

Consolidated Financial Statements of

**THE CORPORATION OF THE  
CITY OF VAUGHAN**

Year ended December 31, 2009



**KPMG LLP**

**Chartered Accountants**

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## 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, 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.

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

## 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

## 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	\$ –	\$ 6,934,801,729	\$ 6,750,063,630

See accompanying notes to consolidated financial statements.

# THE CORPORATION OF THE CITY OF VAUGHAN

## Consolidated Statement of Change in Net Financial Assets

Year ended December 31, 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

## 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.

# THE CORPORATION OF THE CITY OF VAUGHAN

## Notes to Consolidated Financial Statements

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 assets, liabilities, revenues and expenses 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

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 School Boards 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

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) Long-term debt:

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

### (f) 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.

### (g) 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

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

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## 1. Significant accounting policies (continued):

### (h) 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.

### (i) 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 to the Workplace Safety and Insurance Board (WSIB) are amortized over the average expected period during which the benefits will be paid.

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

# THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

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## 1. Significant accounting policies (continued):

### (j) 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.

### (k) 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

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

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## 1. Significant accounting policies (continued):

### (l) Segment disclosures:

Effective January 1, 2008, the City adopted 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.

### (m) Non-financial assets:

Non financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

#### (i) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, excluding land, 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

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 as incurred.

### (n) 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 PSAB Standard 3150 requires management to make estimates of historical cost and useful lives of tangible capital assets. Actual results could differ from these estimates.

# THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

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## 1. Significant accounting policies (continued):

### (o) Presentation of budget information:

City of Vaughan's Council completes 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 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 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:

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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)
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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 (note 10)	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 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

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

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

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 of PowerStream	(7,200,604)	(7,654,879)
City of Barrie's share of the net earnings of PowerStream	(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

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 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

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 notes receivable	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

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

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)
Projected accrued benefit obligation, at the end of the year, as determined by actuarial valuation	\$ 43,242,000	\$ 38,327,000

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
Benefit expense	\$ 5,642,000	\$ 5,290,000

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 projected benefit obligation as at December 31, 2009 and the expense for year ended December 31, 2009, were 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

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

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:		
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 Road Crossing and Pressure District 6 for East Rutherford Road Trunk Watermain	9,817,207	-
Debt payable to York Major Holdings Inc. for McNaughton Road 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
	<b>\$ 60,469,519</b>	<b>\$ 52,082,106</b>

# THE CORPORATION OF THE CITY OF VAUGHAN

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:

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

# THE CORPORATION OF THE CITY OF VAUGHAN

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 paid 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

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## 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

## Notes to Consolidated Financial Statements

Year ended December 31, 2009

### 10. Tangible capital assets:

Asset	Cost				Accumulated amortization				Net book value December 31, 2009
	Balance December 31, 2008	2009 Acquisitions	2009 Disposals	Balance December 31, 2009	Balance December 31, 2008	2009 Amortization	2009 Disposals	Balance, December 31, 2009	
Land	\$ 4,416,568,823	\$ 167,908,974	\$ 729,708	\$ 4,583,748,089	\$ -	\$ -	\$ -	\$ -	\$ 4,583,748,089
Land improvements	136,493,464	6,378,974	445,923	142,426,515	48,310,959	4,836,636	258,616	52,888,979	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	58,484,563	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	21,583,084	13,702,587
Vehicles	19,252,045	3,741,554	126,596	22,867,003	10,799,826	1,395,124	123,298	12,071,652	10,795,351
Furniture and fixtures	3,588,026	337,508	-	3,925,534	2,062,041	223,827	-	2,285,868	1,639,666
Information technology	3,771,725	653,876	172,030	4,253,571	2,296,065	696,434	169,216	2,823,283	1,430,288
Leasehold improvements	2,181,191	-	-	2,181,191	826,587	258,409	-	1,084,996	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	272,762,306	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	230,101,558	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>\$ 9,257,483</b>	<b>\$ 654,086,289</b>	<b>\$ 6,685,066,688</b>

Asset	Cost				Accumulated amortization				Net book value December 31, 2008
	Balance December 31, 2007 (note 2)	2008 Acquisitions	2008 Disposals	Balance December 31, 2008	Balance December 31, 2007	2008 Amortization	2008 Disposals	Balance, December 31, 2008	
Land	\$ 4,368,029,899	\$ 51,810,552	\$ 3,271,628	\$ 4,416,568,823	\$ -	\$ -	\$ -	\$ -	\$ 4,416,568,823
Land improvements	130,222,812	6,668,893	398,241	136,493,464	44,083,500	4,472,096	244,637	48,310,959	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	53,842,103	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	20,303,391	14,685,361
Vehicles	18,386,787	1,074,821	209,563	19,252,045	9,709,055	1,294,707	203,936	10,799,826	8,452,219
Furniture and fixtures	3,311,177	276,849	-	3,588,026	1,857,364	204,677	-	2,062,041	1,525,985
Information technology	3,302,572	819,510	350,357	3,771,725	1,927,632	693,695	325,262	2,296,065	1,475,660
Leasehold improvements	2,181,191	-	-	2,181,191	568,178	258,409	-	826,587	1,354,604
Roads infrastructure	728,726,000	17,113,922	989,744	744,850,178	236,940,406	21,113,331	647,682	257,406,055	487,444,123
Water and sewer infrastructure	1,381,724,743	13,899,916	232,243	1,395,392,416	196,139,989	16,954,851	72,673	213,022,167	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>\$ 2,738,863</b>	<b>\$ 608,869,194</b>	<b>\$ 6,413,097,646</b>

# THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements

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

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

## 11. 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 (note 5)	234,658,826	241,644,367
Other	(85,568,318)	(22,671,685)
	6,741,498,464	6,548,042,629
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
	193,303,265	202,021,001
Accumulated surplus	\$ 6,934,801,729	\$ 6,750,063,630

# THE CORPORATION OF THE CITY OF VAUGHAN

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

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 throughout the City. The Building Standards department provides inspection services, plan examination services, plumbing services and the issuance of building permits.

(c) Transportation services:

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

(d) Environmental services:

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

# THE CORPORATION OF THE CITY OF VAUGHAN

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

## 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

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 Power Stream 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

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

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 mediation 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

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.

# THE CORPORATION OF THE CITY OF VAUGHAN

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2009

## 13. Segmented information (continued)

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	1,309,376	–	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	968,347	447,131	9,794	922,458	128,805	1,224,635	4,679,602
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) Hydro Vaughan Corporations	–	–	–	–	–	–	–	14,234,842	14,234,842
	15,095,048	44,275,570	168,839,700	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
Goods 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	132,560	–	–	–	35,894	2,355,934
Other	253,412	8,965	187,376	215,551	140,623	694,047	50,660	67,903	1,618,537
Corporate support allocation	1,518,898	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	–	–	6,693,886
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	234,691	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	304,821,947
Annual surplus (deficit) 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 (deficit)	\$ (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)

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	61,312	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	–	–	–	–	–	–	–	14,809,769	14,809,769
	12,538,153	42,775,668	119,316,440	93,742,988	367,728	65,852,845	12,504,793	25,490,313	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
Goods 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	561,057	4,303,931	3,101,583	7,245,945	37,052	4,954,923	1,273,812	(21,478,303)	–
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	358,499	63,513,301	14,223,715	–	279,646,559
Annual surplus (deficit)	\$ (2,044,824)	\$ (1,497,237)	\$ 64,538,581	\$ 5,825,685	\$ 9,229	\$ 2,339,544	\$ (1,718,922)	\$ –	\$ 92,942,369