

Condensed Consolidated Financial Statements of

**THE CORPORATION OF THE
CITY OF VAUGHAN**

Year ended December 31, 2009



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AUDITORS' REPORT ON CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

The accompanying condensed consolidated statements of financial position, operations and accumulated surplus, change in net financial assets and cash flows are derived from the complete consolidated financial statements of The Corporation of the City of Vaughan as at December 31, 2009 and for the year then ended on which we expressed an opinion without reservation in our report dated April 9, 2010. The fair summarization of the complete consolidated financial statements is the responsibility of management. Our responsibility, in accordance with the applicable Assurance Guideline of The Canadian Institute of Chartered Accountants, is to report on the condensed consolidated financial statements.

In our opinion, the accompanying condensed consolidated financial statements fairly summarize, in all material respects, the related complete consolidated financial statements in accordance with the criteria described in the Guideline referred to above.

The condensed consolidated financial statements do not contain all the disclosures required by Canadian generally accepted accounting principles. Readers are cautioned that these statements may not be appropriate for their purposes. For more information on the entity's financial position, results of operations and changes in its net assets and cash flows, reference should be made to the related complete consolidated financial statements.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a long, horizontal, slightly wavy line that underlines the text.

Chartered Accountants, Licensed Public Accountants

Toronto, Canada
April 9, 2010

THE CORPORATION OF THE CITY OF VAUGHAN

Condensed Consolidated Statement of Financial Position

December 31, 2009 with comparative figures for 2008

	2009	2008 (Restated – note 2)
Financial assets:		
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	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	234,658,826	241,644,367
	<u>704,375,446</u>	<u>753,133,691</u>
Financial liabilities:		
Accounts payable and accrued liabilities	102,424,458	75,470,394
Accrued interest on long-term liabilities	731,999	378,877
Employee future benefits	46,803,418	41,590,166
Deposits and deferred revenue	16,146,626	13,448,629
Deferred revenue - obligatory reserve funds	224,760,862	229,894,012
Debenture and other debt (note 3)	60,469,519	52,082,106
Note payable	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
Non-financial assets		
Tangible capital assets (note 4)	6,685,066,688	6,413,097,646
Accumulated surplus (note 5)	<u>\$ 6,934,801,729</u>	<u>\$ 6,750,063,630</u>

See accompanying notes to condensed consolidated financial statements.

THE CORPORATION OF THE CITY OF VAUGHAN

Condensed Consolidated Statement of Operations and Accumulated Surplus

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

	Budget (Unaudited)	2009	2008 (Restated – note 2)
Revenues:			
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	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:			
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>
Expenses:			
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 Inc.	-	(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 (note 5)	\$ -	\$ 6,934,801,729	\$ 6,750,063,630

See accompanying notes to condensed consolidated financial statements.

THE CORPORATION OF THE CITY OF VAUGHAN

Condensed Consolidated Statement of Change in Net Financial Assets

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

	Budget (Unaudited)	2009	2008 (Restated – note 2)
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 condensed consolidated financial statements.

THE CORPORATION OF THE CITY OF VAUGHAN

Condensed 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):		
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 investing activities	(41,238,681)	(65,394,986)
Investment in Hydro Vaughan Corporations	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 condensed consolidated financial statements.

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Condensed Consolidated Financial Statements

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

1. Significant accounting policies:

(a) Basis of presentation:

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

The condensed consolidated financial statements reflect the assets, liabilities, revenues, expenses and accumulated surplus of the City, Vaughan Public Library Board and the Kleinburg Business Improvement Area.

A copy of the consolidated financial statements and the auditors' report thereon for the year ended December 31, 2009 is available at the City's office of the Commissioner of Finance/City Treasurer for any resident who wishes to review or analyze the financial operations of the City in greater detail.

(b) Investment in Hydro Vaughan Corporations:

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 condensed consolidated statement of operations and accumulated surplus with a corresponding increase or decrease in its investment asset account. Any dividends that the City may receive from the Hydro Vaughan Corporations will be reflected as reductions in the investment asset account.

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Condensed Consolidated Financial Statements

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

1. Significant accounting policies (continued):

(c) 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

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.

(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.

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Condensed Consolidated Financial Statements

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

1. Significant accounting policies (continued):

(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.

2. Change in accounting policies:

The City has implemented PSAB Standards 1200, Financial Statement Presentation and 3150, Tangible Capital Assets. Standard 1200 establishes general reporting principles and standards for the disclosure of information in government financial statements. Standard 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

Notes to Condensed Consolidated Financial Statements

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

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	233,730,430
Amounts to be recovered	(84,064,919)
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Accumulated surplus, as previously reported	333,188,358
Net book value of tangible capital assets:	
Cost	6,882,531,092
Less accumulated amortization	558,598,189
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Net book value of tangible capital assets recorded	6,323,932,903
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Accumulated surplus, as restated	\$ 6,657,121,261
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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	(53,009,868)
Loss on disposal of assets	(1,273,707)
Proceeds on disposal reported as revenue	(3,015,597)
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Annual surplus, as restated	\$ 92,942,369

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Condensed Consolidated Financial Statements (continued)

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

3. Debenture and other debt:

The balance of the municipal debt reported on the Condensed 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 Block 11 Landowners' Group for Block 11 Valley Crossing and Pressure District 6 for East Rutherford Road Trunk Watermain	9,817,207	-
Debt payable to York Major Holdings Inc. 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
	<u>\$ 60,469,519</u>	<u>\$ 52,082,106</u>

4. Tangible capital assets:

	2009	2008
Cost	\$ 7,339,152,977	\$ 7,021,966,840
Less accumulated amortization	654,086,289	608,869,194
Net book value	<u>\$ 6,685,066,688</u>	<u>\$ 6,413,097,646</u>

THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Condensed Consolidated Financial Statements (continued)

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

5. Accumulated surplus:

Accumulated surplus 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	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>