

**2009 DRAFT CONSOLIDATED FINANCIAL STATEMENTS,  
TRUST FUND STATEMENT, AUDITOR'S REPORT AND  
FOURTH QUARTER OPERATING VARIANCE REPORT**

**Recommendation**

The Commissioner of Finance/City Treasurer, the Director of Financial Services and the Director of Reserves & Investments recommend:

1. That the presentation "Key Changes to Financial Statement Presentation" be received; and
2. That the following 2009 Draft Consolidated Financial Statement Overview report be received; and
3. That the 2009 Draft Consolidated Financial Statements and Trust Fund Statements, (Attachment #1) be received; and
4. That the Confidential Audit Findings report to Audit and Operational Review Committee for the year ended December 31, 2009 from KPMG (Attachment #2) be received; and
5. That the 2009 Annual Corporate and Departmental Operating Variance Report (Attachment #3) be received.

**Contribution to Sustainability**

This is not applicable to this report.

**Economic Impact**

There is no economic impact as this is an information item.

**Communications Plan**

As required by the Municipal Act an advertisement will be placed in the local paper indicating that the 2009 Consolidated Financial Statements and Trust Fund Statement are available for pick up at the City, the financial statements will be published on the City's web page and in addition a condensed set of consolidated financial statements will be included in the City's annual successes report.

**Purpose**

To present the City's 2009 Draft Consolidated Financial Statements (Attachment #1 which includes separate financial statements for the Vaughan Public Library Board, Kleinburg Business Improvement Area, the Vaughan Trust Funds) and the external auditors (KPMG) confidential Audit Findings Report (Attachment #2) and the 2009 Annual Corporate and Departmental Operating Variance Report (Attachment #3).

**Background - Analysis and Options**

The City's Draft Consolidated Financial Statement package has been prepared under the new Public Sector Accounting Board Standards 3150 and 1200. The financial overview of the City of Vaughan's Draft Consolidated Statement of Financial Position as of December 31<sup>st</sup>, 2009 is provided below. The 2008 consolidated financial statements have been restated for comparative purposes. The consolidated financial position statement consists of the financial assets including

the investment in Hydro Vaughan Corporations, liabilities, non financial assets and the accumulated surplus.

### **Changes in Accounting Standards**

The City has implemented for 2009 the new Public Sector Accounting Board (PSAB) standard 3150 tangible capital assets and standard 1200 financial statement presentation. These new accounting standards are described below:

#### **Accounting for Tangible Capital Assets – PSAB Standard 3150**

The City of Vaughan has implemented the accounting and reporting recommendations of the Public Sector Accounting Board section 3150 regarding the accounting for municipal tangible capital assets. Tangible capital assets consist of land, parks, buildings, bridges, sidewalks, vehicles, equipment, streetlights, roads and underground water/wastewater infrastructure.

The PSAB 3150 tangible capital asset requirement is one of the most significant changes in financial reporting for Ontario municipalities in decades. This project was co-ordinated by Reserves and Investments and involved all departments over a two year period ending in the successful identification and valuing of all the City's tangible assets above and below ground. This project included the determination of the asset historical cost, asset service life, annual amortization and disposals. These assets are classified on the financial statements under "Non Financial Assets".

#### **Financial Statement Presentation - PSAB Standard 1200**

This standard moves municipal financial statements away from fund accounting. The statement of financial position and financial activities are no longer reported by fund, i.e. Operating Fund, Capital Fund and Reserve Funds. The statement of operations is on a consolidated basis only with consolidated budget comparisons. The municipal position which previously presented the various funds and amounts to be recovered is now replaced with a single line titled "Accumulated Surplus/Deficit".

### **2009 Draft Consolidated Financial Position Overview**

The City of Vaughan's 2009 Consolidated Statement of Financial Position demonstrates a continued strong position in many key financial areas which supports the Vaughan Vision 2020 strategic initiative for a financially sustainable future. These key financial areas include the City's cash and cash investment levels as seen in Exhibit #1, Hydro Vaughan Corporations investment and reserve balances in Exhibit #3.

This strong financial position is a result of Council's commitment to sound fiscal policies, including the adoption of fiscally responsible operating and capital budgets, the long range financial planning targets, and establishment of new reserves and financial policies as required. Only through Council's ongoing support for these financial policies has the City been able to achieve this increased financial flexibility. This approach provides Council more control over increases in the municipal portion of the property tax rate, the timing and funding of capital projects now and into the future.

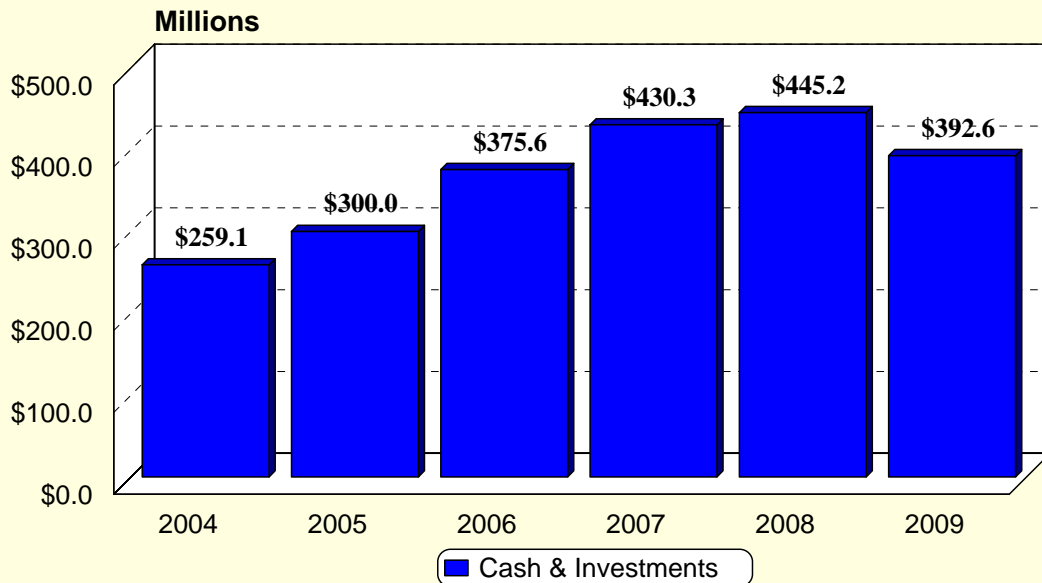
### **Financial Assets**

#### **Cash and Cash Investments**

The cash balance, including outstanding investments is \$392.6m (2008 \$445.2m) at the end of 2009. The cash balance consists of cash and equivalents of \$266.4m and investments over 90 days totalling \$126.2m. The following graph (Exhibit 1) illustrates the continued strength in the City's cash and investments position.

## EXHIBIT 1

### Financial Trend - Cash & Investments



#### Taxes Receivable

In 2009, taxes receivable totalled \$51.2m (2008 \$35.6m) an increase of \$15.6 million. This increase is attributable to the 4<sup>th</sup> supplemental tax billing. Billing data from MPAC was received later in the year than normal, as a result the 4<sup>th</sup> supplemental billing was not billed but accrued for 2009. Allowing for higher taxes receivable due to supplemental taxes and growth, 2009 property tax collection efforts reduced taxes receivable by \$20.2m showing that the City's tax collection effort continues to be strong. The collection process includes regular arrears notice mailings at strategic points during the year. Business accounts not only receive collection letters but are also contacted directly by phone. In addition a significant collection emphasis is placed on properties that enter the tax sale time frame of three years.

#### Water and Wastewater Receivable

In 2009, the water and wastewater receivables totalled \$12.8m (2008 \$10.9m) an increase of \$1.9m over 2008. The increase is due to a larger than normal year end billing accrual.

#### Accounts Receivable /Local Improvement Receivable/Other Current Assets

The City's accounts receivable totalling \$11.4m (2008 \$17.8m) comprise a wide range of monies owing from various levels of government, outside agencies, businesses, etc. More specifically, included in this figure are monies owing to the City for GST refunds, other governments, local improvements, fire call outs and other charges. Local improvement receivables at \$1.4m (2008 \$1.7m) is reducing each year as residents make annual payments over time for capital improvement works on their street.

### Investment in Hydro Vaughan Corporations and PowerStream

The Hydro Vaughan Corporations consist of the Hydro Vaughan Holdings Inc., Vaughan Holdings Inc. (45.3% share of PowerStream), Hydro Vaughan Energy Corporation, and 1446631 Ontario Inc. The consolidation is based on the modified equity basis and is 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 to those of the City, and inter-organizational transactions and balances are not eliminated. The City recognizes its equity interest in the annual income or loss of the Hydro Vaughan Corporations in its Consolidated Statement of Operations and Accumulated Surplus with a corresponding increase or decrease in its investment asset account.

The City's investment in the Hydro Vaughan Corporations totals \$234.6m and is comprised of share capital of \$88.5m, notes receivable of \$84.1m, interest receivable of \$9.9m, accumulated earnings as at December 31, 2009 of \$35.4m and dividends/interest retained by Vaughan Holdings Inc. of \$16.7m.

The City has established corporations under the provisions of the Ontario Business Corporation Act and the City's ownership is as follows:

- Hydro Vaughan Energy Corporation; 100%
- Hydro Vaughan Holdings Inc; 100%
- 1446631 Ontario Inc; 100%
- Vaughan Holdings Inc. 100% (PowerStream Inc. 45.3%)

Following is the investment in the above established corporations:

	2009 (Million)	2008 (Million)
<b>ASSETS</b>		
Current Assets	\$ 239.1	\$ 210.5
Capital Assets	601.8	445.7
Regulatory and Other Assets	98.2	27.9
Goodwill	42.5	33.0
Total Assets	981.6	717.1
<b>LIABILITIES</b>		
Current Liabilities	179.5	121.1
Consumer Deposits	16.7	12.2
Debenture Payable	123.1	97.5
Bank Loan	50.0	50.0
Promissory Note – Town of Markham	74.3	74.3
Promissory Note – City of Barrie	20.0	0
Employee future benefits	12.1	8.4
Regulatory liabilities	91.1	0
Other Liabilities	33.5	18.0
Total Liabilities	600.3	381.5
Net Assets	381.3	335.6
Town of Markham's Proportionate Share	(91.7)	(94.0)
City of Barrie's Proportionate Share	(55.0)	0
City's Equity interest in Net Assets	\$ 234.6	\$ 241.6

The net decrease of (\$7.0m) in the City's equity share is comprised of the following transactions: earnings from the Hydro Corporations of \$9.3m, interest earned on the PowerStream note receivable \$4.8m, the adjustment of the City's proportionate share of PowerStream's retained earnings and contributed surplus resulting from the merger (2.7m) and reductions of equity due to dividends received (\$3.8m), a partial repayment of the notes receivable (\$9.8m) and accrued interest on the note receivable of (\$4.8m).

## **LIABILITIES**

### Accounts Payable and Accrued Liabilities

In 2009 the total current liability balance was \$102.4m (2008 \$75.4m) an increase of \$27.0m. The increase is attributable to the significant increase in capital works in 2009. These City liabilities represent accrued and general liabilities to suppliers and contractors, outside agencies, other governments, as a result of operating, capital fund activity and legislative financial obligations to the region and school boards.

### Employee Future Benefit Liability

These liabilities consist of post employment retirement benefits of \$43.2m (2008 \$38.3m), vacation pay entitlements \$3.3m (2008 \$3.0m), and Workers Safety Insurance Board (WSIB) \$0.2m (2008 \$0.2m).

Post retirement employee benefits are based on a 2008 actuarial study and represent the retirement benefits that have accrued over the service life of the city employees to-date but not yet paid. This liability is paid out as the work force retires. The portion of these liabilities that are not funded is consolidated in accumulated surplus. As a financial strategy for the future Council created a reserve for post employees retirement benefits in 2002 and this reserve now totals \$8.1m.

Vacation is earned during the course of employment and the liability represents the unused portion. The WSIB liability is based on a 2006 actuarial study and represents the liabilities of future expected claims and other costs. Both of these liabilities are fully funded.

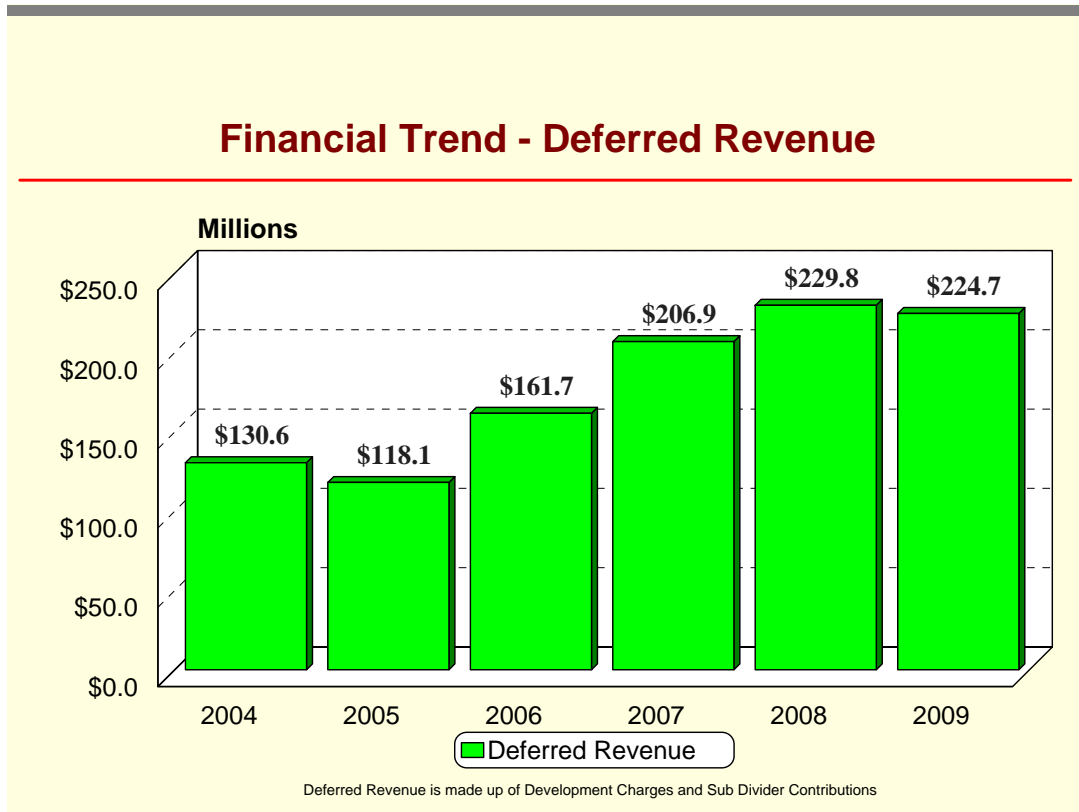
### Deposits and Deferred Revenue

Deposits and deferred revenue total \$16.1m (2008 \$13.4m). This amount represents pre-paid funds held by the City for capital projects or various City services to be rendered in the future.

### Deferred Revenue – Obligatory Reserve Fund

Development charges and obligatory reserves in 2009, Exhibit #2, totals \$224.7m (2008 \$229.8m) a decrease of \$5.1 million over 2008. The majority of the decrease is the result of a draw down of development charges to fund capital projects. Deferred revenues are mainly derived from the receipt of development charges, recreational land cash in-lieu receipts and contributions due to the Building Standards Act related to building permits, the federal gas tax grants and other government grants. The grants applied for and received consist of the federal gas tax, provincial roads and bridge grant. The year-end funds on hand have not been adjusted for outstanding capital budgetary commitments.

## EXHIBIT 2



### Debenture and Other Debt

Long-term liabilities consisting of sinking fund, serial debentures and other debt totals \$60.4m (2008 \$52.0m). The 2009 increase in debt is attributable to the receipt of \$8.0m in serial debentures for capital projects and a debt payable of \$9.8m to Block 11 Landowners Group, for valley crossings and pressure district 6, net of 2009 principal payments. The annual principal and interest payments required to service these liabilities are well within the annual debt repayment limit as prescribed by the Ministry of Municipal Affairs and Housing.

### Non-Financial Assets

Non-financial assets comprise the land and capital assets that are available and used to provide the necessary services to the citizens of Vaughan. Tangible capital assets, comprised of capital assets and capital work in progress were developed using actual or estimated historical costs. When historical cost records were not available, other methods were used to estimate the costs and the accumulated amortization of the assets.

The City's net tangible capital assets as at December 31, 2009 total \$6,685,066,688 (2008, \$6,413,097,646). The net book value is comprised of the gross capital asset cost plus additions, less disposals, less the accumulated amortization and adjustments. Amortization is recorded on a straight line basis over the estimated useful life of the asset commencing the year the asset is put into service. The 2009 amortization expense was \$54.4m (2008 \$53.0m). Assets under construction totalling \$185.8m are not amortized until the assets are brought into service.

The City's 2009 net tangible capital assets with 2008 comparables are as follows:

	2009	2008
<b><u>Asset</u></b>		
Land	\$ 4,583,748,089	\$ 4,416,568,823
Land Improvements	89,537,536	88,182,505
Buildings and Building Improvements	90,790,599	95,297,117
Machinery and Equipment	13,702,587	14,685,361
Vehicles	10,795,351	8,452,219
Furniture and Fixtures	1,639,666	1,525,985
Information Technology	1,430,288	1,475,660
Leasehold Improvements	1,096,195	1,354,604
Roads Infrastructure	500,539,595	487,444,123
Water and Sewer Infrastructure	1,205,891,646	1,182,370,249
Assets under Construction	185,895,136	115,741,000
<b>Total</b>	<b><u>\$ 6,685,066,688</u></b>	<b><u>\$ 6,413,097,646</u></b>

### **Accumulated Surplus**

The accumulated surplus represents the net financial position of the City. This figure consists of the net of investment in tangible capital assets, investment in Hydro Vaughan Corporations, accumulated fund balances and reserves, less amounts to be recovered in the future. This figure represents a municipality's ability to meet the current and future financial needs of the community.

	2009	2008
Investment in Tangible Capital Assets	\$6,685,066,688	\$6,413,097,646
*Other	(85,568,318)	(22,671,685)
*Amounts to be Recovered in Future Years		
From future revenues	(84,469,374)	(77,096,033)
From reserves & reserve funds	<u>(8,189,358)</u>	<u>(6,931,666)</u>
Total	(92,658,732)	(84,027,699)
Investment in Hydro Vaughan Corporations	234,658,826	241,644,367
Reserves set aside by Council (Exhibit #3)	<u>193,303,265</u>	<u>202,021,001</u>
<b>Accumulated Surplus</b>	<b><u>\$6,934,801,729</u></b>	<b><u>\$6,750,063,630</u></b>

\*

- 1) This component of the accumulated surplus is the 2009 current fund balance of (\$7.0m) which includes the \$2.5m carry forward to next year and the capital fund unfinanced balance of (\$78.5m).
- 2) Amounts to be recovered in future years are liabilities for post retirement employee future benefits and debenture funding for capital projects.

Reserves continue to be steady as shown in Exhibit 3 below.

**EXHIBIT 3**



Without an adequate level of reserves, the municipality has limited alternatives but to raise the tax rate to fund unforeseen or extraordinary expenses, or when revenues decline. Reserves assist in moderating changes in the tax rate and are also established to provide adequate funding for the financial obligations and infrastructure requirements in the future.

The year-end funds on hand have not been adjusted for outstanding budgetary commitments. Reserve balances are expected to decline as these commitments are fulfilled.

**Target - Discretionary Reserve Funds**

The overall increase in reserves was possible as a result of Council’s adoption of financial policies, including those that were approved in the Long Range Financial Planning Working Sessions. These policies and others will continue to contribute to the financial well being of the City as shown in 2009 results. However the policies must be reviewed continually to ensure they address all relevant issues each year.

**Financial Information Return**

Given the significant changes in the financial statements this year as a result of the PSAB Standard 3150 and Standard 1200 priority was given to the completion of the City’s Consolidated Financial Statements. As result the 2009 Financial Information Return (FIR) will be submitted slightly after the June 30<sup>th</sup> 2009 Provincial due date. It is anticipated that the FIR will be submitted in the July timeframe.



## **Relationship to Vaughan Vision 2020**

This report is consistent with and supports the Vaughan Vision 2020 strategic initiatives under Management Excellence that ensures financial sustainability.

## **Regional Implications**

There are no Regional Implications.

## **Conclusion**

As a direct result of Council policies and Management's efforts, the financial resources of the municipality continue to be strong.

Financial stability and strong reserve balances assists in creating the following:

- Financial flexibility for the municipality;
- Increased control over the municipal portion of the property tax rate;
- Effective timing of capital projects;
- Generally sound municipal fiscal environment; and
- Positive awareness amongst the private sector, government and the community.

Notwithstanding the ongoing financial improvements that have been made, continued investment in the areas of buildings & facilities, roads, parks and water/wastewater infrastructure must continue, to secure the City of Vaughan's financial future as outlined in Vaughan Vision 2020.

## **Attachments**

No. 1 - 2009 Draft Consolidated Financial Statements and Trust Fund Statements (Available in Clerks Department)

\*No. 2 - Confidential KPMG Audit Findings Report (Mayor & Members of Council only)

No. 3 - 2009 Annual Corporate and Departmental Operating Variance Report (Available in the Clerk's Department)

## **Report Prepared by:**

Barry Jackson, CGA  
Director of Financial Services, ext. 8272

Respectfully submitted,

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Barbara Cribbett, CMA  
Commissioner of Finance/City Treasurer

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Barry Jackson, CGA  
Director of Financial Services

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Ferrucio Castellarin, CGA  
Director of Reserves & Investments

**\*Note: Refer to Audit & Operational Review  
Committee recommendation of  
June 2, 2010**

DRAFT

Consolidated Financial Statements of

**THE CORPORATION OF THE  
CITY OF VAUGHAN**

Year ended December 31, 2009

## **AUDITORS' REPORT**

To the Mayor, Members of Council, Inhabitants and Ratepayers of  
The Corporation of the City of Vaughan

We have audited the consolidated statement of financial position of The Corporation of the City of Vaughan as at December 31, 2009 and the consolidated statements of operations and accumulated surplus and change in net financial assets and cash flows for the year then ended. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the City as at December 31, 2009 and the results of its operations and the changes in its net assets and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

## **DRAFT**

Chartered Accountants, Licensed Public Accountants

Toronto, Canada

April 9, 2010

# THE CORPORATION OF THE CITY OF VAUGHAN

## DRAFT Consolidated Statement of Financial Position

December 31, 2009 with comparative figures for 2008

	2009	2008
		(Restated – note 2)
<b>Financial assets:</b>		
Cash and cash equivalents	\$ 266,390,596	\$ 360,251,798
Taxes receivable	51,205,785	35,681,457
Water and sewer billings receivable	12,884,771	10,902,165
Accounts receivable	11,498,033	17,853,342
Investments (note 4)	126,227,239	84,988,558
Local improvement charges receivable	1,432,219	1,731,777
Other assets	77,977	80,227
Investment in Hydro Vaughan Corporations (note 5)	234,658,826	241,644,367
	<u>704,375,446</u>	<u>753,133,691</u>
<b>Financial liabilities:</b>		
Accounts payable and accrued liabilities	102,424,458	75,470,394
Accrued interest on long-term liabilities	731,999	378,877
Employee future benefits (note 6)	46,803,418	41,590,166
Deposits and deferred revenue	16,146,626	13,448,629
Deferred revenue - obligatory reserve funds (note 7)	224,760,862	229,894,012
Debenture and other debt (note 8)	60,469,519	52,082,106
Note payable (note 9)	3,303,523	3,303,523
	<u>454,640,405</u>	<u>416,167,707</u>
Net financial assets	249,735,041	336,965,984
<b>Non-financial assets:</b>		
Tangible capital assets (note 10)	6,685,066,688	6,413,097,646
Commitments (note 16)		
Contingencies (note 17)		
Accumulated surplus	<u>\$ 6,934,801,729</u>	<u>\$ 6,750,063,630</u>

See accompanying notes to consolidated financial statements.

# THE CORPORATION OF THE CITY OF VAUGHAN

## DRAFT Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2009, with comparative figures for 2008

	Budget (Unaudited - note 14)	2009	2008 (Restated - note 2)
<b>Revenues:</b>			
Property taxation	\$ 125,101,902	\$ 128,395,596	\$ 116,994,029
Taxation from other governments	2,800,000	2,730,234	2,850,140
User charges	33,849,835	40,057,948	36,185,281
Water and sewer billings	71,782,699	67,520,296	62,704,279
Government transfers (note 12)	11,572,784	4,437,906	2,027,287
Investment income	3,761,000	5,965,281	11,590,166
Penalties and interest on taxes	4,700,000	4,679,602	4,793,222
Other fees and services	2,469,830	2,169,561	8,369,483
Contributions from developers	27,741,690	48,970,960	33,153,022
Contributed assets	—	173,132,965	79,112,250
Hydro Vaughan Corporations (note 5)			
Share of net earnings	2,500,810	9,381,391	10,055,117
Interest on notes receivable	4,853,450	4,853,451	4,754,652
	<u>291,134,000</u>	<u>492,295,191</u>	<u>372,588,928</u>
<b>Expenses:</b>			
General government	17,956,329	18,720,573	14,582,977
Protection to persons and property	43,895,070	45,876,905	44,272,904
Transportation services	31,154,032	61,032,668	54,777,859
Environmental services	82,462,450	95,378,373	87,917,303
Health services	112,803	90,499	81,780
Social and family services	358,655	294,275	276,719
Recreational and cultural services	55,984,090	68,257,907	63,513,302
Planning and development	15,876,571	15,170,747	14,223,715
	<u>247,800,000</u>	<u>304,821,947</u>	<u>279,646,559</u>
Adjustment for the reduction of the City's equity interest in the net assets of PowerStream (note 5)	—	(2,735,145)	—
Annual surplus	\$ <u>43,334,000</u>	184,738,099	92,942,369
Accumulated surplus, beginning of year (note 2)	—	6,750,063,630	6,657,121,261
Accumulated surplus, end of year	\$ —	<u>\$ 6,934,801,729</u>	<u>\$ 6,750,063,630</u>

See accompanying notes to consolidated financial statements.

# THE CORPORATION OF THE CITY OF VAUGHAN

## DRAFT Consolidated Statement of Change in Net Financial Assets

Year ended December 31, 2009, with comparative figures for 2008

	Budget (Unaudited - note 14)	2009	2008
Annual surplus	\$ 43,334,000	\$ 184,738,099	\$ 92,942,369
Amortization of tangible capital assets	–	54,474,578	53,009,868
Proceeds on disposal of tangible capital assets	–	182,416	3,015,597
Loss on disposal of tangible capital assets	–	6,693,886	1,273,707
Acquisition of tangible capital assets	(163,811,000)	(333,319,922)	(146,463,915)
Increase (decrease) in net financial assets	(120,477,000)	(87,230,943)	3,777,626
Net financial assets, beginning of year	336,965,984	336,965,984	333,188,358
Net financial assets, end of year	\$ 216,488,984	\$ 249,735,041	\$ 336,965,984

See accompanying notes to consolidated financial statements.

# THE CORPORATION OF THE CITY OF VAUGHAN

## DRAFT Consolidated Statement of Cash Flows

Year ended December 31, 2009, with comparative figures for 2008

	2009	2008 (Restated – note 2)
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 184,738,099	\$ 92,942,369
Items not involving cash:		
Amortization	54,474,578	53,009,868
Loss on disposal of tangible capital assets	6,693,886	1,273,707
Contributed tangible capital assets	(173,132,965)	(79,112,250)
Deduct share of net earnings of Hydro Vaughan Corporations	(9,381,391)	(10,055,117)
Adjustment for reduction of the City's equity interest in the net assets of PowerStream	2,735,145	–
Change in non-cash assets and liabilities:		
Taxes receivable	(15,524,328)	2,129,226
Water and sewer billings receivable	(1,982,606)	5,858,628
Accounts receivable	6,355,309	(1,620,380)
Local improvement charges receivable	299,558	299,558
Other assets	2,250	58,170
Accounts payable and accrued liabilities	26,954,064	(9,613,696)
Accrued interest on long-term liabilities	353,122	(39,131)
Employee future benefits	5,213,252	5,198,635
Deposits and deferred revenue	2,697,997	256,169
Deferred revenue-obligatory reserve funds	(5,133,150)	22,931,185
Net change in cash from operating activities	85,362,820	83,516,941
Capital activities:		
Proceeds on disposal of tangible capital assets	182,416	3,015,597
Cash used to acquire tangible capital assets	(160,186,957)	(67,351,665)
Net change in cash from capital activities	(160,004,541)	(64,336,068)
Financing activities:		
Debenture and other debt incurred	17,911,207	–
Debenture and other debt repaid	(9,523,794)	(6,462,267)
Net change in cash from financing activities	8,387,413	(6,462,267)
Investing activities:		
Increase in investments	(41,238,681)	(65,394,986)
Investment in Hydro Vaughan Corporations (note 5)	13,631,787	2,141,180
Net change in cash from investing activities	(27,606,894)	(63,253,806)
Net change in cash and cash equivalents	(93,861,202)	(50,535,200)
Cash and cash equivalents, beginning of year	360,251,798	410,786,998
Cash and cash equivalents, end of year	\$ 266,390,596	\$ 360,251,798
Cash paid for interest	\$ 2,355,934	\$ 2,303,676
Cash received for interest and dividends	16,787,575	24,568,342

See accompanying notes to consolidated financial statements.

**Note: Refer to Audit & Operational Review  
Committee recommendation of  
June 2, 2010**

# THE CORPORATION OF THE CITY OF VAUGHAN

## DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

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The City of Vaughan is a lower-tier municipality located in the Regional Municipality of York (the "Region"), Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act, Municipal Affairs Act and related legislation.

### 1. Significant accounting policies:

The consolidated financial statements of The Corporation of the City of Vaughan (the "City" or "City of Vaughan") are prepared by management in accordance with Canadian generally accepted accounting principles for governments as recommended by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA"). Significant accounting policies adopted by the City are as follows:

#### (a) Basis of consolidation:

##### (i) Consolidated entities:

The consolidated financial statements reflect the financial assets, liabilities, revenues, expenses and accumulated surpluses of the reporting entity. The reporting entity is comprised of 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:

- (i) City of Vaughan Public Library Board;
- (ii) Board of Management for the Kleinburg Business Improvement Area

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



# THE CORPORATION OF THE CITY OF VAUGHAN

## DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

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

#### (ii) Investments in Government Business Enterprises:

The City's investments in Hydro Vaughan Energy Corporation, Hydro Vaughan Holdings Inc., Vaughan Holdings Inc., 1446631 Ontario Inc. and PowerStream Inc. collectively referred to as "Hydro Vaughan Corporations", are accounted for on a modified equity basis, consistent with the generally accepted accounting treatment for government business enterprises. Under the modified equity basis, the business enterprise's accounting principles are not adjusted to conform with those of the City, and inter-organizational transactions and balances are not eliminated. The City recognizes its equity interest in the annual income or loss of the Hydro Vaughan Corporations in its consolidated statement of operations 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 Region and School Board transactions:

The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the Region and the schools board are not reflected in these consolidated financial statements.

#### (iv) Trust funds:

Trust funds and their related operations administered by the City are not included in these consolidated financial statements.

#### (v) Sinking funds:

Sinking funds and their related operations are administered by the Region and as such, are not included in these financial statements.

#### (b) Basis of accounting:

The City follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are 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

## DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

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### 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 periods of its useful life.

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

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

#### (d) Investments:

Investments are recorded at cost or amortized cost. Investment earnings are accounted for on the accrual basis. Premiums and discounts are amortized over the life of the investment.

#### (e) Land held for resale:

Land held for resale is recorded at the lower of cost and net realizable value. Cost includes amounts for improvements to prepare the land for sale or servicing.

#### (f) Long-term debt:

Long-term debt is recorded net of related sinking fund balances.

#### (g) Government transfers:

Government transfers are recognized in the financial statements as revenues 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.

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

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

# THE CORPORATION OF THE CITY OF VAUGHAN

## DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

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

#### (i) 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 by-laws and Federal Gas Tax Revenues under a Municipal Funding Agreement with the Association of Municipalities of Ontario for the transfer of Federal Gas Tax Revenues. 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 expended.

#### (j) Pension, vacation entitlements and employee benefits:

The City accounts for its participation in the Ontario Municipal Employees Retirement Fund ("OMERS"), a multi-employer public sector pension fund as a defined contribution plan. Vacation entitlements are accrued for as the entitlements are earned. Other post-employment benefits and compensated absences are accrued in accordance with the projected benefit method prorated on service and management's best estimate of salary escalation and retirement ages of employees. Actuarial valuations, where necessary for accounting purposes, are performed triennially. The discount rate used to determine the accrued benefit obligation is determined by reference to the market interest rates at the measurement date on high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments. Unamortized actuarial gains or losses are amortized on a straight line basis over the expected average remaining service life of the related employee groups. Unamortized actuarial gains/losses for event-triggered liabilities, such as those determined as claims related the Workplace Safety and Insurance Board (WSIB) are amortized over the average expected period during which the benefits will be paid.

Costs related to prior period employee services arising out of plan amendments are recognized in the period in which the plan is amended. Where applicable, the City has set aside reserve funds intended to fund these obligations either in full or in part. These reserve funds were created under municipal by-law and do not meet the definition of a plan asset under CICA PS 3250 Retirement Benefits. Therefore, for the purposes of these financial statements, the plans are considered, unfunded.

# THE CORPORATION OF THE CITY OF VAUGHAN

## DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

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

#### (k) Taxation and related revenues:

Property tax bills are prepared by the City based on assessment rolls issued by the Municipal Property Assessment Corporation ("MPAC"). Tax rates are established annually by City Council, incorporating amounts to be raised for local services, the requisition made by the Region in respect of regional services and amounts the City is required to collect on behalf of the Province of Ontario in respect of education taxes. The Province of Ontario has enacted legislation known as "Continued Protection for Property Taxpayers" which commencing with the 2005 tax year limits assessment-related increases in property tax bills to ten percent annually for commercial, industrial and multi-residential classes of property until the affected properties are taxed at a level equivalent to the tax otherwise calculated based on their current value assessment.

The assessment process includes the issuance of supplementary assessment rolls which provide updated information with respect to changes in property assessment. Once a supplementary assessment roll is received, the City determines the taxes applicable and renders supplementary tax billings. Taxation revenues are recorded at the time tax billings are issued. 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. These revenues are recorded in the period the interest and penalties are levied.

#### (l) Investment income:

Investment income earned on surplus funds is reported as revenue in the period earned. Investment income earned on reserve funds is added to the fund balance and forms part of the respective deferred revenue - obligatory reserve fund balances.

# THE CORPORATION OF THE CITY OF VAUGHAN

## DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

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

#### (m) Segment disclosures:

Effective January 1, 2009, the City adopted a PSAB Standard 2700 for Segment Disclosures. A segment is defined as a distinguishable activity or group of activities of a government for which it is appropriate to separately report financial information to achieve the objectives of the standard. The additional disclosure required as a result of this standard is included in note 13.

#### (n) 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, are amortized on a straight line basis over their estimated useful lives as follows:

Asset	Useful life - Years
Land improvements	2 - 100
Buildings and building improvements	20 - 60
Machinery and equipment	5 - 35
Vehicles	7 - 18
Roads infrastructure	8 - 75
Water and wastewater infrastructure	20 - 95

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

# THE CORPORATION OF THE CITY OF VAUGHAN

## DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

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

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

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

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

Works of art and cultural and historic assets are not recorded as assets in these financial statements.

#### (iv) Interest capitalization:

The City does not capitalize interest costs associated with the acquisition or construction of a tangible capital asset.

#### (v) Leased tangible capital assets:

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses incurred.

#### (o) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant estimates include assumptions used in estimating provisions for accrued liabilities, and in performing actuarial valuations of employee future benefits.

In addition, the City's implementation of the Public Sector Accounting Handbook PS3150 has requirement management to make estimates of historical cost and useful lives of tangible capital assets.

Actual results could differ from these estimates.

# THE CORPORATION OF THE CITY OF VAUGHAN

## DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

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

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

City of Vaughan's Council complete a review for its operating and capital budgets each year. The approved operating and capital budgets for 2009 are included in the budget figures presented in the consolidated statement of operations.

### 2. Change in accounting policies:

The City has implemented Public Sector Accounting Board ("PSAB") sections 1200 Financial Statement Presentation and 3150 Tangible Capital Assets. Section 1200 establishes general reporting principles and standards for the disclosure of information in government financial statements. Section 3150 requires governments to record and amortize their tangible capital assets in their financial statements. In prior years, tangible capital asset additions were expensed in the year of acquisition or construction.

The financial information recorded includes the actual or estimated historical cost of the tangible capital assets. When historical cost records were not available, other methods were used to estimate the costs and accumulated amortization of the assets. The City applied a consistent method of estimating the replacement or reproduction cost of the tangible capital assets for which it did not have historical cost records, except in circumstances where it could be demonstrated that a different method would provide a more accurate estimate of the cost of a particular type of tangible capital asset. After defining replacement or reproduction cost, the non-residential building construction price index (NRBCPI) and the consumer price index (CPI) were used as resources for determining appropriate indices in order to deflate the replacement or reproduction cost to an estimated historical cost at the year of acquisition.

# THE CORPORATION OF THE CITY OF VAUGHAN

## DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

### 2. Change in accounting policies (continued):

This change has been applied retroactively and prior periods have been restated. This change in accounting policy has changed amounts reported in the prior period as follows:

Accumulated surplus at January 1, 2008:	
Operating fund balance	\$ (3,002,614)
Capital fund balance	(17,965,059)
Reserves	204,490,520
Equity in Hydro Vaughan Corporations (note 5)	233,730,430
Amounts to be recovered	(84,064,919)
Accumulated surplus, as previously reported	333,188,358
Cost	6,882,531,092
Less accumulated amortization	558,598,189
Net book value of tangible capital assets recorded (note 10)	6,323,932,903
Accumulated surplus, as restated	\$ 6,657,121,261
Annual surplus for 2008:	
Net revenues, as previously reported	\$ 3,777,626
Contributed tangible capital assets	79,112,250
Assets capitalized but previously expensed	67,351,665
Amortization expense not previously recorded	(53,009,869)
Loss on disposal of assets	(1,273,706)
Proceeds on disposal reported as revenue	(3,015,597)
Annual surplus, as restated	\$ 92,942,369



# THE CORPORATION OF THE CITY OF VAUGHAN

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

Year ended December 31, 2009

### 3. Operations of School Boards and the Region of York:

During 2009, requisitions were made by the District School Boards and Region requiring the City to collect property taxes and payments in lieu of property taxes on their behalf. The amounts collected and remitted are summarized below:

	District School Boards	Region
Property taxes	\$ 246,725,280	\$ 247,863,777
Taxation from other governments	871,692	868,212
<b>Amounts requisitioned and remitted</b>	<b>\$ 247,596,972</b>	<b>\$ 248,731,989</b>

### 4. Investments:

Investments consist of government and financial institution bonds and have effective interest rates of 0.85% to 5.35% (2008 - 3.0% to 5.0%) with maturity dates from June 8, 2010 to June 2, 2023 (2008 - June 25, 2009 to November 13, 2020). Market value of investments costing \$126,227,239 (2008 - \$84,988,558) is \$129,985,357 (2008 - \$87,756,449) at December 31, 2009.

### 5. Investment in Hydro Vaughan Corporations:

The City has incorporated corporations under the provisions of the Ontario Business Corporations Act. The corporations collectively referred to as Hydro Vaughan Corporations and the City's share ownership interest are as follows:

	Interest held	
	2009	2008
Hydro Vaughan Energy Corporation	100%	100%
Hydro Vaughan Holdings Inc.	100%	100%
Vaughan Holdings Inc. (including 45.315% (2008 - 57%) share interest in PowerStream Inc.)	100%	100%
1446631 Ontario Inc.	100%	100%

# THE CORPORATION OF THE CITY OF VAUGHAN

## DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

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

The shareholders of PowerStream Inc. ("PowerStream") are the City of Vaughan (through its wholly-owned subsidiary Vaughan Holdings Inc.), the Town of Markham (through its wholly-owned subsidiary Markham Energy Corporation) and the City of Barrie (through its wholly-owned subsidiary Barrie Hydro Holdings Inc.) with share interests of 45.315%, 34.185% and 20.5% respectively.

On January 1, 2009, the City of Vaughan through its wholly owned subsidiary, Vaughan Holdings Inc.; the Town of Markham through its wholly owned subsidiary, Markham Enterprises Corporation; the City of Barrie, through its wholly owned subsidiary Barrie Hydro Holdings Inc.; agreed to amalgamate PowerStream Inc. and Barrie Hydro Distribution Inc. and continue as a corporation amalgamated under the laws of Ontario. The amalgamated corporation retained the PowerStream corporate name. Upon amalgamation, shares of PowerStream held by Vaughan Holdings Inc., Markham Enterprises Corporation and Barrie Hydro Holdings Inc. were exchanged for shares of the newly amalgamated PowerStream. The number of shares issued to each shareholder of the amalgamated PowerStream is as follows:

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	Number of shares
Vaughan Holdings Inc.	45,315
Markham Enterprises Corporation	34,185
Barrie Hydro Holdings Inc.	20,500

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The closing adjustment relating to the formation of the newly amalgamated PowerStream on the contribution of net assets at their carrying value of the predecessor corporations resulted in a reduction of the City's equity interest of \$2,735,145. This reduction is recorded as an adjustment of the City's proportionate share of PowerStream's retained earnings and contributed surplus.

**THE CORPORATION OF THE CITY OF VAUGHAN**  
**DRAFT** Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

**5. Investment in Hydro Vaughan Corporations (continued):**

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

	2009	2008
<b>Assets:</b>		
Current assets	\$ 239,066,531	\$ 210,543,976
Capital assets	601,764,167	445,708,860
Regulatory and other assets	98,252,511	27,865,555
Goodwill	42,542,561	32,988,486
	<u>981,625,770</u>	<u>717,106,877</u>
<b>Liabilities:</b>		
Current liabilities	179,506,782	121,089,734
Consumer deposits	16,725,834	12,168,715
Debenture payable	123,090,574	97,462,493
Bank loan	50,000,000	50,000,000
Promissory note due to the Town of Markham	74,268,544	74,268,544
Promissory note due to the City of Barrie	20,000,000	-
Employee future benefits and other liabilities	12,036,282	8,452,205
Regulatory liabilities	91,139,537	-
Other	33,508,790	18,042,084
	<u>600,276,343</u>	<u>381,483,775</u>
Net assets	381,349,427	335,623,102
Town of Markham's proportionate share of the net assets of PowerStream	(91,700,068)	(93,978,735)
City of Barrie's proportionate share of the net assets of PowerStream	(54,990,533)	-
<b>City's equity interest in net assets</b>	<u>\$ 234,658,826</u>	<u>\$ 241,644,367</u>

# THE CORPORATION OF THE CITY OF VAUGHAN

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

Year ended December 31, 2009

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

	2009	2008
Revenues	\$ 777,758,204	\$ 606,619,806
Expenses	756,858,164	588,909,810
Net earnings	20,900,040	17,709,996
Town of Markham's share of the net earnings	(7,200,604)	(7,654,879)
City of Barrie's share of the net earnings	(4,318,045)	-
<b>City's share of net earnings</b>	<b>\$ 9,381,391</b>	<b>\$ 10,055,117</b>

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

	2009	2008
Investment in common shares	\$ 88,480,357	\$ 88,480,357
Notes receivable	84,133,025	93,933,025
Accrued interest on notes receivable	9,925,030	9,925,030
Retained earnings and contributed surplus:		
Opening balance	38,475,105	33,272,893
Net earnings	9,381,391	10,055,117
Adjustment for the reduction of the City's equity interest in the net assets of PowerStream arising on the amalgamation with Barrie Hydro Distribution Inc.	(2,735,145)	-
Less dividends	(9,715,749)	(4,852,905)
Closing balance	35,405,602	38,475,105
Portion of dividends and interest paid from PowerStream retained in Vaughan Holdings Inc.	16,714,812	10,830,850
<b>Equity in Hydro Vaughan Corporations</b>	<b>\$ 234,658,826</b>	<b>\$ 241,644,367</b>

# THE CORPORATION OF THE CITY OF VAUGHAN

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

Year ended December 31, 2009

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

Notes receivable of \$84,133,025 includes an unsecured note receivable from PowerStream in the amount of \$78,236,285, repayable 90 days following demand by the City. The note receivable bears interest at an annual rate of 5.58% and at the City's request, the interest for eight quarters commencing October 1, 2006 on the note receivable has been deferred for five years, subject to the same interest and conditions as the original note. The remaining \$5,896,740 portion of the note receivable of \$84,133,025 represents an amount due from Hydro Vaughan Holdings without interest and no specified terms of repayment.

The following table reconciles the City's equity interest in the annual income or loss of the Hydro Vaughan Corporations and the change in equity from the Hydro Vaughan Corporations recorded in these consolidated financial statements:

	2009	2008
Equity in Hydro Vaughan Corporations, beginning of year	\$ 241,644,367	\$ 233,730,430
Change in equity:		
Equity interest in the cumulative income of Hydro Vaughan Corporations for the year ended December 31	9,381,391	10,055,117
Interest earned on notes receivable	4,853,451	4,754,652
Adjustment for the reduction of the City's equity interest in the net assets of PowerStream arising on the amalgamation with Barrie Hydro Distribution Inc.	(2,735,145)	-
Cash received for:		
Accrued interest receivable on notes	(4,853,451)	(336,284)
Partial repayment of notes receivable	(9,800,000)	(1,500,000)
Dividends	(3,831,787)	(5,059,548)
	(6,985,541)	7,913,937
Equity in Hydro Vaughan Corporations, end of year	\$ 234,658,826	\$ 241,644,367

# THE CORPORATION OF THE CITY OF VAUGHAN

## DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

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

A summary of the City's investment in Hydro Vaughan Corporations presented on the consolidated statement of cash flows is as follows:

	2009	2008
Decrease (increase) in investment:		
Interest earned on notes	\$ (4,853,451)	\$ (4,754,652)
Cash received for accrued interest on unpaid notes payable interest	4,853,451	336,284
Partial repayment of notes receivable	9,800,000	1,500,000
Dividends received	3,831,787	5,059,548
Decrease in investment in Hydro Vaughan Corporations	\$ 13,631,787	\$ 2,141,180

The obligations of Hydro Vaughan Corporations for the notes payable to the City are subordinated to secure credit agreements of PowerStream.

### 6. Employee future benefits:

#### (a) Pension:

The City provides a pension plan for its employees through OMERS. OMERS is a multi-employer pension plan which provides pensions for employees of Ontario municipalities, local boards, public utilities and school boards. The plan is a defined benefit pension plan, which specifies the amount of the retirement benefit to be received by employees based on the length of credited service and average earnings. No past service liability exists.

Total OMERS contributions amounted to \$11,875,688 in 2009 (2008 \$11,307,308), of which \$5,959,551 (2008 - \$5,697,810) represented the City's portion.

# THE CORPORATION OF THE CITY OF VAUGHAN

## DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

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

#### (b) Workplace safety and insurance obligations:

Under the provision of the Workplace Safety and Insurance Board Act ("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 \$237,800 (2008 - \$210,800) reported in these 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 \$3,323,618 (2008 \$3,052,366).

#### (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 obligation for active employees and retirees at December 31, 2009 of \$43,242,000 (2008 - \$38,327,000) and the expense for the year ended December 31, 2009 of \$5,642,000 (2008 - \$5,290,000) were determined by actuarial valuation using a discount rate of 5.0%.

# THE CORPORATION OF THE CITY OF VAUGHAN

## DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

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

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

	2009	2008
Accrued benefit obligation:		
Balance, end of prior year	\$ 38,327,000	\$ 33,690,000
Actuarial loss	5,637,000	6,070,000
Service cost for the year	2,884,000	2,747,000
Interest cost for the year	2,324,000	2,109,000
Unamortized actuarial loss	(5,203,000)	(5,637,000)
Benefits paid for the year	(727,000)	(652,000)
<b>Projected accrued benefit obligation, at the end of the year, as determined by actuarial valuation</b>	<b>\$ 43,242,000</b>	<b>\$ 38,327,000</b>

Components of benefit expense:

	2009	2008
Service costs for the year	\$ 2,884,000	\$ 2,747,000
Interest cost for the year	2,324,000	2,109,000
Amortization of actuarial loss	434,000	434,000
<b>Benefit expense</b>	<b>\$ 5,642,000</b>	<b>\$ 5,290,000</b>

The main actuarial assumptions employed with the valuation are as follows:

(i) General:

Future general inflation levels, measured by changes in the Consumer Price Index ("CPI"), were assumed as 2.3% in 2009 and thereafter.

(ii) Interest (discount) rate:

The obligation as at December 31, 2009, of the present value of future liabilities and the expense for year ended December 31, 2009, was determined by using a discount rate of 5.0% (2008 - 5.0%). The discount for 2009 corresponds to the assumed CPI rate plus an assumed real rate of return of 2.7%.



# THE CORPORATION OF THE CITY OF VAUGHAN

## DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

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

#### (iii) Salary levels:

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

#### (iv) Medical costs:

Medical costs were assumed to increase at the CPI rate plus a further increase of 6.7% in 2009 graded down by 1.0% in 2010 and thereafter.

#### (v) Dental costs:

Dental costs were assumed to increase at the CPI rate plus a further increase of 2.7% thereafter.

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

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

	2009	2008
Post retirement non-pension benefits	\$ 43,242,000	\$ 38,327,000
Vacation pay	3,323,618	3,052,366
WSIB	237,800	210,800
	<u>\$ 46,803,418</u>	<u>\$ 41,590,166</u>

# THE CORPORATION OF THE CITY OF VAUGHAN

## DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

### 7. 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:

	2009	2008
Recreational land (The Planning Act)	\$ 45,446,405	\$ 42,771,471
Development Charges Act	134,881,301	146,998,568
Subdivider contributions	7,236,907	6,744,403
Federal Gas Tax Revenues	10,871,248	6,404,868
Building Standards Act	17,303,458	15,428,038
Ontario Roads and Bridges Fund	1,835,108	2,938,615
Investing in Ontario Act	7,186,435	8,608,049
	<b>\$ 224,760,862</b>	<b>\$ 229,894,012</b>

### 8. Debenture and other debt:

The balance of the municipal debt reported on the consolidated statement of financial position is made up of the following:

	2009	2008
Debenture debt issued by the Region of York:		
Serial debt	\$ 11,805,000	\$ 5,833,000
Sinking fund debt	36,879,733	39,488,822
Debt payable to York Major Holdings for McNaughton Rd. extension	62,718	2,869,301
Debt payable to Ivanhoe Cambridge Inc. for off ramp from Highway #400 to Bass Pro Drive	1,904,861	3,890,983
Debt payable to Block 11 Landowners' Group for Block 11 Valley Crossing and Pressure District 6 for East Rutherford Road trunk watermain	9,817,207	—
	<b>\$ 60,469,519</b>	<b>\$ 52,082,106</b>

# THE CORPORATION OF THE CITY OF VAUGHAN

## DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

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

Debenture and other debt has been approved by By-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

In 2009, the City entered into an agreement to pay its share of the construction of Block 11 Bridge/Culvert Valley Road Crossings and Pressure District 6 East Rutherford Road Trunk Watermain. The obligation is without interest and is payable in installments through 2019 as noted below.

In 2005, the City entered into an agreement with York Major Holdings Inc. for the City to pay its share of the construction of the McNaughton Road extension. The obligation is without interest and there is one payment of \$62,718 remaining in 2010. The agreement included \$1,500,000 in development charge credits to be applied against future building permits. Development charge credits of \$1,307,361 have been reallocated to accounts payable and accrued liabilities in 2009.

In 2004, the City entered into an agreement with Ivanhoe Cambridge Inc. for the City to pay its share of the design and construction costs of the off ramp from Highway #400 to Bass Pro Drive. The obligation is without interest and is payable in the one remaining annual installment in 2010 noted below.

Principal repayments in the amount of \$60,469,519 debenture and other debt reported above are repayable as follows:

	Block 11 Landowners' Group	York Major Holdings Inc.	Ivanhoe Cambridge Inc.	Region	Total
2010	\$ 606,893	\$ 62,718	\$ 1,904,861	\$ 5,547,089	\$ 8,121,561
2011	2,576,885	—	—	5,597,150	8,174,035
2012	2,395,903	—	—	5,634,237	8,030,140
2013	925,974	—	—	5,652,237	6,578,211
2014	925,974	—	—	5,677,237	6,603,211
2015-19	2,385,578	—	—	14,079,449	16,465,027
Interest on sinking funds	—	—	—	6,497,334	6,497,334
	<b>\$ 9,817,207</b>	<b>\$ 62,718</b>	<b>\$ 1,904,861</b>	<b>\$ 48,684,733</b>	<b>\$ 60,469,519</b>

# THE CORPORATION OF THE CITY OF VAUGHAN

## DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

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

Principal payments, including contributions to the sinking fund and interest for net debenture and other debt liabilities are as follows:

	2009	2008
Principal payments, including contributions to the sinking fund	\$ 9,523,794	\$ 6,462,267
Interest	2,355,934	2,303,676
	<u>\$ 11,879,728</u>	<u>\$ 8,765,943</u>

### 9. Note payable:

Effective November 1, 2000, the City issued a non-interest bearing note payable with no fixed terms of repayment in the amount of \$3,303,523 to Hydro Vaughan Energy Corporation, for the book value of the capital assets less the net long-term debt related thereto retained by the City on the dissolution of Vaughan Hydro Commission.

# THE CORPORATION OF THE CITY OF VAUGHAN

## DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

### 10. Tangible capital assets:

Asset	Balance			Cost			Accumulated amortization			Net book value December 31, 2009
	December 31, 2008	2009 Acquisitions	2009 Disposals	December 31, 2009	2009 Disposals	2009	December 31, 2008	2009 Amortization	2009 Disposals	
Land	\$ 4,416,568,823	\$ 167,908,974	\$ 729,708	\$ 4,583,748,089	\$	\$	48,310,959	\$	\$	\$ 4,583,748,089
Land improvements	136,493,464	6,378,974	445,923	142,426,515				4,836,636	258,616	89,537,536
Buildings and building improvements	149,139,220	269,658	133,716	149,275,162			53,842,103	4,721,533	79,073	90,790,599
Machinery and equipment	34,988,752	2,167,742	1,870,823	35,285,671			20,303,391	3,135,469	1,855,776	13,702,587
Vehicles	19,252,045	3,741,554	126,596	22,867,003			10,799,826	1,395,124	123,298	10,795,351
Furniture and fixtures	3,588,026	337,508	—	3,925,534			2,062,041	223,827	—	1,639,666
Information technology	3,771,725	653,876	172,030	4,253,571			2,296,065	696,434	169,216	1,430,288
Leasehold improvements	2,181,191	—	—	2,181,191			826,587	258,409	—	1,096,195
Roads infrastructure	744,850,178	40,541,503	12,089,780	773,301,901			257,406,055	21,915,662	6,559,411	500,539,595
Water and sewer infrastructure	1,395,392,416	41,165,997	565,209	1,435,993,204			213,022,167	17,291,484	212,093	1,205,891,646
Assets under construction	115,741,000	70,154,136	—	185,895,136			—	—	—	185,895,136
<b>Total</b>	<b>\$ 7,021,966,840</b>	<b>\$ 333,319,922</b>	<b>\$ 16,133,785</b>	<b>\$ 7,339,152,977</b>	<b>\$ 608,869,194</b>	<b>\$ 54,474,578</b>	<b>\$ 608,869,194</b>	<b>\$ 9,257,483</b>	<b>\$ 654,086,289</b>	<b>\$ 6,685,066,688</b>

Asset	Balance			Cost			Accumulated amortization			Net book value December 31, 2008
	December 31, 2007	2008 Acquisitions	2008 Disposals	December 31, 2008	2008 Disposals	2008	December 31, 2007	2008 Amortization	2008 Disposals	
Land	\$ 4,368,029,899	\$ 51,810,552	\$ 3,271,628	\$ 4,416,568,823	\$	\$	44,083,500	\$	\$	\$ 4,416,568,823
Land improvements	130,222,812	6,668,893	398,241	136,493,464				4,472,096	244,637	88,182,505
Buildings and building improvements	148,949,281	892,988	703,049	149,139,220			49,345,939	4,871,253	375,089	95,297,117
Machinery and equipment	33,715,036	2,147,058	873,342	34,988,752			18,026,126	3,146,849	869,584	14,685,361
Vehicles	18,386,787	1,074,821	209,563	19,252,045			9,709,055	1,294,707	203,936	8,452,219
Furniture and fixtures	3,311,177	276,849	—	3,588,026			1,857,364	204,677	—	1,525,985
Information technology	3,302,572	819,510	350,357	3,771,725			1,927,632	693,695	325,262	1,475,660
Leasehold improvements	2,181,191	—	—	2,181,191			568,178	258,409	—	1,354,604
Roads infrastructure	728,726,000	17,113,922	989,744	744,850,178			236,940,406	21,113,331	647,682	487,444,123
Water and sewer infrastructure	1,381,724,743	13,899,916	232,243	1,395,992,416			196,139,989	16,954,851	72,673	1,182,370,249
Assets under construction	63,981,594	51,759,406	—	115,741,000			—	—	—	115,741,000
<b>Total</b>	<b>\$ 6,882,531,092</b>	<b>\$ 146,463,915</b>	<b>\$ 7,028,167</b>	<b>\$ 7,021,966,840</b>	<b>\$ 558,598,189</b>	<b>\$ 53,009,868</b>	<b>\$ 558,598,189</b>	<b>\$ 2,738,863</b>	<b>\$ 608,869,194</b>	<b>\$ 6,413,097,646</b>

# THE CORPORATION OF THE CITY OF VAUGHAN

## DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

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### 10. Tangible capital assets (continued):

#### a) Assets under construction:

Assets under construction having a value of \$185,895,136 (2008 - \$115,741,000) have not been amortized. Amortization of these assets will commence when the asset is put into service.

#### b) Contributed tangible capital assets:

Contributed capital assets have been recognized at fair market value at the date of contribution. The value of contributed assets received during the year is \$173,132,965 (2008 - \$79,112,250) comprised of land and land improvements of \$107,987,226 (2008 - \$56,493,654), roads infrastructure of \$25,815,098 (2008 - \$9,322,200) and water and wastewater infrastructure of \$39,330,641 (2008 - \$13,296,396).

#### 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) Works of art and historical treasures:

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.

# THE CORPORATION OF THE CITY OF VAUGHAN

DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

## 11. Accumulated surplus:

Accumulated consists of individual fund surplus and reserves as follows:

	2009	2008
Surplus:		
Investment in tangible capital assets	\$ 6,685,066,688	\$ 6,413,097,646
Amounts to be recovered in future years:		
From future revenues	(84,469,374)	(77,096,033)
From reserves and reserve funds on hand	(8,189,358)	(6,931,666)
Investment in Hydro Vaughan Corporations (note 5)	234,658,826	241,644,367
Other	(85,568,318)	(22,671,685)
	<u>6,741,498,464</u>	<u>6,548,042,629</u>
Reserves set aside for specific purposes by council:		
Vehicle replacement	4,433,488	5,685,982
Fire equipment replacement	3,423,154	4,282,992
General working capital	24,149,248	22,970,856
Tax rate stabilization	19,091,818	17,948,271
Waterworks	23,989,926	20,525,019
Wastewater (sanitary sewers)	18,062,926	14,406,581
Keele Valley landfill	2,221,043	2,511,807
Heritage fund	766,257	764,611
Employee benefits	8,189,358	6,931,666
Buildings	15,879,722	15,030,117
Road infrastructure	8,551,988	8,454,548
Sale of public lands	3,199,125	23,839,293
Parks infrastructure	2,039,433	2,548,371
Winterization	3,780,752	3,754,703
Other	4,457,278	3,918,535
Debenture payments	26,620,157	24,317,195
Engineering	17,858,827	18,468,147
Planning	929,555	923,150
Civic centre	3,785,353	3,326,463
Expenditure reserve	1,873,857	1,412,694
	<u>193,303,265</u>	<u>202,021,001</u>
Accumulated surplus	<u>\$ 6,934,801,729</u>	<u>\$ 6,750,063,630</u>

# THE CORPORATION OF THE CITY OF VAUGHAN

## DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

### 12. Government transfers:

The City recognizes the transfer of government funding as revenues in the period that the events giving rise to the transfer occurred. The government transfers reported on the statement of operations are:

	2009	2008
Revenue:		
Provincial grants:		
General government	\$ 30,193	\$ -
Protection services	41,252	-
Transportation services	466,157	975,400
Recreation and cultural services:	450,109	228,862
Subtotal provincial grants	987,711	1,204,262
Federal grants:		
General government	\$ 30,193	\$ -
Protection services	-	9,373
Transportation services	1,441,496	730,960
Environmental services	1,309,376	70,692
Recreation and cultural services:	669,130	12,000
Subtotal federal grants	3,450,195	823,025
Total revenues	\$ 4,437,906	\$ 2,027,287



# THE CORPORATION OF THE CITY OF VAUGHAN

## DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

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### 13. 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 segmented information with a brief description of the services area 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 to persons and property is comprised of the administration and operations of the Fire Department that delivers fire suppression services, rescue services and fire prevention education. Enforcement services provide by-law enforcement through out the City. The Building Standards department provides inspection services, plan examination services, plumbing services and the issuance of building permits.

(c) Transportation services:

Transportation services area includes the administration and operations of the Public Works Department as it relates to the delivery of road maintenance services, winter control and street lighting maintenance.

(d) Environmental services:

Environmental services area includes the administration and the operation of the water, wastewater, storm water distribution system as provided by the Public Works and Engineering Services departments. This section also includes the cost of potable water and wastewater services. The collection of waste and recycling materials is provided by the Public Works department.

# THE CORPORATION OF THE CITY OF VAUGHAN

## DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

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### 13. Segmented information (continued):

(e) Health services, social and family services:

This area consists of the maintenance of the City's cemeteries and funding for the non profit housing complex.

(f) Recreation and cultural services:

The recreation and cultural services area includes the delivery of recreational program services and cultural services provided by the Recreation and Culture department. The Vaughan Public Library provides library services through its various library facilities. The maintenance of the City's parks network is provided by the Parks and Forestry Operations Department and maintenance of the City's recreation facilities is provided by the Building and Facilities department.

(g) Planning and development:

Planning and development consist of the administration and operations of the Planning department as it relates to the development of the City through development planning services, policy planning and urban design services.

Certain allocation methodologies are employed in the preparation of the segmented financial information. Taxation and payments-in-lieu of taxes are allocated to the segments based on the segment's revenues net of expenses. User charges and other revenues 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, 2009

## 13 Segmented information (continued)

Year ended December 31, 2009	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	2009 Consolidated Total
<b>Revenue:</b>									
Property taxation	\$ 14,588,431	\$ 29,274,187	\$ 29,664,512	\$ 13,644,151	\$ 312,182	\$ 31,596,798	\$ 5,340,655	\$ 6,704,914	\$ 131,125,830
User charges	—	10,359,068	2,475,054	2,025,802	51,586	14,975,296	7,256,048	2,915,094	40,057,948
Water and sewer billings	—	—	—	67,520,296	—	—	—	—	67,520,296
Government transfers	60,386	41,252	1,907,653	1,309,378	—	1,119,239	—	—	4,437,906
Investment income	137,354	1,109,893	1,234,392	569,976	12,484	1,175,896	164,193	1,561,093	5,965,281
Penalties and interest on taxes	107,751	870,681	989,347	447,131	9,794	922,458	128,805	1,224,835	4,679,802
Other fees and services	79,925	1,321,131	(185,915)	(12,661)	—	955,156	—	11,925	2,169,561
Contributions from developers	121,201	1,299,358	22,713,239	3,690,453	—	21,113,447	33,262	—	48,970,960
Contributed assets	—	—	110,062,418	48,736,233	—	14,110,051	224,263	—	173,132,965
Income (net of expenses)	—	—	—	—	—	—	—	14,234,842	14,234,842
Hydro Vaughan Corporations	15,095,048	44,275,570	188,839,700	137,930,757	386,046	85,968,341	13,147,226	26,652,503	492,295,191
<b>Expenses:</b>									
Salaries and benefits	8,531,094	36,645,873	6,191,363	3,719,289	29,123	32,256,063	10,687,602	13,975,945	112,036,352
Good and services	5,491,376	3,512,556	18,736,599	65,180,270	177,254	13,087,631	1,320,448	8,827,050	116,333,184
Long term debt interest	—	—	2,187,480	132,580	—	—	—	35,894	2,355,934
Other	253,412	8,965	187,376	215,551	140,623	894,047	50,660	67,903	1,618,537
Corporate support allocation	1,518,698	4,213,056	2,690,345	7,532,693	37,774	4,875,496	1,266,312	(22,134,574)	—
Loss on disposal of tangible capital assets	8,151	1,858	6,117,543	352,161	—	214,173	—	—	6,693,866
Amortization	1,324,811	1,259,906	22,806,856	17,649,973	—	11,429,249	3,783	—	54,474,578
Other capital related	820,613	234,891	2,115,106	595,876	—	5,701,248	1,841,942	—	11,309,476
	17,948,355	45,876,905	61,032,668	95,378,373	384,774	68,257,907	15,170,747	772,218	304,821,847
Annual surplus before the undernoted	(2,853,307)	(1,601,335)	107,807,032	42,552,384	1,272	17,710,434	(2,023,521)	25,880,285	187,473,244
Adjustment for the reduction of the City's equity interest in the net assets of PowerStream (note 5)								(2,735,145)	(2,735,145)
Annual surplus	\$ (2,853,307)	\$ (1,601,335)	\$ 107,807,032	\$ 42,552,384	\$ 1,272	\$ 17,710,434	\$ (2,023,521)	\$ 23,145,140	\$ 184,738,099

# THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

## 13 Segmented information (continued)

Year ended December 31, 2008	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	2008 Consolidated Total
<b>Revenue:</b>									
Property taxation	\$ 10,782,946	\$ 26,847,338	\$ 29,317,297	\$ 11,110,219	\$ 267,765	\$ 29,446,559	\$ 6,227,016	\$ 5,845,029	\$ 119,844,169
User charges	--	10,401,547	2,218,180	1,734,212	81,312	14,535,693	5,378,946	1,855,391	36,185,281
Water and sewer billings	--	--	--	62,704,279	--	--	--	--	62,704,279
Government transfers	--	9,373	1,706,360	70,692	--	240,862	--	--	2,027,287
Investment income	1,043,795	2,741,480	2,526,447	1,134,506	27,343	3,006,897	635,864	473,834	11,590,166
Penalties and interest on taxes	431,671	1,133,765	1,044,836	469,185	11,308	1,243,530	262,967	195,960	4,793,222
Other fees and services	23,793	1,436,510	1,606,293	2,124,180	--	868,377	--	2,310,330	8,369,483
Contributions from developers	255,948	205,655	15,081,173	1,099,319	--	16,510,927	--	--	33,153,022
Contributed assets	--	--	65,815,854	13,296,396	--	--	--	--	79,112,250
Income (net of expenses)	--	--	--	--	--	--	--	--	--
Hydro Vaughan Corporations	12,538,153	42,775,688	119,316,440	93,742,988	367,728	65,862,845	12,504,793	14,809,769	14,809,769
									372,588,928
<b>Expenses:</b>									
Salaries and benefits	7,785,347	35,359,189	5,691,054	2,992,762	12,756	31,016,457	9,930,027	12,774,090	105,561,682
Good and services	3,752,090	3,157,789	18,925,171	59,039,959	171,390	12,569,175	1,450,555	8,721,138	107,787,267
Long term debt interest	--	--	2,143,434	134,763	--	--	--	(393)	2,277,804
Other	18,554	907	(43,166)	333,642	134,756	666,252	--	(16,532)	1,094,413
Corporate support allocation	561,957	4,303,931	3,101,583	7,246,945	37,052	4,954,923	1,273,812	(21,476,303)	--
Loss on disposal of tangible capital assets	268,010	4,871	382,857	159,571	--	458,398	--	--	1,273,707
Amortization	1,325,760	1,233,476	21,987,625	17,303,440	--	11,613,650	--	--	53,463,951
Other capital related	872,159	212,742	2,589,301	707,221	2,545	2,234,446	1,569,321	--	8,187,735
	14,582,977	44,272,905	54,777,859	87,917,303	368,499	63,513,301	14,223,715	--	279,646,559
<b>Annual surplus</b>	<b>\$ (2,044,824)</b>	<b>\$ (1,497,237)</b>	<b>\$ 64,538,581</b>	<b>\$ 5,825,685</b>	<b>\$ 9,229</b>	<b>\$ 2,335,544</b>	<b>\$ (1,718,922)</b>	<b>\$ --</b>	<b>\$ 92,942,369</b>

# THE CORPORATION OF THE CITY OF VAUGHAN

## DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

### 14. Budget data:

The unaudited budget data presented in these consolidated financial statements is based upon the 2009 operating and capital budgets approved by Council in 2009. 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
Revenues:	
Operating budget	\$ 270,094,000
Capital budget	174,000,000
Less:	
Transfers from other funds	(51,858,000)
Proceeds on debt issue	(88,700,000)
Hospital levy	(2,417,000)
Federal and provincial capital funding	(8,755,000)
Other capital funding and financing	(1,230,000)
Total revenue	291,134,000
Expenses:	
Operating budget	270,094,000
Capital budget	174,000,000
Less:	
Transfers to other funds	(24,020,000)
Capital expenses	(163,811,000)
Debt principal payments	(8,463,000)
Total expenses	247,800,000
Annual surplus	\$ 43,334,000

### 15. Trust funds:

Trust funds administered by the City amounting to \$489,483 (2008 - \$475,435) are presented in separate financial statements 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 financial position and operations.

# THE CORPORATION OF THE CITY OF VAUGHAN

## DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

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### 16. Commitments:

#### (a) Lease and operating commitments:

The City has entered into a number of long-term contractual agreements and operating commitments such as waste collection, snow clearing and etc., obtaining Council and other approvals as required. For these lease and operating commitments, minimum payments have been estimated to aggregate \$88.5 million over the next five years. Expenses relating to these agreements are recorded in the year in which the payments are made.

#### (b) Loan guarantees:

The City has entered into contracted agreements to guarantee loans for the following:

- (i) For the accumulated sum, not exceeding \$3.5 million with the Ontario Soccer Association.
- (ii) For the accumulated sum, not exceeding \$8.4 million with the Mentena Development Group.

#### (c) Joint services agreement:

Pursuant to a joint service agreement between PowerStream and the City, PowerStream charged the City, at agreed rates, for various administrative functions. In addition, the City performs certain shared services which are charged to PowerStream. The net recovery for services under these agreements were \$53,033 (2008 - \$37,000).

#### (d) Long-term operating leases:

The City rents buildings and facilities to PowerStream under long-term operation leases, which expired February 28, 2004, with an option for renewal. PowerStream exercised its option to renew the lease on a monthly basis. For fiscal 2009, the annual rental revenue for the buildings and facilities was approximately \$731,882 (2008 - \$785,636).

# THE CORPORATION OF THE CITY OF VAUGHAN

## DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

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### 16. Commitments (continued):

#### (e) Capital commitments:

The City has entered into a number of contractual agreements for capital works obtaining Council and other approvals as required. The total value of approved and outstanding capital works at December 31, 2009 is approximately \$193 million. Expenditures relating to capital works are recorded in the year in which expenditures are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation.

#### (f) Vaughan Health Campus of Care:

In 2009, the City approved a grant to the Vaughan Health Campus of Care ("VHCC") in the amount of \$80,000,000, being a contribution toward the local share for land acquisition and development of a hospital in Vaughan. In August 2009, the City purchased land for the hospital in the amount of \$60,000,000 on behalf of the VHCC. The cost of the land is included in the City's tangible capital assets. This cost is being recovered through phased tax rate increases over four years totaling 5.45%. At the time that approval is given by the Ministry of Health and Long Term Care, the land acquired for the Hospital will be conveyed to the VHCC.

### 17. Contingencies:

#### (a) Unsettled legal claims and potential other claims:

The City of Vaughan, in the course of its operations, is subject to claims, lawsuits and contingencies. Accruals are 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 financial position.

# THE CORPORATION OF THE CITY OF VAUGHAN

## DRAFT Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

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### 17. Contingencies (continued):

#### (b) Insurance claims:

PowerStream is a member of the Municipal Electric Association Reciprocal Insurance Exchange ("MEARIE"). A reciprocal insurance exchange is a group formed for the purpose of exchanging reciprocal contracts of indemnity or inter-insurance with each other. MEARIE is licensed to provide general liability insurance to member electric utilities.

Insurance premiums charged to each municipal electric utility consist of a levy per thousand dollars of service revenue subject to a credit or surcharge based on each electric utility's claims experience. Coverage is provided to a level of \$20 million per incident.

PowerStream has been jointly named as a defendant in several actions. No provisions have been made for these potential liabilities in the financial statements of PowerStream for the year ended December 31, 2009 as PowerStream expects that these claims are adequately covered by its insurance.

#### (c) Other claims – Griffith et al v. Toronto-Hydro-Electric Commissions et al:

This action has been brought under the Class Proceedings Act, 1992. The Plaintiff class seeks \$500 million in restitution for amounts paid to Toronto Hydro and other Ontario municipal electric utilities ("LDC's") who received late payment penalties which constitute interest at an effective rate in excess of 60% per year, contrary to section 347 of the Criminal Code. Pleadings have closed in this action. The action has not yet been certified as a class action and no discoveries have been held, as the parties are awaiting the outcome of a similar proceeding brought against Enbridge Gas Distribution Inc. (formerly Consumers Gas).

On April 22, 2004, the Supreme Court of Canada released a decision in the Consumers Gas case rejecting all of the defences which had been raised by Enbridge, although the Court did not permit the Plaintiff class to recover damages for any period prior to the issuance of the Statement of Claim in 1994 challenging the validity of late payment penalties. The Supreme Court remitted the matter back to the Ontario Supreme Court of Justice for determination of the damages. At the end of 2006, a medium process resulted in the settlement of the damages payable by Enbridge and that settlement was approved by the Ontario Superior Court.



# THE CORPORATION OF THE CITY OF VAUGHAN

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

Year ended December 31, 2009

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## 17. Contingencies (continued):

In 2007, Enbridge filed an application to the Ontario Energy Board ("OEB") to recover the Court-approved amount and related amounts from ratepayers. On February 4, 2008 the OEB approved recovery of the said amounts from ratepayers over a five year period.

After the release by the Supreme Court of Canada of its 2004 decision in the Consumers Gas case, the plaintiffs in the LDC late payment penalties class action indicated their intention to proceed with their litigation against the LDCs. The parties are in settlement discussions but no settlement has been reached. At this time, it is not possible to quantify the effect, if any, on the financial statements of PowerStream, Vaughan Holdings Inc. and the City.

***DRAFT***

Financial Statements of

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

Year ended December 31, 2009

## **AUDITORS' REPORT**

To the Board Members, Members of Council, Inhabitants and Ratepayers of The Corporation of the City of Vaughan

We have audited the statement of financial position of The Corporation of the City of Vaughan Public Library Board as at December 31, 2009 and the statements of operations and accumulated surplus, change in net debt and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at December 31, 2009 and the results of its operations and accumulated surplus, changes in net debt and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

***DRAFT***

Chartered Accountants, Licensed Public Accountants

Toronto, Canada

April 9, 2010

# THE CORPORATION OF THE CITY OF VAUGHAN PUBLIC LIBRARY BOARD

***DRAFT*** Statement of Financial Position

December 31, 2009, with comparative figures for 2008

	2009	2008
		(Restated - note 2)
<b>Financial assets:</b>		
Cash	\$ 36,227	\$ 29,074
Due from the City of Vaughan	236,088	281,528
	272,315	310,602
<b>Financial liabilities:</b>		
Accounts payable and accrued liabilities	210,571	262,425
Employee future benefits (note 3)	3,479,000	3,150,000
Deferred revenue	61,744	48,177
	3,751,315	3,460,602
Net debt	(3,479,000)	(3,150,000)
<b>Non-financial assets:</b>		
Tangible capital assets (note 4)	6,404,361	6,800,591
Accumulated surplus (note 5)	\$ 2,925,361	\$ 3,650,591

See accompanying notes to financial statements.

# THE CORPORATION OF THE CITY OF VAUGHAN PUBLIC LIBRARY BOARD

## **DRAFT** Statement of Operations and Accumulated Surplus

Year ended December 31, 2009, with comparative figures for 2008

	Budget 2009 (Unaudited)	Actual 2009	Actual 2008 (Restated – note 2)
<b>Revenues:</b>			
Municipal contributions of operations	\$ 10,831,905	\$ 10,654,933	\$ 10,221,149
Province of Ontario grants	143,235	176,150	145,244
Fees, rental and sundry	272,770	279,863	264,057
<b>Total revenue</b>	<b>11,247,910</b>	<b>11,110,946</b>	<b>10,630,450</b>
<b>Expenses:</b>			
Salaries and wages	6,710,100	6,775,084	6,467,010
Employee benefits	1,370,315	1,312,440	1,303,069
General administration	601,270	627,413	604,193
Maintenance and repairs	426,600	438,412	436,422
Periodicals	1,521,040	240,958	237,335
Utilities	252,850	230,471	255,388
Office resources	154,980	115,682	114,704
Cleaning services	98,350	88,140	101,080
Supplies	33,800	36,374	31,701
Insurance	35,505	35,505	33,160
Programmes	23,100	35,956	29,966
Consulting and outside services	20,000	28,570	51,496
Amortization of tangible capital assets (note 4)	–	1,871,171	1,859,381
<b>Total expenses</b>	<b>11,247,910</b>	<b>11,836,176</b>	<b>11,524,905</b>
Annual deficit	–	(725,230)	(894,455)
Accumulated surplus, beginning of year	–	3,650,591	4,545,046
<b>Accumulated surplus, end of year</b>	<b>\$ –</b>	<b>\$ 2,925,361</b>	<b>\$ 3,650,591</b>

See accompanying notes to financial statements.

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

***DRAFT*** Statement of Change in Net Debt

Year ended December 31, 2009

	2009	2008
Annual deficit	\$ (725,230)	\$ (894,455)
Acquisition of tangible capital assets	(1,474,941)	(1,299,926)
Amortization of tangible capital assets	1,871,171	1,859,381
Change in net debt	(329,000)	(335,000)
Net debt, beginning of year	(3,150,000)	(2,815,000)
<b>Net debt, end of year</b>	<b>\$ (3,479,000)</b>	<b>\$ (3,150,000)</b>

See accompanying notes to financial statements.

# THE CORPORATION OF THE CITY OF VAUGHAN PUBLIC LIBRARY BOARD

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

Year ended December 31, 2009 with comparative figures for 2008

	2009	2008 (Restated – note 2)
Cash provided by (used in):		
Operating activities:		
Annual deficit	\$ (725,230)	\$ (894,455)
Items not involving cash:		
Amortization of tangible capital assets	1,871,171	1,859,381
Increase in employee future benefits	329,000	335,000
Change in non-cash assets and liabilities:		
Due from the City of Vaughan	45,440	(154,340)
Accounts payable and accrued liabilities	(51,854)	148,095
Deferred revenue	13,567	15,530
Net change in cash from operating activities	1,482,094	1,309,211
Capital activities:		
Purchase of tangible capital assets	(1,474,941)	(1,299,926)
Increase in cash	7,153	9,285
Cash, beginning of year	29,074	19,789
Cash, end of year	\$ 36,227	\$ 29,074

See accompanying notes to financial statements.

# THE CORPORATION OF THE CITY OF VAUGHAN PUBLIC LIBRARY BOARD

**DRAFT** Notes to Financial Statements

Year ended December 31, 2009

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## 1. Significant accounting policies:

### (a) Basis of presentation:

The financial statements of the The Corporation of the City of Vaughan Public Library Board (the "Library") are prepared by management in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants.

### (b) Basis of accounting:

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

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

### (c) Non-financial assets:

#### (i) Tangible capital assets:

Tangible capital assets are non-financial assets having physical substance that are not generally available to the Library for use in discharging its existing liabilities and are held for use in the provision of services. These assets are significant economic resources that are not intended for sale in the ordinary course of business and have an estimated useful life that extends beyond the current period.



# THE CORPORATION OF THE CITY OF VAUGHAN PUBLIC LIBRARY BOARD

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

Year ended December 31, 2009

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## 1. Significant accounting policies (continued):

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

Asset	Useful life - Years
Books	7
Audio visual material	7
Furniture and fixtures	10
Equipment	5 – 10

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

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

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

The Library does not own any notable works of art and historical treasures at their branches. Typically these assets are deemed worthy of preservation because of the social rather than financial benefits they provide to the community. The historic cost of art and treasures are not determinable or relevant to their significance hence a valuation is not assigned to these assets nor would they be disclosed of in the financial statements.

### (iv) Leased tangible capital assets:

Leases which transfer substantially all 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.

# THE CORPORATION OF THE CITY OF VAUGHAN PUBLIC LIBRARY BOARD

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

Year ended December 31, 2009

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

(v) Land and buildings:

The land and buildings that the Library use are owned by The Corporation of the City of Vaughan and are not recorded as tangible capital assets in the Library's financial statements.

(d) Government transfers:

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

(e) Deferred revenue:

Contributions for which the related expenses have not been incurred are recorded as deferred revenue and recognized as revenue in the year in which the related expenses are incurred.

(f) Vacation entitlements:

Vacation entitlements, which have been earned but are untaken, form part of the employee future benefits in these financial statements.

(g) Pension and post retirement non-pension benefits:

The Library accounts for its participation in the Ontario Municipal Employees' Retirement System ("OMERS"), a multi-employer public sector pension fund as a defined contribution plan.

# THE CORPORATION OF THE CITY OF VAUGHAN PUBLIC LIBRARY BOARD

*DRAFT* Notes to Financial Statements (continued)

Year ended December 31, 2009

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## 1. Significant accounting policies (continued):

### (h) Pension and post retirement non-pension benefits (continued):

The Library actuarially determines the cost of the post retirement non-pension benefits using the projected benefit method prorated on service and based on management's best estimated assumptions. Under this method, the projected post retirement non-pension benefit is deemed to be earned on a pro-rata basis over the years of service in the attribution period commencing at date of hire; and ended at the earliest age the employee could retire and qualify for benefits. Compensated absence and termination benefits that do not vest or accumulate are recognized as an expense when the event occurs.

### (i) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant estimates include assumptions used in estimating provisions for accrued liabilities, and in performing actuarial valuations of employee future benefits.

In addition, the Library's implementation of the PSAB section 3150 requires management to make estimates of historical cost and useful lives of tangible capital assets.

Actual results could differ from these estimates.

### (j) Presentation of budget information:

The Library completes separate budget reviews for its operating and capital budgets each year. The approved budget figures for 2009 are reflected on the statement of operations and accumulated surplus and in note 6. Actual revenues and expenses may differ significantly from annual budgets. Budget figures are unaudited.

# THE CORPORATION OF THE CITY OF VAUGHAN PUBLIC LIBRARY BOARD

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

Year ended December 31, 2009

## 2. Change in accounting policies:

The Library has implemented PSAB sections 1200 Financial Statement Presentation and 3150 Tangible Capital Assets. Section 1200 establishes general reporting principles and standards for the disclosure of information in government financial statements. Section 3150 requires libraries to record and amortize their tangible capital assets in their financial statements. In prior years, tangible capital asset additions were expensed in the year of acquisition or construction.

The financial information recorded includes the actual or estimated historical cost of the tangible capital assets. When historical cost records were not available, other methods were used to estimate the costs and accumulated amortization of the assets. The Library applied a consistent method of estimating the replacement or reproduction cost of the tangible capital assets for which it did not have historical cost records.

This change has been applied retroactively and prior years have been restated. This change in accounting policy has changed amounts in the prior period as follows:

Accumulated surplus at January 1, 2008:	
Amounts to be recovered	\$ (2,815,000)
Net book value of tangible capital assets recorded (note 4)	7,360,046
<b>Accumulated surplus, as restated</b>	<b>\$ 4,545,046</b>

Annual surplus for 2008:	
Net expenditures, as previously reported	\$ (335,000)
Books and audio visual materials capitalized but previously expensed (note 4)	1,299,926
Amortization expense not previously recorded (note 4)	(1,859,381)
<b>Annual deficit, as restated</b>	<b>\$ (894,455)</b>

# THE CORPORATION OF THE CITY OF VAUGHAN PUBLIC LIBRARY BOARD

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

Year ended December 31, 2009

### 3. Employee future benefits:

#### (a) Pensions:

The Library provides a pension plan for its employees through OMERS. OMERS is a multi-employer pension plan which provides pensions for employees of Ontario municipalities, local boards, public utilities and school boards. The plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by employees based on the length of credited service and average earnings. No past service liability exists.

Total OMERS contributions amounted to \$714,318 in 2009 (2008 - \$673,881), of which \$357,159 (2008 - \$336,941) represented the Library's portion.

#### (b) Post retirement non-pension benefits:

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

The projected benefit obligation for active employees and retirees at December 31, 2009 of \$3,270,000 (2008 - \$2,951,000) and the expense for the year ended December 31, 2009 of \$415,000 (2008 - \$391,000) was determined by actuarial valuation using a discount rate of 5% (2008 - 5%).

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

	2009	2008
Accrued benefit obligation:		
Balance, end of year	\$ 2,951,000	\$ 2,648,000
Actuarial loss	427,000	459,000
Service cost for the year	205,000	195,000
Interest cost for the year	177,000	163,000
Unamortized actuarial loss	(394,000)	(426,000)
Benefits paid for the year	(96,000)	(88,000)
Projected accrued benefit obligation, at the end of the year, as determined by actuarial valuation	\$ 3,270,000	\$ 2,951,000

# THE CORPORATION OF THE CITY OF VAUGHAN PUBLIC LIBRARY BOARD

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

Year ended December 31, 2009

**3. Employee future benefits (continued):**

	2009	2008
Components of benefit expense:		
Service cost for the year	\$ 205,000	\$ 195,000
Interest cost for the year	177,000	163,000
Amortization of actuarial loss	33,000	33,000
<b>Benefit expenses</b>	<b>\$ 415,000</b>	<b>\$ 391,000</b>

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

	2009	2008
Post retirement non-pension benefits	\$ 3,270,000	\$ 2,951,000
Vacation pay	209,000	199,000
	<b>\$ 3,479,000</b>	<b>\$ 3,150,000</b>

# THE CORPORATION OF THE CITY OF VAUGHAN PUBLIC LIBRARY BOARD

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

Year ended December 31, 2009

**4. Tangible capital assets:**

Cost	Balance at December 31, 2008	Additions	Disposals	Balance at December 31, 2009 (note 2)
Books	\$ 10,708,669	\$ 989,053	\$ 1,299,749	\$ 10,397,973
Audio visual material	2,842,135	418,742	256,956	3,003,921
Furniture and fixtures	1,322,720	67,146	-	1,389,866
Equipment	496,461	-	-	496,461
<b>Total</b>	<b>\$ 15,369,985</b>	<b>\$ 1,474,941</b>	<b>\$ 1,556,705</b>	<b>\$ 15,288,221</b>

Accumulated amortization	Balance at December 31, 2008	Amortization expense	Disposals	Balance at December 31, 2009 (note 2)
Books	\$ 5,936,654	\$ 1,376,667	\$ 1,299,749	\$ 6,013,572
Audio visual material	1,405,113	375,262	256,956	1,523,419
Furniture and fixtures	785,422	98,359	-	883,781
Equipment	442,205	20,883	-	463,088
<b>Total</b>	<b>\$ 8,569,394</b>	<b>\$ 1,871,171</b>	<b>\$ 1,556,705</b>	<b>\$ 8,883,860</b>

	Net book value December 31, 2008	Net book value December 31, 2009 (note 2)
Books	\$ 4,772,015	\$ 4,384,401
Audio visual material	1,437,022	1,480,502
Furniture and fixtures	537,298	506,085
Equipment	54,256	33,373
<b>Total</b>	<b>\$ 6,800,591</b>	<b>\$ 6,404,361</b>

# THE CORPORATION OF THE CITY OF VAUGHAN PUBLIC LIBRARY BOARD

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

Year ended December 31, 2009

**4. Tangible capital assets (continued):**

Cost	Balance at December 31, 2007	Additions	Disposals	Balance at December 31, 2008 (note 2)
Books	\$ 10,322,181	\$ 922,324	\$ 535,836	\$ 10,708,669
Audio visual material	2,604,158	377,602	139,625	2,842,135
Furniture and fixtures	1,322,720	-	-	1,322,720
Equipment	496,461	-	-	496,461
<b>Total</b>	<b>\$ 14,745,520</b>	<b>\$ 1,299,926</b>	<b>\$ 675,461</b>	<b>\$ 15,369,985</b>

Accumulated amortization	Balance at December 31, 2007	Amortization expense	Disposals	Balance at December 31, 2008 (note 2)
Books	\$ 5,101,400	\$ 1,371,090	\$ 535,836	\$ 5,936,654
Audio visual material	1,184,044	360,694	139,625	1,405,113
Furniture and fixtures	690,420	95,002	-	785,422
Equipment	409,610	32,595	-	442,205
<b>Total</b>	<b>\$ 7,385,474</b>	<b>\$ 1,859,381</b>	<b>\$ 675,461</b>	<b>\$ 8,569,394</b>

	Net book value December 31, 2007	Net book value December 31, 2008 (note 2)
Books	\$ 5,220,781	\$ 4,772,015
Audio visual material	1,420,114	1,437,022
Furniture and fixtures	632,300	537,298
Equipment	86,851	54,256
<b>Total</b>	<b>\$ 7,360,046</b>	<b>\$ 6,800,591</b>



# THE CORPORATION OF THE CITY OF VAUGHAN PUBLIC LIBRARY BOARD

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

Year ended December 31, 2009

**5. Accumulated surplus:**

Accumulated surplus consists of the following:

	2009	2008
Surplus invested in tangible capital assets	\$ 6,404,361	\$ 6,800,591
Unfunded employee benefits	(3,479,000)	(3,150,000)
	<b>\$ 2,925,361</b>	<b>\$ 3,650,591</b>

**6. Budget data:**

The unaudited budget data presented in these financial statements is based upon the 2009 operating and capital budgets approved by the Library in 2009. 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
Revenues:	
Operating budget	\$ 11,247,910
Capital budget	1,870,000
Total revenue	13,117,910
Expenses:	
Operating budget	11,247,910
Capital budget	1,870,000
Total expenses	13,117,910
Annual surplus	\$ -

**DRAFT**

Financial Statements of

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

Year ended December 31, 2009

## **AUDITORS' REPORT**

To the Board Members, Members of Council, Inhabitants and Ratepayers of  
The Corporation of the City of Vaughan

We have audited the statement of financial position of the Board of Management for the Kleinburg Business Improvement Area as at December 31, 2009 and the statements of operations and change in accumulated surplus, cash flows and change in net financial assets for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at December 31, 2009 and the results of its operations and change in accumulated surplus, cash flows and change in net financial assets for the year then ended in accordance with Canadian generally accepted accounting principles.

***DRAFT***

Chartered Accountants, Licensed Public Accountants

Toronto, Canada

April 9, 2010

# BOARD OF MANAGEMENT FOR THE KLEINBURG BUSINESS IMPROVEMENT AREA

## *DRAFT* Statement of Financial Position

December 31, 2009, with comparative figures for 2008

	2009	2008
		(Restated - note 3)
<b>Financial Assets</b>		
Cash	\$ 4,774	\$ 9,060
Other	4,888	585
Net financial assets, being accumulated surplus	\$ 9,662	\$ 9,645

See accompanying notes to financial statements.

# BOARD OF MANAGEMENT FOR THE KLEINBURG BUSINESS IMPROVEMENT AREA

## *DRAFT* Statement of Operations and Change in Accumulated Surplus

Year ended December 31, 2009, with comparative figures for 2008

	Budget 2009 (Unaudited)	Actual 2009	Actual 2008 (Restated - note 3)
Revenues:			
Kleinburg Business Improvement Area special area levy	\$ 20,000	\$ 20,000	\$ 27,800
Event dollars raised	-	6,185	2,147
	20,000	26,185	29,947
Expenses:			
Special events	6,000	11,498	10,710
Aesthetics	1,000	-	-
Advertising	15,000	11,325	10,989
Liability insurance	1,500	1,404	819
Miscellaneous	1,500	1,219	1,832
Website	2,500	601	-
Administration	500	121	-
	28,000	26,168	24,350
Annual surplus (deficit)	(8,000)	17	5,597
Accumulated surplus, beginning of year	9,645	9,645	4,048
Accumulated surplus, end of year	\$ 1,645	\$ 9,662	\$ 9,645

See accompanying notes to financial statements.

# BOARD OF MANAGEMENT FOR THE KLEINBURG BUSINESS IMPROVEMENT AREA

## *DRAFT* Statement of Cash Flows

Year ended December 31, 2009, with comparative figures 2008

	2009	2008
		(Restated - note 3)
Cash provided by (used in):		
Operations:		
Annual surplus	\$ 17	\$ 5,597
Change in non-cash other financial asset	(4,303)	(346)
Increase (decrease) in cash	(4,286)	5,251
Cash, beginning of year	9,060	3,809
<b>Cash, end of year</b>	<b>\$ 4,774</b>	<b>\$ 9,060</b>

See accompanying notes to financial statements.

# BOARD OF MANAGEMENT FOR THE KLEINBURG BUSINESS IMPROVEMENT AREA

## *DRAFT* Statement of Change in Net Financial Assets

Year ended December 31, 2009, with comparative figures 2008

	2009	2008 (Restated - note 3)
Annual surplus, being change in net financial assets	\$ 17	\$ 5,597
Net financial assets, beginning of year	9,645	4,048
Net financial assets, end of year	\$ 9,662	\$ 9,645

See accompanying notes to financial statements.

# BOARD OF MANAGEMENT FOR THE KLEINBURG BUSINESS IMPROVEMENT AREA

**DRAFT** Notes to Financial Statements

Year ended December 31, 2009

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**1. Nature of operations:**

The financial statements of the Board of Management for the Kleinburg Business Improvement Area (the "Board") was established by a City of Vaughan by-law dated May 28, 1984. The principal purpose of the Board is to provide for beautification, maintenance and promotion of the Kleinburg Business Improvement Area.

The Board may not borrow money, and without the prior approval of Municipal Council, may not incur indebtedness beyond the current year.

**2. Significant accounting policies:**

(a) Basis of presentation:

The financial statements of the Board are prepared by management in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants.

(b) Accrual basis of accounting:

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenses are the costs of goods or services and are recognized when acquired in the period, whether or not payments have been made or invoices received.

(c) Government transfers:

Government transfers are recognized in the financial statements as revenues 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.



# BOARD OF MANAGEMENT FOR THE KLEINBURG BUSINESS IMPROVEMENT AREA

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

Year ended December 31, 2009

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## 2. Significant accounting policies (continued):

### (d) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

### (e) Budget information:

The Board's budget figures are presented in these financial statements as additional information and are unaudited.

## 3. Change in accounting policies:

The Board has implemented PSAB Sections 1200 Financial Statement Presentation and 3150 Tangible Capital Assets. Section 1200 establishes general reporting principles and standards for the disclosure of information in government financial statements. Section 3150 requires governments to record and amortize their tangible capital assets in their financial statements. In prior years, tangible capital asset additions were expensed in the year of acquisition or construction. As at December 31, 2009 and 2008, the Board had no tangible capital assets.

The 2008 comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year. The change in accounting policies did not have any impact on the Board's financial results and position.

**DRAFT**

Financial Statements of

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

Year ended December 31, 2009

## **AUDITORS' REPORT**

To the Members of Council, Inhabitants and Ratepayers  
of The Corporation of the City of Vaughan

We have audited the trust funds statement of financial position of the trust funds of The Corporation of the City of Vaughan as at December 31, 2009 and the trust funds statement of financial activities and changes in fund balances for the year then ended. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the funds held in trust by the City as at December 31, 2009 and the results of its operations and changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

***DRAFT***

Chartered Accountants, Licensed Public Accountants

Toronto, Canada

April 9, 2010

# THE CORPORATION OF THE CITY OF VAUGHAN TRUST FUNDS

## *DRAFT* Statement of Financial Position

December 31, 2009, with comparative figures for 2008

	2009	2008
<b>Financial Assets</b>		
Cash	\$ 429,656	\$ 259,422
Due from The Corporation of the City of Vaughan	6,924	9,918
Investments:		
Guaranteed investment certificates, at cost which approximates market value	52,903	102,183
City of Vancouver bond, at cost which approximates market value	-	103,912
	<b>\$ 489,483</b>	<b>\$ 475,435</b>
<b>Fund Balance</b>		
Fund balance	\$ 489,483	\$ 475,435
	<b>\$ 489,483</b>	<b>\$ 475,435</b>

See accompanying notes to financial statements.

# THE CORPORATION OF THE CITY OF VAUGHAN TRUST FUNDS

## *DRAFT* Statement of Financial Activities and Changes in Fund Balances

Year ended December 31, 2009, with comparative figures for 2008

	Cemetery		Total	
	Perpetual Care	Election Surplus	2009	2008
<b>Sources of funds:</b>				
Capital receipts - sale of plots	\$ 13,015	\$ -	\$ 13,015	\$ 19,669
Interest earned	6,091	1,033	7,124	14,221
	19,106	1,033	20,139	33,890
<b>Use of funds:</b>				
Maintenance	6,091	-	6,091	9,751
Net activity	13,015	1,033	14,048	24,139
Fund balance, beginning of year	327,137	148,298	475,435	451,296
Fund balance, end of year	\$ 340,152	\$ 149,331	\$ 489,483	\$ 475,435

See accompanying notes to financial statements.

# THE CORPORATION OF THE CITY OF VAUGHAN TRUST FUNDS

***DRAFT*** Notes to Financial Statements

Year ended December 31, 2009

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## 1. Significant accounting policies:

### (a) General:

These financial statements reflect the fund balances and operations of the trust funds administered by The Corporation of the City of Vaughan (the "City").

The City administers the Perpetual Care Trust Fund in accordance with the provisions of the Cemeteries Act of Ontario.

### (b) Basis of accounting:

Capital receipts and withdrawals on the Statement of Financial Activities and Changes in Fund Balances are reported on the cash basis of accounting. Other items are reported on an accrual basis.

## 2. Election Surplus:

The election surplus trust fund was established pursuant to the Municipal Elections Act. The trust funds contain surplus monies from the previous campaign which are available for the registered candidate to expend in whole or part, in the next election.



REVISED

# The Corporation of the City of Vaughan

## **Audit Findings Report to the Audit Committee**

For the year ended December 31, 2009

**Note: Refer to Audit & Operational Review  
Committee recommendation of  
June 2, 2010**

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This Audit Findings Report (the "Report") for the year ended December 31, 2009, is designed to provide an overview for the Audit Committee, Management and others within the Corporation of the City of Vaughan (the "City") of the results of our audit.

This Report is confidential and intended solely for the use of the Audit Committee in carrying out and discharging its responsibilities, and should not be used for any other purposes. No responsibility for loss or damages, if any, to any third party is accepted as this Report has not been prepared for, and is not intended for, any other purposes.

This Report is a by-product of the audit and is therefore a derivative communication and should not be distributed to others outside the City without our prior written consent.



## **Topics for discussion**

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### **Auditors initiating discussion with the Audit Committee**

We have issued this Report to assist you in your review of the City's financial statements.

The matters that we raise within this Report are topics and processes that we believe you should be aware of.

We propose to highlight the following topics at the upcoming Audit Committee meeting. We welcome your questions and look forward to discussing our findings with you at this meeting.

#### **Topic**

#### **Audit Committee action**

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Audit status (page 2)

Review and discuss

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Matters arising from the audit that are important and relevant to the Audit Committee (page 3)

Review and discuss

- Accounting policy changes
- Contingent liabilities
- Investment in PowerStream Inc.
- Federal gas tax revenue
- Segmented disclosures
- Implementation of tax harmonization

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Other matters (page 8)

Review

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Audit differences (page 11)

Review and discuss

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## **Audit status**

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### **Audit Status: Substantially complete**

- We have not yet completed our audit of the City's financial statements as the following procedures remain to be performed:
  - receipt of the signed management representation letter; and
  - completing our discussions with the Audit Committee; and
  - obtaining the Audit Committee's acceptance of the financial statements.
- Until we complete our remaining procedures, it is possible that additional procedures or adjustments to the financial statements may be necessary.
- We expect to be in a position to release our audit reports dated April 9, 2010, subject to completing the remaining procedures noted above and assuming that no additional procedures or adjustments to the financial statements are necessary.

## **Significant matters arising from the audit that are important and relevant to the Audit Committee**

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### **Accounting policy changes**

#### **Tangible capital assets**

- The City adopted the Public Sector Accounting Board (“PSAB”) Section 3150 Tangible Capital Assets, which requires the City to capitalize their tangible assets and amortize the assets over their estimated useful life.
- As a result of adopting this new standard as of January 1, 2009 on a retrospective basis, a restatement of the 2008 results was required. This is described in note 2 to the consolidated financial statements.
- In addition, a breakdown of the cost and accumulated amortization by major category for 2008 and 2009 are provided in note 10 to the consolidated financial statements.
- As at December 31, 2009, the City has recorded tangible capital assets with a net book value of approximately \$6.7 billion.

#### **PSAB Section 1200**

- The City also adopted PSAB Section 1200, Financial Statement Presentation, which requires financial statements to contain a statement of financial position, a statement of operations, a statement of changes in net financial assets and a statement of cash flows. The standard establishes general reporting principles and standards for disclosure of information within government financial statements.
- The key changes to the City’s financial statement presentation on the adoption of PS1200 are as follows:
  - Results by fund are no longer reported on the statement of financial position and the statement of financial activities;
  - The statement of operations is on consolidated basis only (operating, capital, and reserves) and require consolidated budget comparisons;
  - The current “Total Fund Balance” section consisting of the year-end balances of the operating, capital and reserve funds and amounts to be recovered is replaced with a single line item called “Accumulated Surplus/Deficit”.

#### **Actions taken by management**

- As at January 31, 2008, the City obtained / developed a complete listing of all Land, Building, Linear, Vehicle and Furniture inventories. Work was completed on establishing policies relating to tangible capital asset reporting, including asset classifications, capitalization thresholds, useful lives and amortization methods.
- Tangible capital assets are required to be recorded at historic cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Where historic cost was not available, the City developed estimation techniques to determine cost.

## Significant matters arising from the audit that are important and relevant to the Audit Committee (continued)

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### Effect on the audit

- We reviewed the process surrounding application of direct overhead costs to qualifying capital projects
- We performed testing on significant additions/disposal to supporting documentation and recalculated amortization expense.
- We worked with management to ensure that the fiscal 2009 financial statements comply with the requirements of PS1200.

### Contingent liabilities

- The Canadian Institute of Chartered Accountants Public Sector Accounting Handbook PS3300 *Contingent Liabilities* requires that the City recognize a liability when “...it is likely that a future event will confirm that a liability has been incurred at the date of the financial statements; and the amount can be reasonably estimated.”
- At any point in time, the City is subject to a number of matters which could potentially result in the determination of a contingent liability as defined above, including, but not limited to matters such as legal claims.

### Effects on the audit

- We reviewed the City’s assessments of contingent liabilities and the process employed to develop and record the related estimated liabilities. Where applicable, we met with the individuals responsible for the process and are satisfied that the methodology used is rational, consistent with the approach taken in prior years and has been appropriately reviewed.
- As these items are resolved, it is possible that the final amounts recorded for these liabilities may change, however the amounts currently recorded represent management’s best estimates based on the information presently available.

### Investment in PowerStream Inc.

- The shareholders of PowerStream Inc. ("PowerStream") are the City of Vaughan (through its wholly-owned subsidiary Vaughan Holdings Inc.), the Town of Markham (through its wholly-owned subsidiary Markham Energy Corporation) and the City of Barrie (through its wholly-owned subsidiary Barrie Hydro Holdings Inc.) with share interests of 45.315%, 34.185% and 20.5% respectively.
- On January 1, 2009, the City of Vaughan through its wholly owned subsidiary, Vaughan Holdings Inc.; the Town of Markham through its wholly owned subsidiary, Markham Enterprises Corporation; the City of Barrie, through its wholly owned subsidiary Barrie Hydro Holdings Inc.; agreed to amalgamate PowerStream Inc. and Barrie Hydro Distribution Inc. and continue as a corporation amalgamated under the laws of Ontario. The amalgamated corporation retained the PowerStream corporate name. Upon amalgamation, shares of PowerStream held by Vaughan Holdings Inc., Markham Enterprises Corporation and Barrie Hydro Holdings Inc. were exchanged for shares of the newly amalgamated PowerStream.

## Significant matters arising from the audit that are important and relevant to the Audit Committee (continued)

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- The closing adjustment relating to the formation of the newly amalgamated PowerStream on the contribution of net assets at their carrying value of the predecessor corporations resulted in a reduction of the City's equity interest of \$2,735,145. This reduction is recorded as an adjustment of the City's proportionate share of PowerStream's retained earnings and contributed surplus.

### Actions taken by management

- The investment in PowerStream Inc. ("PowerStream") is accounted for on a modified equity basis. 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's share of the net earnings of PowerStream for the year ended December 31, 2009 is approximately \$9.3 million and has been recorded in the consolidated statement of operations and accumulated surplus.

### Effects on the audit

- We are in agreement with the accounting treatment adopted by the City as at and for the year ended December 31, 2009.

### International Financial Reporting Standards

- Commencing with their 2011 financial statements, PowerStream will be adopting International Financial Reporting Standards. This may cause more volatility in their reported results as IFRS as it currently stands does not support rate regulated accounting practices currently allowed under Canadian GAAP which permits certain costs and revenues to be deferred on the balance sheet when specifically approved by the Ontario Electricity Board.

### Federal gas tax revenue

- For the five years ended December 31, 2009, the City received approximately \$14.8M of funds under the Federal Gas Tax Revenue program as administered by the Association of Municipalities of Ontario ("AMO"). Approximately \$5.9M was received in 2009.
- 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 expensed.
- During fiscal 2009, \$1.5M of these funds was spent on qualifying capital projects and was therefore recognized as revenue. Funds spent to date under this agreement total \$3.9M. The remainder of \$10.9M continues to be deferred.
- Under the terms and conditions of the Federal Gas Tax Agreement, the City must provide AMO with an auditors' report as to compliance with certain sections of the funding agreement.

## **Significant matters arising from the audit that are important and relevant to the Audit Committee (continued)**

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### **Effect on the audit**

- KPMG has examined the evidence supporting the City's compliance with the pertinent sections of the funding agreement for the year ending December 31, 2009 and has issued an unqualified auditors' report to AMO.
- KPMG is in agreement with the accounting treatment adopted by the City.

## Significant matters arising from the audit that are important and relevant to the Audit Committee (continued)

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### Segmented disclosures, PS 2700

- Municipalities are required to disclose certain operational data by “segment”. 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...” Segments can be identified on the basis of function, or by control and accountability relationships.
- Government financial statements should separately disclose the following information, in notes or schedules, about each of a government's segments identified in accordance with paragraph PS 2700.07:
  - (a) the basis for identifying segments, the nature of the segments and the activities they encompass, and the method of significant allocations to segments;
  - (b) segment expense by major object or category;
  - (c) segment revenue by source and type;
  - (d) the aggregate of the net surplus / deficit of government business enterprises and government business partnerships accounted for under the modified equity method for each segment, if applicable;
  - (e) the aggregate of the net surplus / deficit of government organizations accounted for under the modified equity basis in accordance with the transitional provisions of GOVERNMENT REPORTING ENTITY, paragraph PS 1300.47, for each segment, if applicable; and
  - (f) a reconciliation between the information disclosed for segments and the consolidated information in the financial statements.

### Actions taken by management

- The City has disclosed segment descriptions and information in accordance with PS2700 in the 2009 consolidated financial statements with comparative disclosures for 2008. This information is provided in note 13 to the consolidated financial statements.

### Implementation of tax harmonization

- In its 2009 budget, the Ontario Government introduced a plan to harmonize the Provincial Sales Tax (“PST”) with the Federal Goods and Services Tax (“GST”).
- The stated intention of the Harmonized Sales Tax (“HST”) is that it will be cost neutral.
- The 13% HST will essentially apply to all purchases that are currently subject to GST.
- Municipalities currently enjoy a 100% GST rebate. The proposed rebate for the Provincial component of the HST will be 78% (i.e.78% of the 8% of the 13%). The existing 100% GST rebate will continue to apply to the Federal component.
- The rebate structure coupled with taxes will require changes to purchasing practices and tax coding in the general ledger.
- A benefit to the City may result from the City’s ability to claim a rebate for the provincial component of the HST on TCA. Generally, these had been subject to the 8% PST without the ability to claim exemption or rebate.

## Other matters

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### Matters pertaining to the financial statement audit

<u>Matters communicated</u>	<u>Comments</u>
<i>Significant unusual transactions</i>	Other than as discussed previously in this document, we did not identify, in the course of our financial statement audit, any significant unusual transactions.
<i>Accounting policies, judgments and estimates</i>	<p>Management describes their critical accounting policies and key estimates that are subject to uncertainty in the notes to the financial statements.</p> <p>We did not identify, in the course of our financial statement audit, any material changes in selection or application of accounting policies.</p>
<i>Related party transactions</i>	We did not identify, in the course of our financial statement audit, any related party transactions outside the normal course of business that involve significant judgments made by management concerning measurement and disclosure.
<i>Material weaknesses in internal control over financial reporting</i>	<p>We did not identify, in the course of our financial statement audit, any material weaknesses in the design, implementation or operating effectiveness of internal control over financial reporting, including anti-fraud controls.</p> <p>Our audit has not been designed to determine the adequacy of internal control over financial reporting for management purposes.</p>
<i>Illegal and fraudulent activities</i>	<p>We did not identify, during our financial statement audit, any illegal acts or possibly illegal acts or any:</p> <ul style="list-style-type: none"><li>• matters that pose questions regarding the honesty and integrity of management</li><li>• fraud or suspected fraud involving management</li><li>• fraud or suspected fraud involving employees who have significant roles in internal control over financial reporting</li><li>• fraud or suspected fraud (whether caused by management or other employees) that results, or may result, in a non-trivial misstatement of the financial statements</li><li>• matters that may cause future financial statements to be materially misstated.</li></ul>
<i>Auditors' independence</i>	Our independence letter dated April 9, 2010, in Appendix 1, indicates that we have not performed any professional services for the entity or identified any relationships that, in our professional judgment, may reasonably be thought to bear on our independence.



## **Other matters (continued)**

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<b><u>Matters communicated</u></b>	<b><u>Comments</u></b>
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	We have, since the date of this letter, provided no additional professional services nor identified other relationships that, in our professional judgment, may reasonably be thought to bear on our independence. Accordingly, we confirm that, since the date of this letter, we remain independent.
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<b><i>Dealings with Management</i></b>	We received the full cooperation of management and employees of the City and, to our knowledge, had complete access to the accounting records and other documents that we needed in order to carry out our audit.
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	We had no disagreements with management, and we have resolved all auditing, accounting and presentation issues to our satisfaction.
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<b><i>Consultation with other Accountants</i></b>	We are not aware of any consultations by management with other accountants regarding accounting or auditing matters.
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<b><i>Major issues discussed with Management that influence our audit appointment</i></b>	We did not engage in discussion with management about any major issues in connection with our appointment as auditors.
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## **Other matters (continued)**

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### **Public documents**

When public documents issued by the City contain or incorporate by reference either full or summarized annual financial statements that we have audited, professional standards require the auditor to:

- determine whether the financial statements and the audit report have been accurately reproduced, including comparing the financial statements and the audit report ultimately posted on the City's Web site to the original
- read the designated public document and assess whether any of the information appears to be inconsistent with the financial statements or the auditor's knowledge obtained in the course of the audit
- discuss with Management any information that appears to be inconsistent or a material misstatement of fact or a misrepresentation that auditors may become aware of upon reading the designated public document
- report any unresolved matters to the Audit Committee.

Professional standards do not require auditors to perform any other procedures.

## **Audit differences**

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### **Audit differences**

- Audit differences are proposed adjustments to the financial statements that, in the auditor's professional judgment may not have been detected except through the audit procedures performed. Any adjustment identified by Management during the audit and subsequently corrected is not considered an audit difference.

### **Evaluating audit differences**

- Management is responsible for the financial statements and, accordingly, evaluates uncorrected audit differences to determine whether individually, and in the aggregate, these audit differences, in their judgement, are material to the financial statements.
- Management has represented to us that the uncorrected audit differences, individually and in the aggregate, are, in their judgement, not material to the financial statements.

### **Corrected audit differences**

- During the course of the audit, the following adjustment was recorded by management and is reflected in the draft audited consolidated financial statements:
  - A reclassification of \$1.5M of cost recoveries from revenue to expenses, which resulted in a decrease to both "water and sewer billings" revenue and "environmental services" expenses. There was no impact on the accumulated surplus from this adjustment.

### **Uncorrected audit difference**

- The following uncorrected audit difference was noted:
  - The City applies 2% of the budgeted cost to the cost of tangible capital assets under construction. Because the 2% does not represent an actual cost incurred by the City to construct or acquire the asset, KPMG proposed an adjustment of \$494K to reduce the cost base of assets under construction.
- Management has represented to us that the proposed uncorrected audit difference is in their judgement, not material to the consolidated financial statements. KPMG concurs with management's position.

### **Control deficiencies implications**

- We have considered whether, for each corrected and uncorrected audit difference, the audit difference was the result of a control deficiency. We found that the audit differences were not the result of any control deficiencies.

## Appendices

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### Appendix 1 – Independence letter



KPMG LLP

Chartered Accountants

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April 9, 2010

The Audit Committee – The Corporation of the City of Vaughan

Dear Members of the Audit Committee:

We have been engaged to audit the consolidated financial statements of the Corporation of the City of Vaughan, and the financial statements of its Public Library Board, Board of Management for the Kleinburg Business Improvement Area and Trust Funds (the “City”) for the year ended December 31, 2009.

Professional standards require that we communicate at least annually with you regarding all relationships between the City (and its related entities) and us that, in our professional judgment, may reasonably be thought to bear on our independence.

A related entity is defined as:

- (a) in the case of a client that is a reporting issuer, an entity that has control over a client, or over which the client has control, or that is under common control with a client, including the client's parent company and any subsidiaries.
- (b) in the case of a client that is not a reporting issuer, an entity over which the client has control, or that has control over the client provided the client is material to such entity, and an entity that is under common control with the client provided such entity and the client are both material to the controlling entity.
- (c) an entity over which a client has significant influence, unless the entity is not material to the client.
- (d) an entity that has significant influence over a client, unless the client is not material to the entity.

In determining which relationships to report, these standards require us to consider relevant rules and related interpretations prescribed by the Institute of Chartered Accountants of Ontario and applicable legislation, covering such matters as:

- a) provision of services in addition to the audit engagement
- b) other relationships such as:
  - holding a financial interest, either directly or indirectly, in a client
  - holding a position, either directly or indirectly, that gives the right or responsibility to exert

significant influence over the financial or accounting policies of a client

- personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client
- economic dependence on a client.

We have been primarily involved in the audit of the financial statements of the City and related entities, but have also provided advisory services relative to Harmonized Sales Tax.

#### **OTHER RELATIONSHIPS**

We are not aware of any relationships between the City (and its related entities) and us that, in our professional judgment, may reasonably be thought to bear on our independence that has occurred from January 1, 2009 to April 9, 2010.

#### **CONFIRMATION OF INDEPENDENCE**

Professional standards require that we confirm our independence to you in the context of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

Accordingly, we hereby confirm that, we are independent with respect to the City (and its related entities) within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario as of April 9, 2010.

#### **OTHER MATTERS**

This letter is confidential and intended solely for use by those with oversight responsibility for the financial reporting process in carrying out and discharging its responsibilities and should not be used for any other purposes. No responsibility for loss or damages, if any, to any third party is accepted as this letter has not been prepared for, and is not intended for, any other purpose. This letter should not be distributed to others outside the entity without our prior written consent.

We look forward to discussing with you the matters addressed in this letter as well as other matters that may be of interest to you. We will be prepared to answer any questions you may have regarding our independence as well as other matters.

Yours very truly,

*KPMG LLP*  


Chartered Accountants, Licensed Public Accountants

## Appendix 2 – KPMG's Audit Committee resources

### General

- *Audit Committee Update*, Issue 2010-01, Audit Committee Institute  
<http://www.kpmg.ca/auditcommittee/update.html>
- Audit Committee Roundtables held each spring and fall, Audit Committee Institute  
<http://www.kpmg.ca/auditcommittee/roundtables.html>
- *Shaping the Canadian Audit Committee Agenda* (2006 edition), Audit Committee Institute  
<http://www.kpmg.ca/auditcommittee/shaping.html>
- *Accountability e-Lert* – periodic electronic newsletter. Subscribe at  
[www.kpmg.ca/accountability](http://www.kpmg.ca/accountability)
- Audit Committee Institute Web site – [www.kpmg.ca/auditcommittee](http://www.kpmg.ca/auditcommittee)

### IFRS Related

- *IFRS Transition: What Audit Committees Should Be Asking*, Audit Committee Institute (06/2008) [http://www.kpmg.ca/en/ms/auditcommittee/publications\\_ifrs\\_transition.html](http://www.kpmg.ca/en/ms/auditcommittee/publications_ifrs_transition.html)
- *IFRS compared to Canadian GAAP: An overview*, Second edition 2008-09, KPMG  
[http://www.kpmg.ca/en/ms/ifrs/tools\\_ifrscdngaap.html](http://www.kpmg.ca/en/ms/ifrs/tools_ifrscdngaap.html)
- *Managing the Transition to IFRS: Moving forward*, KPMG (01/2009) Fourth publication in this series <http://www.kpmg.ca/en/ms/ifrs/timepassing.html>
- *The Transition to IFRS: The Past Need Not Be the Future*, Audit Committee Institute (12/2007) [http://www.kpmg.ca/en/ms/auditcommittee/publications\\_transitions.html](http://www.kpmg.ca/en/ms/auditcommittee/publications_transitions.html)
- *KPMG IFRS Web site* – [www.kpmg.ca/ifrs](http://www.kpmg.ca/ifrs)

# ATTACHMENT 3

## 2009 Annual Corporate and Departmental Operating Variance Report

### Fourth Quarter Overview

At the end of the fourth quarter, the favourable variance before any carry forward or surplus transfers was \$4.5m representing a 2% variance on the City's 2009 Annual Operating Budget of \$194.8m. This favourable variance is comprised of revenues exceeding the budget by \$2.8m and by a favourable \$1.7m variance in expenses. As per the City's policy, a maximum of \$2.5m is carried forward to reduce the levy requirements in the following year and the remaining surplus portion was equally transferred to the general working capital (\$1.0m) and tax rate stabilization reserves (\$1.0m).

A detailed report is attached, which provides specific variance detail by department and corporate categories.

The main areas that contributed to the above positive variances are summarized below.

### City Revenue Variance

Actual revenues were \$197.7m as of December 31, 2009, and represent a \$2.8m favourable variance when compared to the year-to-date revenue budget of \$194.9m. The variance resulted from the following *main* components.

- A \$3.1m favourable variance in supplemental taxation revenue was the result of MPAC's response to concerns of GTA municipal Treasurers that MPAC did not appear to be capturing available new assessment for the 2010 assessment roll. To mitigate the situation MPAC prioritized their staff to complete the capture and input of new assessment/growth onto the roll, which consequently resulted in a much larger than expected supplementary roll in the fourth quarter that generated favourable variance.
- A \$2.4m favourable variance in fees and service charges was related to the higher than anticipated revenues in Building Standards permit applications (\$1.3m), Recreation revenues largely due to increased transit ticket sales (\$0.5m), Fire and Rescue revenues caused by a higher level of emergency callouts (\$0.4m), and other minor favourable positions in Parks Operations, Clerks - Licensing, Development Planning, etc. The above variances were partially offset by lower than anticipated Enforcement Services revenue (\$0.5m) and other minor variances.
- A \$2.0m favourable corporate revenue position due to higher than expected Hydro dividends and investment income, approximately \$1.3m and \$1.0m respectively. The above favourable positions were partially offset by a less than expected tax certificate and Provincial Offences Act revenues.
- Actual transfers from reserves and other funds were \$4.7m less than anticipated. The largest contributor to this variance was related to \$2.8m planned Tax Rate Stabilization Reserve withdrawal, which was not needed at year-end due to the City's overall favourable position. For a similar reason, variances were also experienced in planning and debenture payment reserves (\$1.1m). Anticipated reserve transfers funding Engineering, Fleet Management, Building Standards and Winter Control operations were less than expected, by a combined \$1.8m, as a result of related favourable departmental variances. The above variances were partially offset by a larger than anticipated insurance reserve withdrawal due to unforeseen increases in the 2009-2010 insurance premium and higher than anticipated transfers from capital (Finance from Capital) to recover related capital project administration and overhead costs.

## City Expenditure Variance Overview

Actual total expenditures were \$193.2m as of December 31, 2009, and represent a \$1.7m favourable variance when compared to the year-to-date expenditure budget of \$194.9m. The variance resulted from the following *main* components.

- The largest component driving the City's favourable expenditure variance was a favourable position in total department expenses, approximately \$4.8m. The majority of the department variance was attributed to salary savings resulting from vacancies and delays in hiring staff.
- The above noted favourable variances were reduced by a \$3.6m unfavourable variance in corporate expenses, of which \$1.8m resulted from a Building Standards reserve contribution and \$1m was related to anticipate salary gapping. Unfavourable variances in year end expenditure reserve and OMB hearings and other costs also contributed to the remaining variance.
- Another component was the \$0.5m favourable variance in long-term debt due to a delay in the debt issuance.

For quick reference purposes, a summary of the variances by major category is provided below followed by explanations for specific variances.



**City of Vaughan  
2009 Operating Budget  
Year End Variance Summary**

<u>Revenues</u>	Variance In \$mil	
<b><u>Taxation</u></b>		
Supplemental	3.1	3.1
<b><u>Reserves &amp; Other Transfers</u></b>		
Finance from Capital	0.7	
Planning Reserve	(0.5)	
Debenture Payment Reserve	(0.6)	
Engineering Reserve	(0.7)	
Winterization Reserve	(0.7)	
Tax Rate Stabilization Reserve	(2.8)	
Other	(0.1)	(4.7)
<b><u>Fees &amp; Service Charges</u></b>		
Building Standards	1.3	
Recreation	0.6	
Fire & Rescue Services	0.4	
Parks Operations	0.3	
Clerks - Licensing	0.2	
Development Planning	0.2	
Enforcement Services	(0.5)	2.4
<b><u>Corporate Revenues</u></b>		
Hydro Dividends	1.3	
Investment Income	1.0	
Provincial Offences Act	(0.2)	
Other	(0.1)	2.0
<b>Total Revenues</b>		<b>2.8</b>
<b><u>Expenditures</u></b>		
<b><u>Departmental Expenses</u></b>		
Buildings & Facilities	1.3	
Engineering Services	0.6	
Building Standards	0.6	
Enforcement Services	0.4	
Development & Transportation Engineering	0.4	
Information & Technology Management	0.3	
Recreation	(0.2)	
City Clerk - Insurance	(0.3)	
Policy Planning	(0.3)	
Legal Services	(0.4)	
Other-(various departments)	2.4	4.8
<b><u>Corporate &amp; Reserves</u></b>		
Building Standards Reserve Contribution	(1.7)	
Salary Savings from Turnover	(1.0)	
OMB Hearings- Professional Fees	(0.5)	
Year End Expenditure Reserve	(0.3)	
Other	(0.1)	(3.6)
<b><u>Long Term Debt</u></b>		
		<b>0.5</b>
<b>Total Expenditures</b>		<b>1.7</b>
<b>2009 Year End Revenues Net of Expenditures</b>		<b>\$ 4.5</b>
<b>Less:</b>		
<b>Transfer to</b>		
Tax Rate Stabilization Reserve		\$ (1.0)
General Working Capital Reserve		\$ (1.0)
<b>Carryforward to 2010</b>		<b>\$ 2.5</b>

## Variance Summary

### Specific Variance Explanations:

Listed below are explanations for significant revenue and expenditure variances. As per prior practice, department explanations are required for all unfavourable variances and any favourable variances in excess of \$100,000. Explanations for corporate revenue and expenditure variances are also included, following the major department variance explanations.

#### City Council

Expenditure variance - \$146,023 or 10.9% favourable

Council expenditures were favourable and related to under spending in part-time, travel/conference, printing, and mailings. The remaining balance was distributed among various other accounts.

#### City Manager

##### Fire and Rescue Services

Revenue variance - \$408,618 or 106.5% favourable

The fourth quarter revenue position has exceeded the annual budget by 106%. The majority of the favourable variance, approximately \$332k, was mainly attributed to higher emergency call outs due to an increase in motor vehicle accidents. The balance of the variance was related to an increase in revenues, approximately \$66K, for external mechanical services provided to municipalities and the remainder was related to fire prevention inspection requests for commercial and industrial buildings.

Expenditure variance - \$28,885 or 0.1% unfavourable

The unfavourable variance was largely a result of additional expenditures in vehicle maintenance and repairs. Approximately \$228K resulted from increased Fire fleet/usage and recoverable municipal area vehicle servicing. There was an additional expenditure of \$60k in material and supplies as a result of purchases for flu pandemic response supplies (\$37K) and larger fleet maintenance (\$23K) by the Fire Mechanical Division. Due to new recruitment and related mandatory training programs, there were additional costs of approximately \$39K in protective clothing/uniforms and approximately \$34K in training and development.

The above variance was partially offset by a \$220k favourable variance in labour costs resulting from several retirements, parental-leaves and long term disability, including overtime coverage for higher than normal sick time. The remainder of the variance resulted from under spending across multiple accounts including computer hardware/software (\$36K), volunteer Firefighters (\$34K), grouped expenses (\$23K) and outside services (\$20K).

#### Commissioner of Finance and Corporate Services

Expenditure variance - \$119,972 or 23.6% favourable

The favourable variance was a result of staff vacancies, which resulted in savings in the labour and other associated accounts.

##### City Financial Services

Expenditure variance - \$111,519 or 4.2% favourable

The majority of the favourable expenditure variance relates to \$55k savings in labour costs caused by staff vacancies. The remainder of the variances lie in associated accounts with combined savings of \$38k in training and development, computer hardware/software,

computer supplies and printing. The remainder of the variance consisted of minor variances in contractor and various other accounts.

#### Reserves and Investments

Expenditure variance - \$102,085 or 10.3% favourable

The favourable variance was mainly caused by the vacant investment analyst position and the delayed hiring of the grant specialist.

#### Purchasing

Expenditure variance - \$49,113 or 4.3% unfavourable

The cause for the variance was due to a higher than anticipated sale of assets and associated \$54k reserve transfer. This event has an overall net zero impact as the proceeds from the sale are reflected in a revenue line. The above variance was partially offset by multiple minor savings in other accounts.

### Commissioner of Legal and Administrative Services

#### City Clerks

Expenditure variance - \$222,941 or 5.9% favourable

The Clerk's overall favourable expenditure variance was primarily attributed to the Records Management, Council Corporate and Administrative divisions. The favourable variances consist of the following main points:

- Records Management experienced a \$97k favourable variance resulting from labour savings and a delay in hiring staff complement.
- Council Corporate had a \$79k favourable variance due to a combination of savings in printing and postage services resulting from lower than expected usage.
- Clerks Administration also experienced a \$57k favourable variance in labour accounts due to temporary vacancies, a maternity leave, etc.

#### City Clerks Licensing

Revenue variance - \$212,808 or 26.5% favourable

Licensing revenue has surpassed the budgeted amount by 26.5%. The favourable variance was a result of the following main points:

- An increase in marriage license applications, approximately \$70k, caused by the City of Toronto strike.
- The issuance of 6 additional taxi plate licenses, approximately \$47k.
- Greater than expected tow truck applications requests, approximately \$34k.
- A total of \$95k greater than expected licenses for other categories such as eating establishments, public garages, driving school, personal services and food..
- The favourable variance was slightly offset by reduction in licenses to businesses operating illegally.

Expenditure variance - \$43,307 or 8.6% unfavourable

The unfavourable variance was largely related to higher than anticipated purchases of marriage licenses to support increased demand resulting from the City of Toronto strike, approximately \$72k. This variance was partially offset by a favourable variance in labour costs resulting from an unfilled position and savings in materials and supplies and various other accounts.

## Committee of Adjustment

### Revenue variance - \$100,025 or 20.3% unfavourable

Application volumes submitted to date have been lower than initially anticipated due to general economic conditions.

## City Clerks Insurance

### Expenditure variance - \$283,426 or 12.8% unfavourable

The insurance expense was higher than planned due to unforeseen increases in the 2009-2010 insurance premium issued in July. In addition, deductible payments increased as a result of past years claims being settled in 2009. The City cannot predict claim settlements and it is difficult to budget for this type of expense.

## Legal Services

### Revenue variance - \$5,935 or 8.5% unfavourable

This variance was a result of lower than anticipated registration fees.

### Expenditure variance - \$429,904 or 27.8% unfavourable

The unfavourable expenditure was a result of greater than forecasted professional fee costs for external counsel regarding three compliance audits and an appeal of a court decision upholding various City by-laws.

## Enforcement Services

### Revenue variance - \$513,419 or 26.1% unfavourable

The unfavourable variance was caused in part by a reduction of the 2009 additional enforcement staff requests, for which was not reflected in department revenue budget. Similarly, the anticipated full-year revenue for the administrative monetary penalties initiative was prematurely factored into the 2009 department budget, when the actual go live date was August 2009. These items prevented the department from meeting 2009 revenue targets. Furthermore, several vacancies and staff turnaround prevented the department from meeting revenue targets.

### Expenditure variance - \$393,657 or 9.9% favourable

The favourable variance consists of \$295k savings in labour costs related to vacant positions and delays in hiring the 2009 approved sign-enforcement staff. There was a \$74k savings in service contracts and materials/supplies due to delays in invoice payments. The above variances were partially offset by higher than anticipated overtime costs for noise monitoring, which was partially funded by associated paid duty revenue.

## Commissioner of Community Services

### Recreation

#### Revenue variance - \$546,225 or 3.6% favourable

The favourable revenue variance was primarily due to slightly better than projected performance results in the facility rental and advertising business units and through the sale of York Region Transit Tickets.

#### Expenditure variance - \$196,310 or 1.2% unfavourable

The expenditure variance was primarily due to the increase in purchases of York Region Transit tickets, which as illustrated above are fully recovered through sales. Through cost containment measures, there was a favourable variance of \$349K to the department's overall net position and a 94.4% department direct recovery excluding the impact of collective agreement negotiations currently underway.

## Building and Facilities

### Expenditure variance - \$1,322,885 or 7.6% favourable

The favourable variance largely consists of a total of \$782k savings in utilities; \$649k in Enbridge Gas and \$133k in Hydro as a result of mild weather conditions later in the year and conservation practices. In addition, a \$359k favourable variance was experienced in labour costs related to vacancies caused by turnover, etc. Also, there were \$99k higher than budgeted recoveries from Vaughan Public Library for major roof repairs at Bathurst Clark, Maple and Pierre Berton Libraries which was offset with equal increased expenses in building repairs and maintenance accounts. The remainder of the variance was a combination of savings in garbage disposal services because of waste divergence to recycling practices and savings in other accounts related to building maintenance and repairs. These were offset by overages in maintenance, cleaning, materials and supplies, etc..

## Fleet Management

### Expenditure variance - \$173,972 or 18.5% favourable

The largest portion of the favourable variance, approximately \$113k, was related to labour savings resulting from a vacant position, which was filled in the fourth quarter. In addition, a \$31k favourable variance was experienced in charges from other departments. There was a favourable variance of \$15k in joint service revenue account from PowerStream for fuel administration charges that was not budgeted. The remainder of the variance relates to savings in maintenance repairs, materials and supplies and other various accounts. It should be noted that the fleet department is funded through fleet reserve contributions and there was only a small net impact experienced.

## Parks Operations-Cemeteries

### Revenue variance - \$21,516 or 29.9% unfavourable

The unfavourable variance was for less than expected sale of plots, foundations, and other services.

## Parks Operations

### Revenue variance - \$270,232 or 69.5% favourable

The favourable variance was related to \$135k greater than budgeted reimbursement from York Region which requested added boulevard maintenance. An additional \$79k from the school board from a 2007 and 2008 general maintenance dispute settlement. Furthermore, a \$32k of unanticipated revenue from corporate donations to enhance streetscape flower planting and, in conjunction with the Enforcement Department, from augmented inspections under the Weed Cutting Act". The remainder of the variance consisted of higher than expected tree permit sales by \$15k and slightly offset by other revenue.

### Expenditure variance - \$71,021 or 0.6% unfavourable

The variance consisted largely of a \$326k unfavourable variance experienced in contractor and contractor maintenance expenses attributable to \$216k in boulevard maintenance charges which were mostly recovered from York Region, \$164k in emergency fence and retaining wall repairs and \$170k snow clearing costs experienced early in the year. These unfavourable variances were offset with a combined savings of \$224k in parks maintenance activities. In addition, machine time was also unfavourable by \$270k due to severe winter conditions earlier in the year. The mild winter in the later part of the year did not result in any favourable offset in machine time as near zero degree icy conditions required continued sidewalk salting and sanding.

The above unfavourable variances were mostly offset by \$542k in net labour savings resulting from full time vacancies and long term disability absences. Other favourable variances consisted of charges from other departments that were not required because of

favourable winter conditions later in the year and various other minor account variances in utilities, computer hardware/software, small tools, equipment, etc.

#### Parks Development

Expenditure variance – \$24,328 or 2.3% unfavourable

The unfavourable variance was mainly related \$22k for sooner than expected replacement of special computer hardware and renewal of software licenses. There was also a \$3,500 unfavourable variance on maintenance and vehicle repairs caused by unforeseen vehicle repairs.

#### Commissioner of Planning

##### Commissioner of Planning

Expenditure variance - \$1,208 or 0.4% unfavourable

The small unfavourable variance was mainly a result of job evaluation adjustment to salaries and benefits as per City policy. The variance was covered in the corporate contingency account and savings in other accounts.

##### Development Planning

Revenue variance - \$197,001 or 8.3% favourable

The variance was a result of increased applications received during this time period e.g. (Official Plan and Zoning By-law Amendments, Subdivisions, Part-Lot Control, Site-Plans and Condominiums). This increase was mainly due to developers speeding up projects to avoid the HST which will increase prices by 8%.

Expenditure variance - \$247,329 or 9.5% favourable

The majority of the variance, approximately \$229k, was related to labour savings caused by two maternity leaves backfilled by lower cost contract staff and an approved position transfer to Policy Planning. The balance of the variance consists of savings in office equipment and furniture and other multiple minor variances.

##### Policy Planning

Expenditure variance - \$255,521 or 29.0% unfavourable

The variance was a result of a \$291k transfer from capital that was budgeted and did not occur. This transfer was part of a two year program that ended in 2009 and was not budgeted for 2010. There was \$76k overspending in labour costs for a position transferred from another department that was not budgeted and partially offset from savings for a vacancy. The above unfavourable variances were offset by under spending in professional fees for projects completed by City staff, approximately \$116k, and other minor accounts.

##### Building Standards

Revenue variance - \$1,343,765 or 14.5% favourable

Approximately 60% of the variance was a result of substantially higher than expected building permit volumes caused by Provincial government's HST announcement. The remainder of the variance was related to other service charges such as plumbing fees and sign and title restriction fees among other related fees.

The increased volume of permit activity resulted in a \$1.7m corporate contribution to the Building Standards Continuity Reserve Fund at the end of the year. The Building Standards Department will continue to monitor permit activity and if required, will review the building permit fee structure and make recommendations accordingly.

Expenditure variance - \$584,574 or 9.5% favourable

The majority of the favourable expenditure variance of \$408k relates to vacancies which have resulted in savings in the salary and benefits. Associated accounts, including training and development, office equipment, mileage and other accounts make up the balance of \$180k.

## **Commissioner of Economic and Technology Development and Corporate Communications**

### Commissioner of Economic & Technology Development

Expenditure \$ 231,714 or 98.8% favourable

The total budget variance was a result of staff vacancies for 2009.

### Economic and Business Development

Revenue variance - \$67,392 or 13.3% unfavourable

The unfavourable revenue variance was attributable to tourism advertising revenues not realized due to a temporary redirection of resources to Communities in Bloom and economic pressures.

### Information Technology Management

Expenditure variance - \$298,436 or 4.5% favourable

The favourable variance was made up of first, savings of \$71k in labour costs mainly in full time salaries due to a longer period than anticipated to fill previously approved complement. Professional Fees were also under spent \$131k due to process delays. Lastly, the communications account was under spent by \$119k, due to cost savings and delays in securing communications services. Other smaller favourable variances were experienced in training, office furniture, etc,

The above impact was offset by a \$99k unfavourable variance in the service contract account, as a result of unanticipated issues with the new Vaughan Online intra website.

### Corporate Communications

Expenditure variance - \$171,169 or 11.1% favourable

The favourable variance was made up of approximately \$75k in labour costs due to the hiring delay of an approved Communications Specialist, as a result of the job evaluation process. The remainder of the variance consists of a combination of savings of \$37k in printing costs by using the City's Recreation Guide to distribute Annual Success Report and savings of \$20k in advertising by converting statutory advertising from print format to online web. The remainder of the savings were in professional fees, computer hardware/software, and other expense accounts offset by overspending in contractor and contract materials for corporate events, which was counter balanced by event sponsorship revenues.

## **Commissioner of Engineering and Public Works**

### Development and Transportation Engineering

Revenue variance - \$22,785 or 7.3% unfavourable

This unfavourable variance is due for the most part to the recoverable expenses related to the employment contract for the Spadina Subway Project Manager. This is a temporary variance until the expense related to this employment contract is recovered from the Toronto Transit Commission on a quarterly basis. When this revenue is received from TTC then it is anticipated that this account line will be in a positive variance position because revenue from infill lot grading permits is (\$13K) higher than expected.

Expenditure variance - \$422,581 or 11.8% favourable

Most of this favourable variance is due to (\$445k) in labour savings related to several unfilled positions in the Department. These positions are being recruited now. This variance was offset by higher than expected costs for contractor services needed to clean streets in new subdivisions, which will be recovered in the revenue account.

## Engineering Services

### Revenue variance - \$14,082 or 12.2% unfavourable

The variance was related to a slight decline in road occupancy permits.

### Expenditure variance - \$616,994 or 18.5% favourable

Approximately \$356k of the total variance was principally found in net labour cost savings due to delays in the hiring of three positions, including the Director's. There was under spending of \$46k in related expenditures such as training, computer hardware/software, membership and mileage. A \$165k favorable variance in contactor and contract materials was a result of work deferred to 2010 and savings in maintenance repairs. A \$30k favourable variance in the service contract account was experienced and a result deferring the Applewood Bridge service requirements until 2010. The remainder of the variance was distributed among various accounts.

## Public Works-Operations

### Expenditure variance - \$236,892 or 0.8% favourable

The above variance consists of combined variances in Waste, Winter and Roads divisions.

*Waste* – The \$259k favourable variance in waste was due to \$121k under spending in contracts due to lower growth projections, \$65k in advertising as less printed ads were used, \$59k in materials and supplies for fewer boxes distributed for waste management. The remaining favourable variance was in other minor accounts.

*Roads* – The \$104k unfavourable variance in Roads operations was related to \$213k higher than budgeted labour costs due to staff being redirected from the winter control budget, due to mild winter conditions, to road platform maintenance issues rather than dealing with winter operations. This was offset by a \$239K favourable variance in the Winter operations labour and benefits area. In addition, a \$112k unfavourable variance was experienced in materials required for road repairs. This unfavourable variance was offset by a \$238k favourable variance in the contracts account due to a decrease in planned activity of replacing street lights and reduced sweeping requirements caused by the mild weather late in the year. The remainder of the variance was in various minor accounts.

*Winter Control* – The mild winter in the latter part of the 2009 contributed to the \$77k favourable variance in winter operations. The above variance consisted of a \$554k unfavourable variance in contract and contract materials account for winter operations caused by the severe winter storms in the early part of 2009. This was offset by \$239k for lower than expected labour savings because staff were redirected to assist with Roads operations, due to mild winter conditions in the later part of the year, which also generated savings of \$154k in material accounts for salt purchases, \$125k in machine time vehicle, \$62k in vehicle maintenance and repairs. The remaining balance consisted of other minor accounts.

## Vaughan Public Libraries

### Expenditure variance - \$136,963 or 1.2% favourable

Most of the favourable variance is a result of the following:

- Approximately \$322k was in salaries and benefits for temporary vacancies, leave of absences and wage differentials.
- Resources-books were overspent by \$185k offset by savings in other accounts such as the periodicals account which was favourable by \$57k as a result of free access to database that was offered by Knowledge Ontario program and processing costs among other accounts.



- Joint service charges were unfavourable for \$86k for major roof repairs at Bathurst Clark, Maple and Pierre Berton Libraries. This was offset by \$53k savings in buildings and facilities maintenance for less than expected repairs of library facilities.
- Remaining balance consists of multiple account variances.

## Corporate Revenues

### Supplemental Taxation

Revenue variance - \$3,124,061 or 115.7% favourable

In the 3rd quarter of 2009, GTA Treasurers voiced a concern to MPAC about the low accumulated assessment growth percentages being reported by MPAC. This resulted in MPAC prioritizing their staff to complete the capture and data input of available new assessment. Consequently, this resulted in a much larger than expected supplementary roll for the fourth quarter, which in turn generated the bigger than expected favourable year-end supplemental taxation variance. It is important to note, the City is dependent on a third party provider, MPAC, and conservative budget estimates are required due to the uncertainty expressed above.

### Reserves & Other Transfers

Revenue variance - \$4,707,766 or 29.6% unfavourable

Actual transfers from reserves and other funds were \$4.7m less than anticipated. The largest contributor to this variance was related to \$2.8m planned Tax Rate Stabilization Reserve withdrawal, which was not needed at year-end due to the City's overall favourable position. For a similar reason, variances were also experienced in planning (\$500k) and debenture payment reserves (\$565k). Anticipated reserve transfers funding Engineering, Fleet Management, Building Standards and Winter Control operations were less than expected, by a combined \$1.8m, as a result of related favourable departmental variances.

The above variances were partially offset by a larger than anticipated insurance reserve withdrawal (\$286) due to unforeseen increases in the 2009-2010 insurance premiums and higher than anticipated transfers from capital, Finance from Capital, to recover related capital project administration and overhead costs (\$689).

### General Corporate Revenues

Revenue variance - \$1,959,409 or 11.4% favourable

Corporate revenues were favourable largely as a result of a greater than anticipated Hydro dividend and investment income earnings, \$1.3m and \$982k, respectively.

The above figures were offset by a \$200k unfavourable showing in POA revenue due to a 2008 over accrual reversal. In addition, tax certificates and document revenue was unfavourable \$159k, due to a process delay in setting up the "New Account Fee" and "New Ownership Fee" which was completed late in the fourth quarter. The remaining balance consists of unfavourable variances in fines and penalties, miscellaneous revenues, etc.

## Corporate Expenditures

### Corporate and Election Expenditures

Expenditure variance - \$3,627,815 or 58.9% unfavourable

The majority of the unfavourable variance consists of the following explanations:

1. A \$1.8m unfavourable variance was due to a substantial transfer to Building Standards Reserve Contribution, resulting from a combination of lower than anticipated expenditures and higher building code permit revenues. Bill 124 imposes cost and price restrictions on the building code permit fees to the extent that revenues cannot exceed reasonable and anticipated costs. For this reason the

revenue surplus was transferred to the reserve to provide future service continuity, as per the City's policy.

2. A \$1.0m unfavourable variance was experienced in salary gapping and was anticipated since salary savings were budgeted corporately, but realized within individual departments. This variance will continue to be presented throughout the year and naturally offset by the actual salary savings realized within departments.
3. The Major OMB hearings account was unfavourable \$474k as a result of three lengthy and significantly complex Ontario Municipal Board matters, where external consultants were retained for legal advice and representation and to provide expert evidence on policy and development planning, traffic and transportation, heritage architecture and market economy matters. In addition, the OMB matters require extensive follow-up work to implement the Board's decisions.
4. A \$303k unfavourable variance in the year end expenditures reserve was for deferred expenses related to the Environmental Master Plan and other corporate initiatives. The remaining balance consisted of a variety of minor account variances.

#### Long Term Debt

Expenditure variance - \$451,105 or 5.5% favourable

This expense has a favourable variance resulting from a delay in issuing debentures.



**CITY OF VAUGHAN**

**2009 OPERATING BUDGET**

**YEAR END**

**VARIANCE REPORT**

**AS AT**

**December 31, 2009**

**CITY OF VAUGHAN  
2009 OPERATING BUDGET  
YEAR END VARIANCE REPORT  
AS AT DECEMBER 31, 2009**

**REVENUE / EXPENDITURE SUMMARY**

	2009 ANNUAL BUDGET	2009 ANNUAL ACTUAL	VARIANCE	
			FAV. / (UNFAV) \$	%
<b>REVENUES:</b>				
TAXATION	121,171,636	121,171,853	217	0.0%
SUPPLEMENTAL TAXATION	2,700,000	5,824,061	3,124,061	115.7%
GRANT / PAYMENT IN LIEU	2,943,235	2,958,526	15,291	0.5%
RESERVES AND OTHER TRANSFERS	15,882,550	11,174,784	(4,707,766)	-29.6%
FEES AND SERVICE CHARGES	32,411,835	34,859,148	2,447,313	7.6%
CORPORATE	17,243,765	19,203,174	1,959,409	11.4%
PRIOR YEAR'S SURPLUS CARRYFORWARD	2,500,000	2,500,000	0	0.0%
<b>TOTAL REVENUES*</b>	<b>194,853,021</b>	<b>197,691,546</b>	<b>2,838,525</b>	<b>1.5%</b>
<b>EXPENDITURES:</b>				
DEPARTMENTAL	171,502,611	166,670,116	4,832,495	2.8%
CORPORATE & RESERVES	6,156,595	9,784,410	(3,627,815)	-58.9%
LONG TERM DEBT	8,250,000	7,798,895	451,105	5.5%
CONTINGENCY	2,358,340	2,314,600	43,740	1.9%
CAPITAL FROM TAXATION	6,585,475	6,585,475	0	0.0%
<b>TOTAL EXPENDITURES*</b>	<b>194,853,021</b>	<b>193,153,496</b>	<b>1,699,525</b>	<b>0.9%</b>
<b>CARRYFORWARD TO 2010</b>	<b>0</b>	<b>2,500,000</b>	<b>2,500,000</b>	
<b>TRANSFER TO:</b>				
TAX RATE STABILIZATION RESERVE	0	1,019,025	1,019,025	
GENERAL WORKING CAPITAL RESERVE	0	1,019,025	1,019,025	
<b>SURPLUS/(DEFICIT)</b>	<b>0</b>	<b>0</b>	<b>0</b>	

\* Excludes capital flow throughs

**CITY OF VAUGHAN  
2009 OPERATING BUDGET  
YEAR END VARIANCE REPORT  
AS AT DECEMBER 31, 2009**

**REVENUE BY MAJOR SOURCE**

	2009 ANNUAL BUDGET	2009 ANNUAL ACTUAL	VARIANCE	
			FAV. / (UNFAV) \$	%
<b>TAXATION</b>				
Supplementals	2,700,000	5,824,061	3,124,061	115.7%
<b>GRANT</b>				
Library Grant	143,235	143,235	0	0.0%
<b>PAYMENT IN LIEU / OTHER</b>				
Payment In Lieu / Other	2,800,000	2,815,291	15,291	0.5%
<b>RESERVES &amp; OTHER TRANSFERS</b>				
Engineering Reserve	4,397,935	3,744,719	-653,216	-14.9%
C/L Recreation Land Reserve	626,125	626,125	0	0.0%
Finance - From Capital	1,080,000	1,763,939	683,939	63.3%
Fleet Management Reserve (Vehicle Replacement)	938,770	745,959	-192,811	-20.5%
Planning Reserve	500,000	30	-499,970	-100.0%
Building Standards Service Continuity Reserve	309,310	0	-309,310	-100.0%
Insurance Reserve	2,208,000	2,494,012	286,012	13.0%
Tax Rate Stabilization Reserve	2,757,410	0	-2,757,410	-100.0%
Debenture Payment Reserve	565,000	0	-565,000	-100.0%
Winterization Reserve	700,000	0	-700,000	-100.0%
Water & Wastewater Recovery	1,800,000	1,800,000	0	0.0%
<b>TOTAL RESERVES</b>	<b>15,882,550</b>	<b>11,174,784</b>	<b>-4,707,766</b>	<b>-29.6%</b>
<b>FEES/SERVICE CHARGES</b>				
<b>CITY MANAGER</b>				
Fire And Rescue Services	383,755	792,373	408,618	106.5%
Emergency Planning	0	41,252	41,252	0.00%
<b>TOTAL CITY MANAGER</b>	<b>383,755</b>	<b>833,625</b>	<b>449,870</b>	<b>0.00%</b>
<b>COMMISSIONER OF LEGAL &amp; ADMIN. SERV.</b>				
Clerks	30,355	35,177	4,822	15.9%
Clerks - Licensing	801,900	1,014,708	212,808	26.5%
Committee of Adjustment	492,200	392,175	-100,025	-20.3%
Legal Services	69,600	63,665	-5,935	-8.5%
Enforcement Services	1,967,100	1,453,681	-513,419	-26.1%
<b>TOTAL COMMISSIONER OF LEGAL &amp; ADMIN. SERV.</b>	<b>3,361,155</b>	<b>2,959,406</b>	<b>-401,749</b>	<b>-12.0%</b>
<b>COMMISSIONER OF COMMUNITY SERVICES</b>				
Communities In Bloom Sponsorship	15,000	15,000	0	0.0%
Non-Profit Housing	9,000	8,732	-268	-3.0%
Community Grants & Advisory Comm.	0	13,990	13,990	0.00%
Recreation	15,196,815	15,743,040	546,225	3.6%
Buildings And Facilities	187,275	233,178	45,903	24.5%
Parks Operations	388,765	658,997	270,232	69.5%
Cemeteries	71,855	50,339	-21,516	-29.9%
<b>TOTAL COMMISSIONER OF COMMUNITY SERVICES</b>	<b>15,868,710</b>	<b>16,723,276</b>	<b>854,566</b>	<b>5.4%</b>
<b>COMMISSIONER OF PLANNING</b>				
Development Planning	2,379,240	2,576,241	197,001	8.3%
Building Standards - Licenses/Permits	7,432,500	8,228,495	793,995	10.7%
- Plumbing Permits	345,000	756,583	411,583	119.3%
- Service Charges	435,350	573,538	138,188	31.7%
<b>TOTAL COMMISSIONER OF PLANNING</b>	<b>10,592,090</b>	<b>12,132,857</b>	<b>1,540,767</b>	<b>14.5%</b>
<b>COMMISSIONER OF ECONOMIC &amp; TECHNOLOGY DEVELOPMENT &amp; COMMUNICATIONS</b>				
Economic and Business Development	506,250	438,858	-67,392	-13.3%
Corporate Communications	84,530	115,117	30,587	36.2%
<b>TOTAL COMMISSIONER OF ECONOMIC &amp; TECH. DEVELOPMENT &amp; COMMUNICATIONS</b>	<b>590,780</b>	<b>553,975</b>	<b>-36,805</b>	<b>-6.2%</b>
<b>COMMISSIONER OF ENGINEERING &amp; PUBLIC WORKS</b>				
Development and Transport. Engineering	313,945	291,160	-22,785	-7.3%
Engineering Services	115,285	101,203	-14,082	-12.2%
Public Works - Operations	913,345	950,867	37,522	4.1%
<b>TOTAL COMMISSIONER OF ENGINEERING &amp; PUBLIC WORKS</b>	<b>1,342,575</b>	<b>1,343,230</b>	<b>655</b>	<b>0.0%</b>
<b>VAUGHAN PUBLIC LIBRARIES</b>	<b>272,770</b>	<b>312,779</b>	<b>40,009</b>	<b>14.7%</b>
<b>TOTAL FEES / SERVICE CHARGES</b>	<b>32,411,835</b>	<b>34,859,148</b>	<b>2,447,313</b>	<b>7.6%</b>
<b>TOTAL CORPORATE REVENUES</b>	<b>17,243,765</b>	<b>19,203,174</b>	<b>1,959,409</b>	<b>11.4%</b>
<b>TOTAL REVENUE</b>	<b>71,181,385</b>	<b>74,019,693</b>	<b>2,838,308</b>	<b>4.0%</b>

**CITY OF VAUGHAN  
2009 OPERATING BUDGET  
YEAR END VARIANCE REPORT  
AS AT DECEMBER 31, 2009**

**REVENUE BY MAJOR SOURCE  
CORPORATE REVENUE DETAIL**

***CORPORATE REVENUE DETAIL :***

	2009 ANNUAL BUDGET	2009 ANNUAL ACTUAL	VARIANCE	
			FAV. / (UNFAV) \$	%
Fines And Penalties	4,700,000	4,679,602	(20,398)	-0.4%
Tax Certificates And Documents	490,485	331,320	(159,165)	-32.5%
Investment Income	3,750,000	4,731,673	981,673	26.2%
Hydro Investment Income	4,853,450	4,853,450	0	0.0%
Hydro Dividends	2,500,810	3,831,787	1,330,977	53.2%
Provincial Offenses Act	840,000	640,363	(199,637)	-23.8%
Miscellaneous Revenue	41,520	12,953	(28,567)	-68.8%
Purchasing	50,700	89,593	38,893	76.7%
Capital Admin. Revenue	16,800	32,433	15,633	93.1%
<b><i>TOTAL CORPORATE REVENUE</i></b>	<b>17,243,765</b>	<b>19,203,174</b>	<b>1,959,409</b>	<b>11.4%</b>

**CITY OF VAUGHAN  
2009 OPERATING BUDGET  
AS AT DECEMBER 31, 2009**

**DEPARTMENTAL EXPENDITURES BY MAJOR CATEGORY (1)**

	2009 ANNUAL BUDGET	2009 ANNUAL ACTUAL	VARIANCE	
			FAV. / (UNFAV) \$	%
<b>COUNCIL</b>	1,338,481	1,192,458	146,023	10.9%
<b>OFFICE OF THE INTEGRITY COMMISSIONER</b>	200,000	108,628	91,372	45.7%
<i>City Manager</i>	598,490	537,960	60,530	10.1%
Operational Audit	181,615	151,287	30,328	16.7%
Strategic Planning	207,150	197,966	9,184	4.4%
Corporate Policy	124,560	124,119	441	0.4%
Fire and Rescue Services	29,975,470	30,004,355	(28,885)	-0.1%
Emergency Planning	173,370	160,610	12,760	7.4%
<b>TOTAL CITY MANAGER</b>	31,260,655	31,176,297	84,358	0.3%
<i>Commissioner of Finance and Corporate Services</i>	508,240	388,268	119,972	23.6%
City Financial Services	2,672,640	2,561,121	111,519	4.2%
Budgeting and Financial Planning	1,312,995	1,258,145	54,850	5.7%
Reserves and Investments	988,760	886,675	102,085	10.3%
Purchasing Services	1,145,835	1,194,948	(49,113)	-4.3%
<b>TOTAL COMM. OF FINANCE AND CORP. SERVICES</b>	6,628,470	6,289,157	339,313	5.4%
<i>Commissioner of Legal and Administrative Services</i>	361,400	337,269	24,131	6.7%
City Clerk	3,796,245	3,573,304	222,941	5.9%
Clerks - Licensing	505,490	548,797	(43,307)	-8.6%
Committee of Adjustment	515,760	499,334	16,426	3.2%
City Clerk - Insurance	2,208,000	2,491,426	(283,426)	-12.8%
Legal Services	1,547,925	1,977,829	(429,904)	-27.8%
Enforcement Services	3,993,255	3,589,588	393,657	9.9%
Human Resources	3,074,105	3,011,381	62,724	2.0%
<b>TOTAL COMM. OF LEGAL AND ADMINISTRATIVE SERVICES</b>	16,002,180	16,038,938	(36,758)	-0.2%
<i>Commissioner of Community Services</i>	482,435	466,600	15,835	3.3%
Communities in Bloom	125,455	118,135	7,320	5.8%
Community Grants and Advisory Committees	155,755	60,785	94,970	61.0%
Recreation	16,487,850	16,684,160	(196,310)	-1.2%
Cultural Services	740,670	665,438	75,232	10.2%
Buildings and Facilities	17,419,800	16,086,916	1,322,884	7.6%
Fleet Management	938,770	764,798	173,972	18.5%
Parks Operations	11,083,535	11,164,566	(71,021)	-0.6%
Parks Development	1,073,110	1,097,438	(24,328)	-2.3%
<b>TOTAL COMMISSIONER OF COMMUNITY SERVICES</b>	48,507,380	47,108,826	1,398,554	2.9%
<i>Commissioner of Planning</i>	333,450	334,658	(1,208)	-0.4%
Development Planning	2,604,930	2,357,601	247,329	9.5%
Policy Planning	881,495	1,137,016	(255,521)	-29.0%
Building Standards	6,157,630	5,573,056	584,574	9.5%
<b>TOTAL COMMISSIONER OF PLANNING</b>	9,977,505	9,402,331	575,174	5.8%
<i>Commissioner of Economic and Technology     Development and Communications</i>	234,580	2,866	231,714	98.8%
Economic and Business Development	1,866,545	1,794,336	72,209	3.9%
Access Vaughan	696,170	655,513	40,657	5.8%
Information and Technology Management	6,690,865	6,392,429	298,436	4.5%
Corporate Communications	1,537,980	1,366,811	171,169	11.1%
<b>TOTAL COMMISSIONER OF ECONOMIC AND TECHNOLOGY DEVELOPMENT and COMMUNICATIONS</b>	11,026,140	10,211,955	814,185	7.4%
<i>Commissioner of Engineering and Public Works</i>	329,145	322,301	6,844	2.1%
Development and Transport. Engineering	3,581,870	3,159,289	422,581	11.8%
Engineering Services	3,343,938	2,726,941	616,994	18.5%
Public Works - Operations	28,058,940	27,822,048	236,892	0.8%
<b>TOTAL COMMISSIONER OF ENGINEERING AND PUBLIC WORKS</b>	35,313,890	34,030,579	1,283,311	3.6%
<b>VAUGHAN PUBLIC LIBRARIES</b>	11,247,910	11,110,947	136,963	1.2%
<b>TOTAL DEPARTMENTAL EXPENDITURES</b>	171,502,611	166,670,116	4,832,495	2.8%
<b>CORPORATE AND ELECTION</b>	6,156,595	9,784,410	(3,627,815)	-58.9%
<b>LONG TERM DEBT</b>	8,250,000	7,798,895	451,105	5.5%
<b>CONTINGENCY</b>	2,358,340	2,314,600	43,740	1.9%
<b>CAPITAL FROM TAXATION</b>	6,585,475	6,585,475	0	0.0%
<b>TOTAL DEPARTMENTAL AND CORPORATE EXPENDITURES</b>	194,853,021	193,153,496	1,699,525	0.9%

(1) Expenditures are net of Hydro Joint Services Revenue and Library Joint Service Charges.

**CITY OF VAUGHAN  
2009 OPERATING BUDGET  
AS AT DECEMBER 31, 2009**

**CORPORATE EXPENDITURES - DETAILS**

	2009 ANNUAL BUDGET	2009 ANNUAL ACTUAL	VARIANCE	
			FAV. / (UNFAV) \$	%
<b>CORPORATE &amp; ELECTIONS DETAIL :</b>				
<b>RESERVE CONTRIBUTIONS:</b>				
1998 & Prior Bldg & Facil. infrast. Res. Contrib.	825,000	825,000	0	0.0%
Post 1998 Bldg & Facil. infrast. Res. Contrib.	1,225,000	1,225,000	0	0.0%
Roads infrastructure Reserve Contribution	475,000	475,000	0	0.0%
Parks infrastructure Reserve Contribution	275,000	275,000	0	0.0%
Bldg. Stds. Service Continuity Reserve Contribution	0	1,767,261	(1,767,261)	0.00%
Election Reserve Contribution	200,000	200,000	0	0.0%
<b>TOTAL RESERVE CONTRIBUTIONS</b>	<b>3,000,000</b>	<b>4,767,261</b>	<b>(1,767,261)</b>	<b>-58.9%</b>
<b>CORPORATE EXPENDITURES:</b>				
Tornado Emergency Aug'09	0	57,939	(57,939)	0.00%
Year End Expenditure Reserve	0	303,050	(303,050)	0.00%
Bank Charges	90,000	134,684	(44,684)	-49.6%
Professional Fees	236,820	173,618	63,202	26.7%
Major Omb Hearings - Professional Fees	400,000	873,509	(473,509)	-118.4%
Joint Services	344,380	431,266	(86,886)	-25.2%
Sundry	34,900	814	34,086	97.7%
City Hall Funding	1,000,000	1,000,000	0	0.0%
Tax Adjustments	1,400,000	1,385,240	14,760	1.1%
Corporate insurance	603,075	603,075	0	0.0%
Armo Membership	18,050	0	18,050	100.0%
Conferences	29,370	28,227	1,143	3.9%
Election	0	25,767	(25,767)	0.00%
Unallocated Benefits	0	(40)	40	0.00%
Salary Savings From Turnover (Gapping)	(1,000,000)	0	(1,000,000)	100.0%
<b>TOTAL CORPORATE EXPENSES</b>	<b>3,156,595</b>	<b>5,017,149</b>	<b>(1,860,554)</b>	<b>-58.9%</b>
<b>TOTAL RESERVE CONTRIBUTIONS &amp; CORPORATE EXPENSES</b>	<b>6,156,595</b>	<b>9,784,410</b>	<b>(3,627,815)</b>	<b>-58.9%</b>
<b>LONG TERM DEBT</b>	<b>8,250,000</b>	<b>7,798,895</b>	<b>451,105</b>	<b>5.5%</b>
<b>CONTINGENCY</b>	<b>2,358,340</b>	<b>2,314,600</b>	<b>43,740</b>	<b>1.9%</b>
<b>CAPITAL FROM TAXATION</b>	<b>6,585,475</b>	<b>6,585,475</b>	<b>0</b>	<b>0.0%</b>



**CITY OF VAUGHAN  
2009 OPERATING BUDGET  
YEAR END VARIANCE REPORT**

**EXPENDITURE DETAILS BY DEPARTMENT**

	2009	2009	VARIANCE	
	ANNUAL BUDGET	ANNUAL ACTUAL	FAV. / (UNFAV) \$	%
<b>DEPARTMENTAL DETAILS:</b>				
<b>COUNCIL</b>	1,338,481	1,192,458	146,023	10.9%
<b>OFFICE OF THE INTEGRITY COMMISSIONER</b>	200,000	108,628	91,372	45.7%
<b>CITY MANAGER</b>	598,490	537,960	60,530	10.1%
OPERATIONAL AUDIT	181,615	151,287	30,328	16.7%
STRATEGIC PLANNING	207,150	197,966	9,184	4.4%
CORPORATE POLICY	124,560	124,119	441	0.4%
<b>FIRE AND RESCUE SERVICES DETAIL:</b>				
FIRE ADMINISTRATION	976,785	983,515	(6,730)	-0.7%
FIRE COMMUNICATION	1,128,725	1,021,778	106,947	9.5%
FIRE MECHANICAL	570,340	586,486	(16,146)	-2.8%
FIRE PREVENTION	1,654,890	1,529,278	125,412	7.6%
FIRE OPERATIONS	24,959,670	25,322,372	(362,702)	-1.5%
FIRE TRAINING	610,445	462,620	147,825	24.2%
EMERGENCY MEDICAL PROGRAM	74,815	98,306	(23,491)	-31.4%
<b>TOTAL FIRE AND RESCUE SERVICES</b>	<b>29,975,470</b>	<b>30,004,355</b>	<b>(28,885)</b>	<b>-0.1%</b>
EMERGENCY PLANNING	173,370	160,610	12,760	7.4%
<b>COMM. OF FINANCE AND CITY TREASURER</b>	<b>508,240</b>	<b>388,268</b>	<b>119,972</b>	<b>23.6%</b>
<b>CITY FINANCIAL SERVICES DETAIL:</b>				
CITY FINANCIAL SERVICES ADMINISTRATION	377,755	355,277	22,478	6.0%
ACCOUNTING SERVICES	993,545	955,771	37,774	3.8%
TAXATION AND PROPERTY ASSESSMENT	1,239,825	1,191,275	48,550	3.9%
PAYROLL SERVICES	61,515	58,798	2,717	4.4%
<b>TOTAL CITY FINANCIAL SERVICES</b>	<b>2,672,640</b>	<b>2,561,121</b>	<b>111,519</b>	<b>4.2%</b>
<b>BUDGETING AND FINANCIAL PLANNING DETAIL:</b>				
BUDGETING ADMINISTRATION	262,599	251,629	10,970	4.2%
BUDGETING	459,548	440,351	19,197	4.2%
FINANCIAL PLANNING	328,249	314,536	13,713	4.2%
ACTIVITY COSTING	262,599	251,629	10,970	4.2%
<b>TOTAL BUDGETING AND FINANCIAL PLANNING</b>	<b>1,312,995</b>	<b>1,258,145</b>	<b>54,850</b>	<b>5.7%</b>
RESERVES AND INVESTMENTS	988,760	886,675	102,085	10.3%
PURCHASING SERVICES	1,145,835	1,194,948	(49,113)	-4.3%
<b>COMMISSIONER OF LEGAL AND ADMINISTRATIVE SERVICES</b>	<b>361,400</b>	<b>337,269</b>	<b>24,131</b>	<b>6.7%</b>
<b>CITY CLERK DETAILS:</b>				
CLERKS ADMINISTRATION	1,040,420	1,015,170	25,250	2.4%
RECORDS MANAGEMENT	512,575	415,048	97,527	19.0%
ARCHIVAL SERVICES	150,335	147,895	2,440	1.6%
MAILROOM / PRINTSHOP / COURIER SERVICES	790,755	712,197	78,558	9.9%
COUNCIL CORPORATE	120,940	89,677	31,263	25.9%
COUNCIL EXECUTIVE ASSISTANTS	1,181,220	1,193,317	(12,097)	-1.0%
<b>TOTAL CITY CLERK</b>	<b>3,796,245</b>	<b>3,573,304</b>	<b>222,941</b>	<b>5.9%</b>

**CITY OF VAUGHAN  
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**EXPENDITURE DETAILS BY DEPARTMENT**

	2009 ANNUAL BUDGET	2009 ANNUAL ACTUAL	VARIANCE	
			FAV. / (UNFAV) \$	%
<b>DEPARTMENTAL DETAILS:</b>				
LICENSING AND SPECIAL PROJECTS	505,490	548,797	(43,307)	-8.6%
COMMITTEE OF ADJUSTMENT AND DEVELOP. SERV.	515,760	499,334	16,426	3.2%
CITY CLERK - INSURANCE	2,208,000	2,491,426	(283,426)	-12.8%
<b>LEGAL SERVICES DETAIL:</b>				
LEGAL SERVICES ADMINISTRATION	1,188,505	1,617,114	(428,609)	-36.1%
REGISTRATION FEES	25,000	34,885	(9,885)	-39.5%
REAL ESTATE	334,420	325,830	8,590	2.6%
<b>TOTAL LEGAL SERVICES</b>	<b>1,547,925</b>	<b>1,977,829</b>	<b>(429,904)</b>	<b>-27.8%</b>
<b>ENFORCEMENT SERVICES DETAIL:</b>				
ENFORCEMENT SERVICES ADMINISTRATION	3,414,255	3,029,431	384,824	11.3%
ANIMAL CONTROL	579,000	570,167	8,833	1.5%
<b>TOTAL ENFORCEMENT SERVICES</b>	<b>3,993,255</b>	<b>3,599,598</b>	<b>393,657</b>	<b>9.9%</b>
<b>HUMAN RESOURCES DETAIL:</b>				
HUMAN RESOURCES ADMINISTRATION	61,015	49,871	11,144	18.3%
LEARNING AND DEVELOPMENT	346,190	318,144	28,046	8.1%
EMPLOYEE RELATIONSHIPS	738,425	769,122	(30,697)	-4.2%
EMPLOYEE SERVICES	570,055	531,920	38,135	6.7%
CROSSING GUARDS	942,070	880,412	61,658	6.5%
BENEFIT & HEALTH & SAFETY	416,350	461,912	(45,562)	-10.9%
<b>TOTAL HUMAN RESOURCES</b>	<b>3,074,105</b>	<b>3,011,381</b>	<b>62,724</b>	<b>2.0%</b>
<b>COMMISSIONER OF COMMUNITY SERVICES</b>	<b>482,435</b>	<b>466,600</b>	<b>15,835</b>	<b>3.3%</b>
COMMUNITIES IN BLOOM	125,455	118,135	7,320	5.8%
<b>TOTAL COMMISSIONER OF COMMUNITY SERVICES</b>	<b>607,890</b>	<b>584,735</b>	<b>23,155</b>	<b>3.8%</b>
COMMUNITY GRANTS AND ADVISORY COMMITTEES	155,755	60,785	94,970	61.0%
<b>RECREATION DETAIL:</b>				
RECREATION ADMINISTRATION	4,833,285	4,800,895	32,390	0.7%
PROGRAMMES ADMINISTRATION	489,060	491,446	(2,386)	-0.5%
AQUATICS	2,946,465	2,915,106	31,359	1.1%
FITNESS	1,469,715	1,488,607	(18,892)	-1.3%
GENERAL PROGRAMMES	2,558,700	2,540,522	18,178	0.7%
CAMPS	1,469,715	1,327,185	142,530	9.7%
SKATING	64,290	61,315	2,975	4.6%
CITY PLAYHOUSE	440,485	459,449	(18,964)	-4.3%
PERMITS (VAUGHAN HOCKEY SUBSIDY)	1,118,270	1,118,322	(52)	0.0%
YORK REGION TRANSIT TICKETING	898,000	1,322,319	(424,319)	-47.3%
SPECIAL NEEDS / VOLUNTEER DEVELOPMENT	167,925	132,684	35,241	21.0%
OTHER PROGRAMMES	31,940	26,310	5,630	17.6%
<b>TOTAL RECREATION</b>	<b>16,487,850</b>	<b>16,684,160</b>	<b>(196,310)</b>	<b>-1.2%</b>

**CITY OF VAUGHAN  
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**EXPENDITURE DETAILS BY DEPARTMENT**

	2009	2009	VARIANCE	
	ANNUAL BUDGET	ANNUAL ACTUAL	FAV. / (UNFAV) \$	%
<b>DEPARTMENTAL DETAILS:</b>				
CULTURAL SERVICES DETAIL:				
CULTURAL SERVICES ADMINISTRATION	632,290	587,380	44,910	7.1%
VAUGHAN CULTURAL INTERPRETIVE CTR.	9,880	0	9,880	100.0%
DOORS OPEN VAUGHAN	65,500	57,141	8,359	12.8%
ARTS	16,500	16,450	50	0.3%
HERITAGE VAUGHAN	16,500	4,467	12,033	72.9%
<b>TOTAL CULTURAL SERVICES</b>	<b>740,670</b>	<b>665,438</b>	<b>75,232</b>	<b>10.2%</b>
BUILDINGS AND FACILITIES DETAIL:				
ADMINISTRATION	2,291,225	2,108,146	183,079	8.0%
TRADES SHOPS	477,100	601,789	(124,689)	-26.1%
CIVIC CENTRE	1,233,145	1,017,446	215,699	17.5%
BUILDING OPERATIONS	13,418,330	12,369,535	1,048,795	7.8%
<b>TOTAL BUILDINGS AND FACILITIES</b>	<b>17,419,800</b>	<b>16,096,916</b>	<b>1,322,884</b>	<b>7.6%</b>
FLEET MANAGEMENT DETAIL:				
FLEET MANAGEMENT ADMINISTRATION	459,020	428,931	30,089	6.6%
FLEET MANAGEMENT SERVICES	479,750	335,867	143,883	30.0%
<b>TOTAL FLEET MANAGEMENT</b>	<b>938,770</b>	<b>764,798</b>	<b>173,972</b>	<b>18.5%</b>
PARKS OPERATIONS DETAIL:				
PARKS ADMINISTRATION	1,623,870	1,316,712	307,158	18.9%
OPERATIONS	6,137,345	6,567,377	(430,032)	-7.0%
FORESTRY	1,215,510	1,159,874	55,636	4.6%
CEMETERIES / CAPITAL PROJECTS	2,106,810	2,110,593	(3,783)	-0.2%
<b>TOTAL PARKS OPERATIONS</b>	<b>11,083,535</b>	<b>11,154,556</b>	<b>(71,021)</b>	<b>-0.6%</b>
PARKS DEVELOPMENT	1,073,110	1,097,438	(24,328)	-2.3%
<b>COMMISSIONER OF PLANNING</b>	<b>333,450</b>	<b>334,658</b>	<b>(1,208)</b>	<b>-0.4%</b>
DEVELOPMENT PLANNING DETAIL:				
PLANNING ADMINISTRATION	470,930	393,050	77,880	16.5%
DEVELOPMENT PLANNING	1,897,570	1,734,372	163,198	8.6%
DRAFTING	236,430	230,179	6,251	2.6%
<b>TOTAL DEVELOPMENT PLANNING</b>	<b>2,604,930</b>	<b>2,357,601</b>	<b>247,329</b>	<b>9.5%</b>
POLICY PLANNING	881,495	1,137,016	(255,521)	-29.0%
BUILDING STANDARDS	6,157,630	5,573,056	584,574	9.5%

**CITY OF VAUGHAN  
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**EXPENDITURE DETAILS BY DEPARTMENT**

	2009 ANNUAL BUDGET	2009 ANNUAL ACTUAL	VARIANCE	
			FAV. / (UNFAV) \$	%
<b>DEPARTMENTAL DETAILS:</b>				
<b>COMMISSIONER OF ECONOMIC AND TECHNOLOGY DEVELOPMENT AND COMMUNICATIONS</b>	234,580	2,866	231,714	98.8%
ECONOMIC AND BUSINESS DEVELOPMENT DETAIL:				
ECONOMIC AND BUSINESS DEVELOP. ADMIN.	831,685	790,701	40,984	4.9%
BUSINESS DEVELOPMENT	683,310	622,235	61,075	8.9%
MARKETING	84,900	62,344	22,556	26.6%
TOURISM	224,000	276,407	(52,407)	-23.4%
ENVIRONMENT	42,650	42,649	1	0.0%
TOTAL ECONOMIC AND BUSINESS DEVELOPMENT	1,866,545	1,794,336	72,209	3.9%
ACCESS VAUGHAN	696,170	655,513	40,657	5.8%
INFORMATION AND TECHNOLOGY MANAGEMENT DETAIL:				
OFFICE OF THE CHIEF INFORMATION OFFICER	331,390	291,620	39,770	12.0%
TECHNICAL SERVICES	2,858,025	2,573,031	284,994	10.0%
BUSINESS SOLUTIONS	2,502,645	2,588,133	(85,488)	-3.4%
CLIENT SERVICES	998,805	939,645	59,160	5.9%
TOTAL INFORMATION AND TECHNOLOGY MANAGEMENT	6,690,865	6,392,429	298,436	4.5%
CORPORATE COMMUNICATIONS	1,537,980	1,366,811	171,169	11.1%
<b>COMMISSIONER OF ENGINEERING SERVICES AND PUBLIC WORKS</b>	329,145	322,301	6,844	2.1%
ENGINEERING SERVICES DETAIL:				
DEVELOPMENT AND TRANSPORTATION ENGINEERING	3,581,870	3,159,289	422,581	11.8%
ENGINEERING SERVICES	3,343,935	2,726,941	616,994	18.5%
TOTAL ENGINEERING SERVICES	6,925,805	5,886,230	1,039,575	15.0%
PUBLIC WORKS DETAIL:				
PUBLIC WORKS ADMINISTRATION	1,853,245	1,849,198	4,047	0.2%
ROADS MAINTENANCE	8,344,460	8,448,447	(103,987)	-1.2%
WINTER CONTROL	9,129,330	9,051,962	77,368	0.8%
WASTE MANAGEMENT	8,731,905	8,472,441	259,464	3.0%
TOTAL PUBLIC WORKS	28,058,940	27,822,048	236,892	0.8%
VAUGHAN PUBLIC LIBRARIES DETAIL:				
PERSONNEL AND ADMINISTRATION	8,117,845	7,811,939	305,906	3.8%
COMMUNICATIONS	393,965	384,491	9,474	2.4%
RESOURCES	1,772,720	1,930,811	(158,091)	-8.9%
FACILITIES	963,380	983,706	(20,326)	-2.1%
TOTAL VAUGHAN PUBLIC LIBRARIES	11,247,910	11,110,947	136,963	1.2%
<b>TOTAL DEPARTMENTAL EXPENDITURES</b>	<b>171,502,611</b>	<b>166,670,116</b>	<b>4,832,495</b>	<b>2.8%</b>