9,761,808	8,914,545
Other fees and services	9,320,600	22,272,501	6,370,771
Contributions from developers	227,551,729	195,216,570	92,485,614
Contributed assets (note 9(b))	—	338,738,068	285,437,065
Hydro Vaughan Corporations (note 4):			
Share of net earnings	16,450,000	31,821,130	14,304,243
Interest on notes receivable	—	3,450,220	3,450,220
	770,144,172	1,150,385,673	941,010,879
Expenses (note 14):			
General government	40,194,091	47,916,942	51,402,894
Protection to persons and property	96,281,624	100,244,334	105,732,762
Transportation services	446,726,350	70,549,110	65,525,254
Environmental services	218,117,270	229,772,355	225,624,803
Health services	272,818	351,633	143,714
Social and family services	364,527	140,781	162,699
Recreation and cultural services	98,012,927	125,947,459	104,949,686
Planning and development	36,435,023	27,625,517	27,819,008
	936,404,630	602,548,131	581,360,820
Annual surplus (deficit) before the undernoted	(166,260,458)	547,837,542	359,650,059
Adjustment for the decrease of the City's equity interest in the net assets of Alestra Inc. (note 4)	—	(1,022,294)	(973,354)
Annual surplus (deficit)	(166,260,458)	546,815,248	358,676,705
Accumulated surplus, beginning of year	10,406,455,953	10,406,455,953	10,047,779,248
Accumulated surplus, end of year	\$ 10,240,195,495	\$ 10,953,271,201	\$ 10,406,455,953

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, 2023, with comparative information for 2022

	Budget (note 14)	2023	2022
Annual surplus (deficit)	\$ (166,260,458)	\$ 546,815,248	\$ 358,676,705
Amortization of tangible capital assets	–	84,220,454	81,958,943
Proceeds on disposal of tangible capital assets	–	891,084	4,544,317
Loss on disposal of tangible capital assets	–	383,075	1,554,053
Contributed tangible capital assets	–	(338,738,068)	(285,437,065)
Acquisition of tangible capital assets	–	(305,893,756)	(189,787,037)
	(166,260,458)	(12,321,963)	(28,490,084)
<u>Change in prepaid expenses</u>	<u>–</u>	<u>3,537,660</u>	<u>(2,992,164)</u>
		(8,784,303)	(31,482,248)
<u>Increase in accumulated remeasurement gains</u>	<u>–</u>	<u>46,250</u>	<u>–</u>
Decrease in net financial assets	(166,260,458)	(8,738,053)	(31,482,248)
Net financial assets, beginning of year	627,262,171	627,262,171	658,744,419
<u>Net financial assets, end of year</u>	<u>\$ 461,001,713</u>	<u>\$ 618,524,118</u>	<u>\$ 627,262,171</u>

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE CITY OF VAUGHAN

Consolidated Statement of Remeasurement Gains and Losses

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Accumulated remeasurement gains, beginning of year	\$ —	\$ —
Unrealized gain attributable to:		
Long-term investment, structured note, designated to fair value category (note 3)	251,250	—
Share of other comprehensive loss from investment in government business enterprise (note 4)	(205,000)	—
Accumulated remeasurement gains, end of year	<u>\$ 46,250</u>	<u>\$ —</u>

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE CITY OF VAUGHAN

Consolidated Statement of Cash Flows

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 546,815,248	\$ 358,676,705
Items not involving cash:		
Amortization of tangible capital assets	84,220,454	81,958,943
Accretion expense	74,708	—
Loss on disposal of tangible capital assets	383,075	1,554,053
Contributed tangible capital assets	(338,738,068)	(285,437,065)
Share of net earnings of Hydro Vaughan Corporations	(31,821,130)	(14,304,243)
Decrease in equity interest in net assets of Alectra Inc.	1,022,294	973,354
Change in non-cash assets and liabilities:		
Decrease (increase) in taxes receivable	(6,644,213)	1,669,312
Increase in water and sewer billings receivable	(2,182,675)	(1,265,672)
Increase in accounts receivable	(20,948,198)	(11,797,702)
Decrease (increase) in other assets	35,355	(35,355)
Increase in accounts payable and accrued liabilities	12,332,997	17,127,870
Decrease in accrued interest on long-term liabilities	(12,662)	(17,105)
Increase in employee future benefits	14,861,357	10,892,556
Increase in deposits and deferred revenue	8,179,098	1,543,215
Decrease (increase) in deferred revenue - obligatory reserve funds	(87,655,669)	110,220,194
Increase in asset retirement obligation liabilities	8,053,515	—
Increase in contaminated sites liability	1,584,000	—
Decrease (increase) in prepaid expenses	3,537,660	(2,992,164)
	<u>193,097,146</u>	<u>268,766,896</u>
Capital activities:		
Proceeds on disposal of tangible capital assets	891,084	4,544,317
Cash used to acquire tangible capital assets	(305,893,756)	(189,787,037)
	<u>(305,002,672)</u>	<u>(185,242,720)</u>
Financing activities:		
Debture and other debt repaid	(4,113,213)	(5,223,772)
Debture and other debt issued	45,488,951	9,761,000
	<u>41,375,738</u>	<u>4,537,228</u>
Investing activities:		
Decrease (increase) in investments, net	(65,364,601)	99,268,164
Dividend and return of capital from Hydro Vaughan Corporations	13,313,896	16,046,272
	<u>(52,050,705)</u>	<u>115,314,436</u>
Increase (decrease) in cash and cash equivalents	(122,580,493)	203,375,840
Cash and cash equivalents, beginning of year	262,264,411	58,888,571
Cash and cash equivalents, end of year	\$ 139,683,918	\$ 262,264,411
Supplemental cash flow information:		
Interest paid	\$ 2,450,410	\$ 1,226,592
Interest and dividends received	72,961,056	46,152,249

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements

Year ended December 31, 2023

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.

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, 2023

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, its share of the Hydro Vaughan Corporations' other comprehensive income (loss) in the City's consolidated statement of remeasurement gains and losses, 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 16.

(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 CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

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.

(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, amortized cost, or fair value. 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.

(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.

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(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.

(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 recognized immediately.

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

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 Public Sector (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, 2023 for 2023, 2024 and 2025 in accordance with the financial reporting guidelines established by PSAB.

Also, a full actuarial valuation of the non-vested sick leave benefits was completed as at April 19, 2024 for 2021 to 2025 in accordance with the financial reporting guidelines established by PSAB.

(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.

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(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.

(l) Asset retirement obligations:

An asset retirement obligation is recognized when, as at the financial reporting date, all the following criteria are met:

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

On January 1, 2023, the City adopted PS 3280, Asset Retirement Obligations. The standard was adopted on the prospective basis on the date of adoption. As a result, there is no adjustment required for the comparative balances.

The City recognized the liability for the removal of asbestos in several City owned buildings, the decommissioning of underground fuel tanks, post closure landfill monitoring costs and costs associated with removal of leasehold improvements upon termination of lease agreements.

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

The estimate of the asset retirement costs include costs directly attributable to the asset retirement activities and are recorded as a liability and an increase to the related tangible capital assets. Where an asset is not recognized on the consolidated statement of financial position or is not in productive use, the estimated asset retirement costs are expensed. The amount capitalized in tangible capital assets is amortized based on the estimated remaining useful life of the related assets.

The carrying value of the liability is reconsidered at each financial reporting date with changes to the timing or amount of original estimate of cash flows recorded as an adjustment to the asset retirement obligation and tangible capital assets. Actual costs incurred are charged against the asset retirement obligation to the extent of the liability recorded. Differences between the actual costs incurred and the liability are recognized in the consolidated statement of operations when remediation is complete. The asset retirement obligation information is provided in note 10.

(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 - 20 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
Buildings under capital lease	5 - 85 years

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

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.

(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 capitalizes 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, 2023, all material assets have been disclosed and reported within this definition.

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(o) Contingent assets:

PS 3320 Contingent Assets requires disclosure of possible assets arising from existing conditions or situations involving uncertainty which will be ultimately resolved when one or more future events occur that are not wholly within the government's control, and when the occurrence of a confirming future event is likely.

(p) Contractual rights:

PS 3380, Contractual Rights, requires disclosure of information pertaining to future rights to economic resources arising from contracts or agreements that will result in both an asset and revenues in the future. Note 17 provides disclosure regarding the nature, extent and timing of contractual rights.

(q) Related party disclosures:

PS 2200, Related Party Disclosures, requires disclosure of related party transactions when one party has the ability to exercise control or shared control over the other. Related parties include key management personnel, their close family members and the entities they control or have shared control over. Related party transactions are disclosed if they occurred at a value different from that which would have been arrived at if parties were unrelated and the transaction has a material effect on the consolidated financial statements.

There were no material related party transactions to disclose for the year ended December 31, 2023.

(r) Inter-entity transactions:

PS 3420, Inter-Entity Transactions, requires disclosure of transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective. All City transactions are recorded at the exchange amount, being the amount agreed to by both parties.

There were no material inter-entity transactions to disclose for the year ended December 31, 2023.

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(s) Financial instruments:

Financial instruments are recorded at fair value on initial recognition and subsequently recorded at fair value or amortized cost.

Financial instrument assets and liabilities include cash and cash equivalents, taxes receivable, water and sewer billings receivable, accounts receivable, investments, accounts payable and accrued liabilities, debenture and other debt, and note payable. The carrying values of all financial instruments, other than investments, debenture and other debt, and note payable, approximate their fair values due to their short term nature.

All financial instrument assets are tested annually for impairment. When financial instrument assets are impaired, impairment losses are recorded in the consolidated statement of operations.

The City classifies its financial instrument assets and liabilities at cost and subsequently carries at amortized cost using the effective interest rate method, less any impairment losses on financial instrument assets, unless the City designated a financial instrument to be carried at fair value. The financial instruments information is provided in note 20.

Unrealized changes in fair value of financial instruments designated to be carried at fair value are recognized in the consolidated statement of remeasurement gains and losses until they are realized, at which time they are transferred to the consolidated statement of operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

(t) Derivative financial instruments:

Derivative and equity instruments are recorded at the fair value as an asset or liability based on the quoted market prices, with changes in fair value, if any, recorded in the consolidated statement of operations.

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(u) 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 City disclosed the segmented financial information in note 14.

(v) Contaminated sites:

Contaminated sites are defined as the result of contamination being introduced in air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. A liability for contaminated sites is recognized when a site is not in productive use and sites in productive use where an unexpected event resulted in contamination and the following criteria are met:

- An environmental standard exists;
- Contamination exceeds the environmental standard;
- The City is directly responsible or accepts responsibility;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

The liability is recognized as management's estimate of the cost of post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site. The liability is recorded net of any expected recoveries. Information on the contaminated site is provided on note 11.

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(w) 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, liability for contaminated sites and in performing actuarial valuations of employee future benefits. 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. In addition, the City's implementation of PS 3280, Asset Retirement Obligations, requires management to make estimates regarding the useful lives of affected tangible capital assets and the expected retirement costs, and the timing of these retirement costs. Actual results could differ from these estimates.

(x) Presentation of budget information:

The 2023 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.

(y) Future accounting pronouncements:

These standards and amendments were not yet effective for the year ended December 31, 2023, 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 3160, Public Private Partnerships ("P3s"), identifies requirements on how to account for and disclose transactions in which public sector entities procure major infrastructure assets and/or services from private sector entities. Recognition of assets arising from P3 arrangements is ultimately dependent on whether public sector entities control the purpose and use of the assets, access to the future economic benefits and exposure to the risks associated with the assets, and significant residual interest in the asset, if any, at the end of the term of P3s. Measurement of the asset and related liability will also be dependent on the overall model used to compensate the private sector entity. This standard is effective for fiscal years beginning on or after April 1, 2023 (the City's December 31, 2024 year-end).

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

- (ii) 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).
- (iii) 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).
- (iv) PS 1202, Financial Statement Presentation, was approved in March 2023. This standard supersedes PS 1201, Financial Statement Presentation, and covers a new conceptual framework and reporting model. Prior period amounts would need to be restated to conform to the presentation requirements for comparative financial information. This standard is effective for fiscal years beginning on or after April 1, 2026 (the City's December 31, 2027 year-end).

(z) Adoption of new accounting standards:

- (i) PS 3280, Asset Retirement Obligations:

On January 1, 2023, the City adopted PS 3280, Asset Retirement Obligations. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets, such as asbestos removal in retired buildings. The new accounting standard has resulted in a withdrawal of the existing accounting standard PS 3270, Solid Waste Landfill Closure and Post-Closure Liability. The standard was adopted on the prospective basis at the date of adoption.

As a result of applying the new accounting standard, the City recognized, upon adoption, an asset retirement obligation, representing the estimated legal obligations associated with the retirement and remediation of City-owned landfill, building facilities and land, leasehold improvement, other tangible capital assets, and underground fuel tanks. On January 1, 2023, the City recognized an asset retirement obligation liability of \$8,053,515, an increase to tangible capital assets of \$2,770,015, and expenses totaling \$5,283,500. Expenses are reported as \$34,650 in general government, \$4,921,100 reported as environmental services, and \$327,750 as recreation and cultural services. The details are disclosed in note 10.

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

- (ii) PS 3450, Financial Instruments, PS 2601, Foreign Currency Translation, PS 1201, Financial Statement Presentation, and PS 3041, Portfolio Investments:

On January 1, 2023, the City adopted PS 3450, Financial Instruments, PS 2601, Foreign Currency Translation, PS 1201, Financial Statement Preparation, and PS 3041, Portfolio Investments. These standards are effective for the year ended December 31, 2023 and are required to be implemented concurrently. These standards were adopted prospectively from the date of adoption with no significant impact. The new standards provide comprehensive requirements for the recognition, measurement, presentation and disclosure of financial instruments and foreign currency transactions.

Under PS 3450, Financial Instruments, all financial instruments, including derivatives, are included on the consolidated statement of financial position and are measured either at amortized cost or fair value based on the characteristics of the instrument and the City's accounting policy choices (see note 1(s)).

In accordance with the provisions of this new standard, all items held on January 1, 2023 have been recorded at amortized cost, therefore, no adjustments were recorded upon adoption. Any financial instruments carried at fair value in 2023 were purchased during the current year, subsequent to the adoption of this standard.

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

During 2023, 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	\$ 320,781,430	\$ 415,959,644
Taxation from other governments	651,735	1,115,693
Amounts requisitioned and remitted	\$ 321,433,165	\$ 417,075,337

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

3. Investments:

Included in investments are:

- (a) short-term investments of \$847,500,000 (2022 - \$790,000,000), comprising guaranteed investment certificates with average portfolio weighted maturity of one year or less
- (b) long-term investments of \$77,209,127 (2022 - \$76,844,526), comprising government and corporate bonds with maturities that are greater than one year
- (c) long-term investment in a structured note carried at fair value of \$7,751,250 (2022 - nil).

Short-term investments have yields varying from 4.91% to 6.70% (2022 - 0.84% to 5.90%) with maturities ranging from January 15, 2024 to December 8, 2025 (2022 - January 9, 2023 to December 9, 2024).

Long-term investments have yields varying from 2.06% to 2.55% (2022 - 1.90% to 2.55%) with maturity dates from June 2, 2025 to December 15, 2025 (2022 - June 2, 2023 to December 15, 2025). Market value of investments costing \$77,209,127 (2022 - \$76,844,526) is \$76,923,059 (2022 - \$76,298,118) at December 31, 2023.

The City also has a long-term investment in a financial institution structured note. Market value of the note costing \$7,500,000 (2022 - nil) is \$7,751,250 (2022- nil) at December 31, 2023. The change in unrealized gain of \$251,250 (2022 - nil) is reported in the consolidated statement of remeasurement gains and losses.

As at December 31, 2023, the City's investments measured at amortized cost exceed market value, representing a temporary decline in market value but no decline in the amortized cost value reported. There is no impairment due to the low-risk nature of the investments, the high credit ratings of the issuers, and the City's ability to hold these investments to their maturities.

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

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 2023	2022
Vaughan Holdings Inc. (including 100% ownership of Hydro Vaughan Energy Corporation and 20.5% (2022 - 20.5%) share interest in Alectra)	100%	100%
1446631 Ontario Inc.	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, 2023

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	2023	2022
Assets		
Current Investments		
Current Investments	\$ 33,128,447	\$ 27,577,571
Other	620,201,967	608,100,115
	183,288	247,299
Total assets	\$ 653,513,702	\$ 635,924,985
Liabilities		
Current Total liabilities	\$ 2,388,091	\$ 2,079,314
	2,388,091	2,079,314
Shareholder's equity		
Share capital	196,859,952	196,859,952
Retained earnings and contributed surplus	454,265,659	436,985,719
Total shareholder's equity	651,125,611	633,845,671
Total liabilities and shareholder's equity	\$ 653,513,702	\$ 635,924,985

Results of operations:

	2023	2022
Revenue	\$ 32,203,020	\$ 14,640,830
Expenses	381,890	336,587
Net income	\$ 31,821,130	\$ 14,304,243
Share of other comprehensive loss	\$ (205,000)	\$ —

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

4. Investment in Hydro Vaughan Corporations (continued):

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

	2023	2022
Equity	\$ 566,122,941	\$ 548,843,001
Notes receivable	84,133,025	84,133,025
Accrued interest on notes receivable	869,645	869,645
Investment in Hydro Vaughan Corporations	\$ 651,125,611	\$ 633,845,671

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

	2023	2022
Share of net earnings in Hydro Vaughan Corporations	\$ 31,821,130	\$ 14,304,243
Share of other comprehensive loss	(205,000)	–
Decrease in equity interest	(1,022,294)	(973,354)
Return of capital	(1,022,294)	(973,354)
Dividend	(12,291,602)	(15,072,918)
 Net change in investment in Hydro Vaughan Corporations	 17,279,940	 (2,715,383)
 Opening investment in Hydro Vaughan Corporations	 633,845,671	 636,561,054
 Closing investment in Hydro Vaughan Corporations	 \$ 651,125,611	 \$ 633,845,671

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, 2023

5. Employee future benefits:

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

	2023	2022
Post-retirement non-pension benefits (d)	\$ 160,188,787	\$ 156,478,984
Non-vested sick leave benefits (e)	12,459,392	—
Vacation entitlements (c)	12,647,733	12,715,871
WSIB (b)	7,220,500	8,460,200
	<hr/> <u>\$ 192,516,412</u>	<hr/> <u>\$ 177,655,055</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, 2023, OMERS has a deficit of \$4.2 billion (2022 - \$6.7 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, 2021. The next required filing of an actuarial valuation for funding purposes will be performed with a date no later than December 31, 2024.

Total OMERS contributions amounted to \$35,740,945 in 2023 (2022 - \$32,823,992), of which \$17,870,473 (2022 - \$16,411,996) represented the City's portion.

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

5. Employee future benefits (continued):

(b) Workplace safety and insurance obligations:

Under the provision of the WSIB, the City is a self-insured Schedule 2 employer.

An actuarial estimate of future liabilities has been completed and forms the basis for the estimated liability of \$7,220,500 (2022 - \$8,460,200) reported in these consolidated financial statements. The City established a WSIB reserve in 2004 to mitigate the future impact of these obligations. An insurance policy was secured for single claims up to \$1,000,000.

(c) Vacation entitlements:

Under the provisions of the City's management by-law and various union agreements, vacation pay is earned during the course of employment. The accumulated liability to be paid out in the future is \$12,647,733 (2022 - \$12,715,871).

(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, 2023 of \$160,188,787 (2022 - \$156,478,984) and the expense for the year ended December 31, 2023 of \$8,880,962 (2022 - \$11,257,341) was determined by actuarial valuation using a discount rate of 4.25% (2022 - 3.0%).

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

5. Employee future benefits (continued):

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

	2023	2022
Accrued benefit obligation, beginning of year	\$ 155,817,858	\$ 147,198,934
Actuarial gain	(25,977,025)	—
Service cost	5,275,350	6,739,761
Interest cost	5,654,701	4,577,683
Benefits paid	(5,171,161)	(2,698,520)
Accrued benefit obligation, end of year	135,599,723	155,817,858
Unamortized actuarial gain	24,589,064	661,126
Accrued benefit liability	\$ 160,188,787	\$ 156,478,984

Components of benefit expense:

	2023	2022
Service cost	\$ 5,275,350	\$ 6,739,761
Interest cost	5,654,701	4,577,683
Amortization of actuarial gain	(2,049,089)	(60,103)
Benefit expense	\$ 8,880,962	\$ 11,257,341

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 2023 actuarial study is assumed to be 4.25% (2022 - 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.

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

5. Employee future benefits (continued):

(iii) Medical costs and dental costs:

Medical and dental costs are assumed to increase at 4.20% from 2024 to 2028, 5.30% from 2029 to 2033, 5.00% from 2034 to 2038, 4.40% from 2039 to 2041, 4.00% from 2042 and thereafter.

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

(e) Non-vested sick leave benefits:

A full actuarial valuation of the non-vested sick leave benefits was completed for the 2021 to 2025 period in accordance with the financial reporting guidelines established by PSAB.

The projected non-vested sick leave liability for active employees at December 31, 2023 of \$12,459,392 and the expense for the year ended December 31, 2023 of \$1,211,795 was determined by actuarial valuation using a discount rate of 4.25%. The City recorded the opening liability of \$12,678,630, comprising the accrued benefit obligation of \$13,462,594, net of the unamortized actuarial loss of \$783,964, as an expense on January 1, 2023 given that it is a non-significant omission from the comparative period. Accordingly, the consolidated financial statements have not been restated.

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

Accrued benefit obligation, beginning of year	\$ —
Adjustment recorded in 2023	13,462,594
Amortization of actuarial (gain)/loss	(1,666,749)
Service cost	519,987
Interest cost	401,301
Benefits paid	(1,211,795)
Accrued benefit obligation, end of year	11,505,338
Unamortized actuarial gain	954,054
Accrued benefit liability	\$ 12,459,392

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

5. Employee future benefits (continued):

Components of non-vested sick leave benefits expense:

Service cost	\$ 519,987
Interest cost	401,301
Amortization of actuarial loss	71,269
Benefit expense	\$ 992,557

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 2023 actuarial study is assumed to be 4.25% 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) Expected average remaining service life of the current active group is assumed to be 11 years.

6. Deferred revenue:

(a) Deposits and deferred revenue:

Deposits and deferred revenue as at December 31, 2023 is \$51,281,029 (2022 - \$43,101,931) and is made up of development security deposits and unearned recreation and licensing revenue.

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

6. Deferred revenue (continued):

(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:

	2023	2022
Recreational land (The Planning Act)	\$ 77,730,309	\$ 160,782,970
Development Charges Act	542,691,390	564,840,246
Sub-divider contributions	55,274,307	48,867,165
Federal gas tax	25,889,250	26,909,004
Building Standards Act	25,644,629	28,353,994
Ontario grants	1,527,966	1,527,965
Federal grants	14,867,824	—
	<hr/> \$ 743,625,675	<hr/> \$ 831,281,344

Deferred revenue - obligatory reserve funds continuity schedule:

	Opening balance	Received	Recognized as revenue	Interest allocated	Closing balance
Recreational land (The Planning Act)	\$ 160,782,970	\$ 17,027,932	\$ (103,525,653)	\$ 3,445,060	\$ 77,730,309
Development Charges Act	564,840,246	50,084,794	(96,388,432)	24,154,782	542,691,390
Sub-divider contributions	48,867,165	4,935,990	(539,602)	2,010,754	55,274,307
Federal gas tax	26,909,004	10,134,498	(12,348,294)	1,194,042	25,889,250
Building Standards Act	28,353,994	—	(3,867,803)	1,158,438	25,644,629
Ontario grants	1,527,965	—	—	1	1,527,966
Federal grants	—	14,788,419	—	79,405	14,867,824
	<hr/> \$ 831,281,344	<hr/> \$ 96,971,633	<hr/> \$ (216,669,784)	<hr/> \$ 32,042,482	<hr/> \$ 743,625,675

During the year, the City incurred an internal loan to transfer cash accumulated in deferred revenue - obligatory reserve funds in the amount of \$13,465,835 to the Capital from Taxation reserve fund. In 2023, an internal payment of \$1,200,000 was made to deferred revenue - obligatory reserve funds, comprising \$580,572 principal and \$619,428 interest. This internal loan does not meet the criteria for recognition in accordance with public sector accounting standards and, consequently, are not reflected in the transactions and balances reported in the consolidated financial statements. Interest allocation related to this internal loan transfer to the deferred revenue - obligatory reserve funds has been recorded appropriately in these consolidated financial statements in accordance with public sector accounting standards.

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

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:

	2023	2022
Debenture debt issued by the Region on the City's behalf:		
Serial debt	\$ 4,814,000	\$ 7,022,400
Sinking fund	45,488,951	—
Debt payable to YMCA for construction of City Library and City Recreation Space in the Vaughan Metropolitan Centre	54,424,038	56,328,851
	<hr/> \$ 104,726,989	<hr/> \$ 63,351,251

Issuance of debenture is approved by by-law. Interest rates range from 2.19% to 4.45% and maturity dates range from September 2024 to December 2033. 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 2023, the City issued a sinking fund debenture through the Region of York in the amount of \$45,488,951 to fund various capital projects. Annual loan re-payments of \$5,992,283 including \$2,024,258 in interest and \$3,968,025 sinking fund contributions will begin in 2024 and conclude in 2033.

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 converted to a term loan on July 29, 2022, which is secured by a general security agreement. 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.

As at December 31, 2023, the City's remaining share of the project financing costs is \$54,424,038 (2022 - \$56,328,851). The City paid a total of \$4,206,500, including interest of \$2,301,687, in 2023 to the YMCA for the City's portion of the term loan with Infrastructure Ontario (2022 - \$1,752,708, including interest of \$982,034).

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

7. Debenture and other debt (continued):

As at December 31, 2023, the balance of YMCA's debt to Infrastructure Ontario, which is guaranteed by the City, amounts to \$9,188,359 (2022 - \$9,509,947). The term loan is a non-revolving fixed rate loan bearing interest at 4.15% with principal and interest payments due over an amortization period of 20 years, maturing July 2042. The YMCA's obligations are in good standing and no loss has been recognized.

Principal payments are as follows:

	YMCA	Region	Total
2024	\$ 1,985,384	\$ 6,176,424	\$ 8,161,808
2025	2,069,362	5,270,824	7,340,186
2026	2,156,893	5,270,824	7,427,717
2027	2,248,127	3,968,024	6,216,151
2028	2,343,219	3,968,024	6,311,243
2029 - 2042	43,621,053	25,648,831	69,269,884
	\$ 54,424,038	\$ 50,302,951	\$ 104,726,989

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

	2023	2022
Principal payments	\$ 4,113,213	\$ 5,223,772
Interest	2,450,410	1,226,592
	\$ 6,563,623	\$ 6,450,364

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, 2023

9. Tangible capital assets:

2023	Cost			Accumulated amortization			Net book value, December 31, 2023
	Balance, beginning of year	Acquisitions	Asset retirement obligation	Disposals and adjustments	Balance, end of year	Amortization	
(note 10)							
Land	\$ 7,113,439,200	\$ 389,498,176	\$ —	\$ (32,572)	\$ 7,502,904,804	\$ —	\$ 7,502,904,804
Land improvements	234,207,006	17,827,180	1,484,947	1,057,839	254,576,972	7,051,887	123,526,107
Buildings and facilities	413,955,175	8,462,728	831,468	(710,920)	422,538,451	12,389,059	193,463,836
Machinery and equipment	50,663,157	7,158,856	138,600	(3,813,198)	54,147,415	30,412,501	(3,757,913)
Vehicles	39,220,619	1,013,623	—	(772,805)	39,461,437	25,695,903	2,140,340
Furniture and fixtures	16,145,615	1,300,013	—	(1,117,643)	16,327,985	9,672,892	922,085
Information technology	15,126,827	2,199,222	—	—	17,326,049	11,450,876	1,631,461
Leasehold improvements	27,122,801	—	315,000	(34,700)	27,403,101	2,893,270	664,439
Roads infrastructure	1,157,256,789	32,033,147	—	(234,466)	1,189,055,470	593,539,447	(34,700)
Water and sewer infrastructure	1,889,063,829	48,869,011	—	(1,519,052)	1,936,413,788	487,616,051	22,371,915
Building under capital lease	47,972,670	—	—	—	47,972,670	489,517	(1,125,737)
Assets under construction	230,030,559	133,499,853	—	(673,002)	362,857,410	979,034	—
	\$ 11,234,204,247	\$ 641,861,809	\$ 2,770,015	\$ (7,850,519)	\$ 11,870,985,552	\$ 1,459,862,087	\$ 84,220,454
						\$ (6,576,360)	\$ 1,537,506,181
							\$ 10,333,479,371

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

9. Tangible capital assets (continued):

2022	Cost				Accumulated amortization				Net book value, December 31, 2022
	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	\$ 6,840,466,225	\$ 277,408,372	\$ (4,435,397)	\$ 7,113,439,200	\$ –	\$ –	\$ –	\$ –	\$ 7,113,439,200
Land improvements	227,202,716	7,004,290	–	234,207,006	109,687,469	6,693,378	–	116,380,847	117,826,159
Buildings and facilities	402,035,346	12,627,499	(707,670)	413,955,175	170,471,265	11,722,034	(482,516)	181,710,783	232,244,392
Machinery and equipment	48,331,718	4,102,221	(1,770,782)	50,663,157	28,424,567	3,758,716	(1,770,782)	30,412,501	20,250,656
Vehicles	39,596,009	304,196	(679,586)	39,220,619	24,232,895	2,142,594	(679,586)	25,695,903	13,524,716
Furniture and fixtures	14,726,938	1,418,677	–	16,145,615	8,834,525	838,367	–	9,672,892	6,472,723
Information technology	13,820,614	1,306,213	–	15,126,827	9,991,216	1,459,660	–	11,450,876	3,675,951
Leasehold improvements	3,110,393	24,012,408	–	27,122,801	2,605,328	287,942	–	2,893,270	24,229,531
Roads infrastructure	1,136,578,888	20,679,977	(2,076)	1,157,256,789	561,917,905	31,623,618	(2,076)	593,539,447	563,717,342
Water and sewer infrastructure	1,863,218,801	25,971,789	(126,761)	1,889,063,829	464,744,544	22,943,117	(71,610)	487,616,051	1,401,447,778
Building under capital lease	–	47,972,670	–	47,972,670	–	489,517	–	489,517	47,483,153
Assets under construction	178,997,437	52,415,790	(1,382,668)	230,030,559	–	–	–	–	230,030,559
	\$ 10,768,085,085	\$ 475,224,102	\$ (9,104,940)	\$ 11,234,204,247	\$ 1,380,909,714	\$ 81,958,943	\$ (3,006,570)	\$ 1,459,862,087	\$ 9,774,342,160

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

9. Tangible capital assets (continued):

(a) Assets under construction:

Assets under construction having a value of \$362,857,410 (2022 - \$230,030,559) 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 \$51,254,367 (2022 - \$94,380,750).

(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 \$338,738,068 (2022 - \$285,437,065) comprising land and land improvements of \$287,621,558 (2022 - \$256,798,933), buildings and facilities of nil (2022 - nil), roads infrastructure of \$18,126,294 (2022 - \$7,869,740), and water and wastewater and stormwater infrastructure of \$32,990,216 (2022 - \$20,768,392).

(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.

(d) Leased tangible capital assets:

The building under capital lease is the YMCA Centre of Community, library and recreation centre located in the Vaughan Metropolitan Centre's Mobility Hub. This building was co-developed by public and private investments, in service and open to the public on July 1, 2022. The useful life is over the term of the lease, which is 49 years.

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

10. Asset retirement obligation:

On January 1, 2023, the City adopted PS 3280, Asset Retirement Obligations, using the prospective method.

The City's asset retirement obligation liability as of December 31, 2023 were as follows:

Asset retirement obligation	Balance beginning of year	Accretion	Balance, end of year
Landfill post-closure (a)	\$ 4,921,100	\$ 72,096	\$ 4,993,196
Building facilities and land remediation (b)	2,316,415	2,612	2,319,027
Removal of leasehold improvement (c)	315,000	—	315,000
Retirement of other tangible capital asset (d)	362,400	—	362,400
Decommission of underground fuel tanks (e)	138,600	—	138,600
Total asset retirement obligation	\$ 8,053,515	\$ 74,708	\$ 8,128,223

- (a) Landfill post-closure - The City has a landfill that is closed and expected to be monitored for approximately the next 62 years. An obligation for the monitoring costs at present value has been recorded using a discount factor of 4%. The corresponding expense is recorded in environmental services.
- (b) Building facilities and land remediation - The City owns and operates several buildings constructed prior to 1990 that are known to have asbestos. The City has recognized an estimated obligation of \$831,468 for the removal of asbestos upon retirement of the asset with a corresponding increase in buildings and facilities tangible capital assets. In addition, the City has recognized an estimated remediation obligation of \$1,484,947 on an acquired contaminated parcel of land, with a corresponding increase in land improvements tangible capital assets.
- (c) Removal of leasehold improvement - The City has a five-year leased term at Tigi Court for Animal Services shelter facility operations. As at year end, the City estimated an obligation of \$315,000 associated with restoring the leased space to its original condition upon termination of the lease agreement, with a corresponding increase in leasehold improvements tangible capital assets.

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

10. Asset retirement obligation (continued):

- (d) Retirement of other tangible capital asset - The City recognized costs associated with retirement of non-productive assets and unrecognized tangible capital assets of \$362,400, with a corresponding expense recorded in general government and recreation and cultural services.
- (e) Decommission of underground fuel tanks - The City owns several underground fuel tanks which are currently in use. An obligation to decommission the tanks has been recognized in accordance with Ontario Regulation 213/01 Fuel Oil Regulation which requires removal at such time as they are deemed no longer in productive use, with a corresponding increase in machinery and equipment tangible capital assets.

11. Contaminated sites:

The City reports environmental liabilities related to the management and remediation of contaminated sites where the City is responsible or accepts responsibility for incurring costs. A contaminated site liability of \$1,584,000 (2022 - nil) has been recorded based on an environmental assessment for the site where an assessment has been conducted. There are no expected recoveries.

The City's ongoing efforts to assess contaminated sites may result in additional environmental liabilities related to newly identified sites or changes in the assessments. Any changes to the City's liabilities for contaminated sites will be accrued in the year in which they are assessed as likely and reasonably estimable.

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

12. Accumulated surplus:

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

	2023	2022
Surplus (deficit):		
Investment in tangible capital assets	\$ 10,333,479,371	\$ 9,774,342,160
Amounts to be recovered in future years:		
From future revenue	(171,262,695)	(123,381,737)
From reserves and reserve funds on hand	(57,824,669)	(47,508,244)
Investment in Hydro Vaughan Corporations (note 4)	651,125,611	633,845,671
Asset retirement obligation (note 10)	(8,128,223)	—
Liability for contaminated sites (note 11)	(1,584,000)	—
Other	(238,634,099)	(248,750,700)
	10,507,171,296	9,988,547,150
 Reserves set aside for specific purposes		
by City Council:		
Vehicle replacement	9,099,228	5,124,821
Fire equipment replacement	4,765,757	6,785,074
General working capital	14,476,610	13,885,445
Tax rate stabilization	13,854,214	10,145,477
Waterworks	64,063,790	71,044,960
State of good repair water	80,724	77,427
Wastewater (sanitary sewers)	97,395,179	83,090,672
Stormwater reserve	16,702,983	27,214,141
Keele Valley landfill	542,530	520,375
Heritage Fund	3,414,405	3,779,724
Vaughan Hospital	6,976,298	6,691,415
Employee benefits	57,824,669	47,508,244
Buildings	28,088,447	21,573,599
Roads infrastructure	7,390,220	5,834,718
Sale of public lands	9,552,355	9,119,210
Parks infrastructure	9,033,336	6,518,173
Winterization	5,875,558	5,635,624
Other	35,255,272	28,924,555
Debenture payments	14,094,154	13,518,607
Engineering	12,092,133	13,092,052
Planning	14,642,572	13,169,313
City Hall Funding	32,308	30,989
Expenditure reserve	298,292	684,694
Capital from taxation	20,595,121	23,939,494
	446,146,155	417,908,803
 Less accumulated remeasurement gains	(46,250)	—
	\$ 10,953,271,201	\$ 10,406,455,953

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

13. 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 are:

	2023	2022
Provincial grants:		
Protection services	\$ 101,438	\$ —
Transportation services	625,000	—
Recreation and cultural services	6,435,863	868,949
<u>Planning and development</u>	<u>427,182</u>	<u>1,009,687</u>
	7,589,483	1,878,636
Federal grants:		
General government	400,354	154,397
Transportation services	8,853,646	4,963,355
Environmental services	6,071,782	4,084,627
Recreation and cultural services	2,705,457	3,533,176
<u>Planning and development</u>	<u>2,170</u>	<u>3,927,993</u>
	18,033,409	16,663,548
	<u>\$ 25,622,892</u>	<u>\$ 18,542,184</u>

14. 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, 2023

14. Segmented information (continued):

2023	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	\$ 36,926,400	\$ 35,329,299	\$ 24,863,754	\$ 80,979,099	\$ 173,542	\$ 44,387,898	\$ 9,736,112	\$ —	\$ 232,396,104
Municipal accommodation tax	—	—	—	—	—	—	3,729,360	—	3,729,360
User charges	3,818,062	19,622,516	950,826	2,604,910	193,155	23,136,267	18,321,483	—	68,647,219
Water and sewer billings	—	—	—	192,825,790	—	—	—	—	192,825,790
Government transfers	400,354	101,438	9,478,646	6,071,782	—	9,141,320	429,352	—	25,622,892
Investment income	4,115,998	3,937,977	2,771,436	9,026,328	19,344	4,947,693	1,085,235	—	25,904,011
Penalties and interest on taxes	1,551,095	1,484,010	1,044,403	3,401,530	7,290	1,864,514	408,966	—	9,761,808
Other fees and services	5,130,689	6,561	3,475,480	53,202	—	9,968,735	3,637,834	—	22,272,501
Contributions from developers	361,091	(87,374)	37,613,727	—	—	155,700,486	1,628,640	—	195,216,570
Contributed assets	—	—	297,585,241	36,627,365	—	4,525,462	—	—	338,738,068
Hydro Vaughan Corporations	—	—	—	—	—	—	—	35,271,350	35,271,350
	52,303,689	60,394,427	377,783,513	331,590,006	393,331	253,672,375	38,976,982	35,271,350	1,150,385,673
Expenses (recoveries):									
Salaries and benefits	61,238,139	80,993,906	10,970,085	9,773,361	213,295	68,399,150	22,292,563	—	253,880,499
Goods and services	27,704,051	4,929,590	20,565,226	157,440,629	185,220	25,151,112	1,417,583	—	237,393,411
Long-term debt interest	2,301,687	—	768,151	—	—	—	—	—	3,069,838
Other	(3,965,612)	50,595	(1,245,816)	9,785,871	36,621	(209,249)	(1,041,953)	—	3,410,457
Corporate support allocation	3,402,683	11,007,256	4,018,064	23,912,416	57,278	11,566,624	2,894,735	(56,859,056)	—
Loss on disposal of tangible capital assets	217,622	(10,609)	157,492	497,080	—	(478,510)	—	—	383,075
Amortization of tangible capital assets	8,712,838	2,696,150	33,044,179	23,198,240	—	16,569,047	—	—	84,220,454
Accretion expense	—	—	—	74,708	—	—	—	—	74,708
Other capital related	5,164,590	577,446	2,271,729	5,090,050	—	4,949,285	2,062,589	—	20,115,689
	104,775,998	100,244,334	70,549,110	229,772,355	492,414	125,947,459	27,625,517	(56,859,056)	602,548,131
Annual surplus (deficit) before the undernoted	(52,472,309)	(39,849,907)	307,234,403	101,817,651	(99,083)	127,724,916	11,351,465	92,130,406	547,837,542
Adjustment for the decrease of the City's equity interest in the net assets of Alectra (note 4)	—	—	—	—	—	—	—	(1,022,294)	(1,022,294)
Annual surplus (deficit)	\$ (52,472,309)	\$ (39,849,907)	\$ 307,234,403	\$ 101,817,651	\$ (99,083)	\$ 127,724,916	\$ 11,351,465	\$ 91,108,112	\$ 546,815,248

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

14. Segmented information (continued):

2022	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	\$ 37,708,922	\$ 38,298,849	\$ 23,734,761	\$ 81,726,516	\$ 110,990	\$ 38,015,201	\$ 10,076,687	\$ —	\$ 229,671,926
Municipal accommodation tax	—	—	—	—	—	—	2,834,267	—	2,834,267
User charges	3,568,786	30,029,903	646,323	2,957,495	139,214	16,393,247	27,975,360	—	81,710,328
Water and sewer billings	—	—	—	186,184,291	—	—	—	—	186,184,291
Government transfers	154,397	—	4,963,355	4,084,627	—	4,402,125	4,937,680	—	18,542,184
Investment income	1,823,356	1,851,881	1,147,657	3,951,757	5,367	1,838,165	487,242	—	11,105,425
Penalties and interest on taxes	1,463,644	1,486,541	921,247	3,172,154	4,308	1,475,532	391,119	—	8,914,545
Other fees and services	84,463	12,703	1,017,574	29,765	—	1,801,589	3,424,677	—	6,370,771
Contributions from developers	131,467	419,519	39,920,573	—	—	49,907,606	2,106,449	—	92,485,614
Contributed assets	—	—	263,952,390	20,893,832	—	590,843	—	—	285,437,065
Hydro Vaughan Corporations	—	—	—	—	—	—	—	17,754,463	17,754,463
	44,935,035	72,099,396	336,303,880	303,000,437	259,879	114,424,308	52,233,481	17,754,463	941,010,879
Expenses (recoveries):									
Salaries and benefits	58,501,790	77,811,106	9,522,222	9,741,726	44,911	59,297,228	21,056,550	—	235,975,533
Goods and services	28,171,476	4,336,183	18,337,349	158,227,955	189,788	17,337,279	2,008,069	—	228,608,099
Long-term debt interest	982,034	—	244,558	—	—	—	—	—	1,226,592
Other	(4,017,989)	10,384,416	(776,237)	8,581,948	36,621	(390,863)	(1,448,351)	—	12,369,545
Corporate support allocation	3,589,390	10,343,583	3,478,382	22,938,945	35,093	9,612,998	2,702,845	(52,701,236)	—
Loss on disposal of tangible capital assets	921,651	18,534	6,944	99,928	—	506,996	—	—	1,554,053
Amortization of tangible capital assets	7,412,385	2,465,357	32,709,519	23,795,895	—	15,575,787	—	—	81,958,943
Other capital related	8,543,393	373,583	2,002,517	2,238,406	—	3,010,261	3,499,895	—	19,668,055
	104,104,130	105,732,762	65,525,254	225,624,803	306,413	104,949,686	27,819,008	(52,701,236)	581,360,820
Annual surplus (deficit) before the undenoted	(59,169,095)	(33,633,366)	270,778,626	77,375,634	(46,534)	9,474,622	24,414,473	70,455,699	359,650,059
Adjustment for the decrease of the City's equity interest in the net assets of Alectra (note 4)	—	—	—	—	—	—	—	(973,354)	(973,354)
Annual surplus (deficit)	\$ (59,169,095)	\$ (33,633,366)	\$ 270,778,626	\$ 77,375,634	\$ (46,534)	\$ 9,474,622	\$ 24,414,473	\$ 69,482,345	\$ 358,676,705

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

14. 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, 2023

14. 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.

(h) Corporate transfers:

Corporate transfers revenue is the City's share of earnings in Hydro Vaughan Corporations. The recoveries are the indirect costs for program support. The costs have been allocated to the segment based on a percentage of the total expenses incurred.

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, 2023

15. Budget data:

The budget data presented in these consolidated financial statements is based upon the 2023 operating and capital budgets approved by City Council on February 8, 2023. 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	\$ 354,997,923
Water, wastewater and stormwater budget	190,802,585
Capital budget	444,225,637
Less:	
Transfers from other funds	(125,511,973)
Proceeds from debt issue	(92,070,000)
Other adjustments	(2,300,000)
	<u>770,144,172</u>
Expenses:	
Operating budget	354,997,923
Water, wastewater and stormwater budget	190,802,585
Capital budget	444,225,637
Less:	
Transfers to other funds	(44,017,320)
Debt principal payments	(7,304,195)
Other adjustments	(2,300,000)
	<u>936,404,630</u>
Annual deficit	<u>\$ (166,260,458)</u>

16. Trust funds:

Trust funds administered by the City amounting to \$1,831,982 (2022 - \$1,751,782) 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, 2023

17. 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 \$140.7 million (for the period 2024 to 2028). The City has also entered into a number of third-party contracts to provide shared services with estimated future recoveries of \$7.2 million (for the period 2024 to 2037). Future revenue from lease agreements for City-owned properties is approximately \$3.0 million (for the period 2024 to 2032).

18. 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:

2024	\$ 52,359,147
2025	37,081,967
2026	25,910,559
2027	15,441,559
2028	3,210,813
Thereafter	6,319,365
	<hr/>
	\$ 140,323,410

(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, 2023 is \$1.4 million (2022 - \$2.6 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, 2023

18. Commitments (continued):

(ii) 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. The total commitment under the agreement for 2024 was \$1.8 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, 2023 is approximately \$221.1 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.

19. 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

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

20. Financial instruments and risk management:

(a) Financial instruments classification:

The following table provides the carrying amount information of the City's financial instruments by category. The maximum exposure to credit risk would be the carrying values, as shown below:

	Fair value	Amortized cost
Cash and cash equivalents	\$ —	\$ 139,683,918
Taxes receivable	—	77,588,580
Water and sewer billings receivable	—	27,856,203
Accounts receivable	—	55,564,562
Investments (i)	7,751,250	924,709,127
Accounts payable and accrued liabilities	—	(160,565,312)
Debenture and other debt	—	(104,726,989)
Note payable	—	(3,303,523)

(i) Fair value measurement hierarchy:

All financial instruments must be classified in accordance with the significance of the inputs used in making fair value measurements. The fair value hierarchy prioritizes the valuation techniques used to determine the fair value of a financial instrument based on whether the inputs to those techniques are observable or unobservable:

- Level 1 - fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities using the last bid price;
- Level 2 - fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All of the City's financial instruments are classified as Level 1, except for the City's investments in structured notes, which are classified as Level 2 financial instruments.

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

20. Financial instruments and risk management (continued):

(b) Risk management:

The risks associated with the City's financial instruments and policies in managing the risks are as follow:

(i) Credit risk:

Credit risk is the risk of financial loss to the City if a debtor fails to discharge their obligation. The City's primary source of this risk relates to its cash and cash equivalents, investments, taxes receivable, water and sewer billings receivable, and accounts receivable.

The City's exposure to credit risk associated with cash and cash equivalents is assessed as low because the City's cash deposits and cash equivalents are held by Canadian Schedule 1 Chartered banks.

The City's taxes receivable exposure to credit risk is low given that the City has full priority lien status and the ability to collect outstanding property taxes through legislative processes.

The City's investments are risk-managed under the City's investment policy, which operates within the constraints of the investment guidelines issued by the Ontario Municipal Act and specifically Ontario Regulation 438/97. The City's investment policy puts limits on the permitted investments, including portfolio composition, issuer type and credit quality. The City invests in securities that meet the credit rating requirements established under the Ontario Municipal Act and ensures compliance through ongoing monitoring.

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

20. Financial instruments and risk management (continued):

Accounts receivable and water and sewer billings receivable are primarily due from automobile insurance companies, government, individuals and other corporations for services or goods the City provided. The City measures its exposure to credit risk based on how long the amounts have been outstanding. An allowance for doubtful is setup based on collection status and assessment for uncertainty. Accounts receivable that are not impaired are collectible in accordance with the Miscellaneous Accounts Receivable Collection Policy. As at December 31, 2023, the outstanding amounts were as follows:

Accounts receivable	\$ 55,632,565
Water and sewer billings receivable	27,856,203
	83,488,768

Less allowance for doubtful account	68,003
Total net receivable	\$ 83,420,765

Current	\$ 80,516,282
31-60 days	860,168
61-90 days	46,803
91-120 days	23,045
Over 120 days	2,042,470
	83,488,768

Less allowance for doubtful account	68,003
Total net receivable	\$ 83,420,765

(ii) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The City's investment policy operates within the constraints of the investment guidelines issued in the Ontario Municipal Act. Diversification techniques are utilized to minimize risk.

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

20. Financial instruments and risk management (continued):

(iii) Currency risk:

The City's transactions are mainly carried in Canadian dollar. The City is exposed to foreign currency risk between the Canadian dollar and foreign currency with its purchases in U.S. dollars. Financial instruments subject to foreign currency risk include cash and cash equivalents and accounts payable and accrued liabilities. The risk exposure to currency risk is low as there was a limited number of transactions. All financial assets and liabilities are denominated in Canadian dollars.

(iv) Interest rate risk:

Interest rate risk arises from changes in market interest rates which cause the potential financial loss in the fair value of financial instruments. The City is exposed to this risk in its interest-bearing investments, debenture and other debt, and note payable.

The City mitigates its interest rate risk on its debenture and other debt and note payable through fixed interest rates.

The City mitigates its interest rate risk on its investments by buying securities with varying maturities - both short term (one year and less) and long term (greater than one year).

(v) Other price risk:

Other price risk arises when the fair value of equity funds changes due to a decrease in a stock market index or other risk variables. The City is exposed to this risk in its investment in the structured note.

(vi) Liquidity risk:

Liquidity risk is the risk associated with the City's inability to meet its financial obligations as they come due. The City mitigates the risk by monitoring cash flows from operations, the expected outflows and financing activities to ensure it has sufficient funds to meet the current and long-term financial liabilities when due.

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

20. Financial instruments and risk management (continued):

The table below shows the financial liabilities and its contractual maturities:

	Due within 1 year	Due between 1 - 5 years	Due beyond 5 years	Total
Accounts payable and accrued liabilities	\$ 130,770,930	\$ 29,794,382	\$ —	\$ 160,565,312
Debenture and other debt:				
Serial debt issued by the Region	6,176,424	18,477,696	25,648,831	50,302,951
Term loan - debt payable to YMCA	1,985,384	8,817,601	43,621,053	54,424,038
	\$ 138,932,738	\$ 57,089,679	\$ 69,269,884	\$ 265,292,301

21. Comparative information:

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