Clause embodied in Report No. 9 of the Audit Committee, as adopted by the Council of the City of Toronto at its regular meeting held on November 26, 27 and 28, 2002.

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2001 Audited Financial Statements of Agencies, Boards and Commissions

(City Council, at its regular meeting held on November 26, 27 and 28, 2002, adopted this Clause, without amendment.)

The Audit Committee recommends that the 2001 Audited Financial Statements of Agencies, Boards and Commissions appended to the report (September 6, 2002) from the Chief Financial Officer and Treasurer be received.

The Audit Committee reports having forwarded the financial statements of the Hummingbird Centre, the St. Lawrence Centre and the North York Centre for the Performing Arts to the Budget Advisory Committee for its information, and having advised the Budget Advisory Committee that the Chief Administrative Officer is currently conducting a review of these centres.

The Audit Committee submits the following report (September 6, 2002) from the Chief Financial Officer and Treasurer:

Purpose:

To present the 2001 Financial Statements of the City's Agencies, Boards and Commissions.

Financial Implications and Impact Statement:

There are no financial implications arising from this report.

Recommendations:

It is recommended that the financial statements appended to this report be received.

Background:

The City's 2001 consolidated financial statements were presented to Audit Committee in June 2002 and forwarded to Council for approval. The Audit Committee report on the 2001 consolidated financial statements was adopted by Council at its meeting on July 30, 31 and August 1, 2002.

Comments:

The 2001 consolidated financial statements include the assets, liabilities, revenues and expenditures as reported in the individual audited financial statements of each of the City's agencies, boards and commissions. These individual financial statements are presented and approved at the local board level before being forwarded to the City for the information of members of the Audit Committee and other members of Council. The 2001 audited financial statements for the agencies, boards and commissions listed below are appended to this report:

Board of Directors of the Hummingbird Centre for the Performing Arts
St. Lawrence Centre for the Arts
The North York Performing Arts Centre Corporation
Toronto Community Housing Corporation
Heritage Toronto
Toronto Housing Company Inc.
Toronto Public Library Board
Toronto Transit Commission
Enwave District Energy Limited
Toronto Hydro
Toronto Parking Authority

Three entities - Exhibition Place, Toronto Zoo and Toronto Atmospheric Fund - submitted their financial statements directly to Audit Committee held on June 13, 2002. The 2001 audited financial statements of Community Centres, Arenas and Business Improvement Areas and the Toronto Economic Development Corporation are in various stages of completion and will be presented to Audit Committee at a later date.

Conclusions:

The 2001 audited financial statements of the City's agencies, boards and commissions appended to this report have been approved at the local board level and are presented for the information of members of the Audit Committee and other members of Council.

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The Audit Committee also had before it the following report (November 14, 2002) from the Chief Financial Officer & Treasurer:

Purpose:

To provide additional information on the 2001 Financial Statements of certain of the City's Agencies, Boards and Commissions.

Financial Implications and Impact Statement:

There are no financial implications arising from this report.

Recommendation:

It is recommended that this report be received for your information.

Background:

The 2001 financial statements of the City's Agencies, Boards and Commissions were presented to Audit Committee in September 2002. Audit Committee requested that the Chief Financial Officer and Treasurer identify issues of concern to the Audit Committee respecting potential financial impact on the City and management issues in respect of the following Agencies, Boards and Commissions:

(a) Board of Directors of the Hummingbird Centre for the Performing Arts;
(b) St. Lawrence Centre for the Arts;
(c) The North York Performing Arts Centre Corporation;
(d) Toronto Community Housing Corporation;
(e) Heritage Toronto;
(f) Toronto Parking Authority;
(g) Exhibition Place;
(h) Toronto Zoo; and
(i) Toronto Atmospheric Fund.

Comments:

For each of the entities listed above, the 2001 financial statements were reviewed, additional explanations and analyses were obtained where necessary and audit management letters and reports accompanying the 2001 financial statements to the various boards were requested and reviewed where available. Comments on each of the entities are as follows:

Board of Directors of the Hummingbird Centre for the Performing Arts

There were no significant audit issues arising during the 2001 audit examination by Ernst and Young and as a result, an audit management letter was not issued.

Operating deficits in 2000 and 2001 were $226,441 and $448,586 respectively and have been funded from the Hummingbird Stabilization Reserve Fund in each year. The balance remaining in this reserve fund to cover operating deficits in 2002 and future years is $308,154 and would be insufficient to cover the 2002 budgeted deficit of $400,000. However, operating results as at September 30 reflect a surplus of approximately $307,000 and are projected to approximate a break even position by December 31.

A potentially significant contingency exists with respect to the purchase of OMERS past service contribution by an undetermined number of employees. The magnitude of further contributions required from the Centre is unknown at this time.

Assets as at December 31, 2001 amount to $2,564, 158 of which cash amounts $1,479,486 and is held in interest bearing bank accounts.

St. Lawrence Centre for the Arts

There were no significant audit issues arising during the 2001 audit examination by Ernst and Young and as a result, an audit management letter was not issued.

The 2001 financial statements reflect an operating grant from the City of $1,124,800 and a deficit on the year of $5,485 after repayment to the City of an operating budget surplus of $45,609. The deficit arises as a result of differences in financial reporting and operating budget requirements where, for example, capital assets and capital contributions are amortized for financial reporting purposes but are not included in operating budget submissions as there is no impact on cash flow.

An amount of $1,295,599 in ticket surcharge revenue held as deferred revenue and is reported as a part of a deferred capital contributions. These monies are available to help finance future capital expenditures.

The North York Performing Arts Centre Corporation (NYPACC)

The 2001 management letter referred to a difficulty in assembling financial statements when the accounts of NYPACC were combined with those of the City. This matter has been addressed with the segregation of accounts within the City's financial information system to facilitate separate reporting.

The 2001 financial statements reflect an operating deficit on the year of $265,000 due to depreciation on fixed assets exceeding the capital contributions amortized to help defray these costs. As depreciation on fixed assets and the amortization of capital contributions are non-cash items, these items historically are not included in the operating budget submission to the City. The 2001 operating budget results indicate NYPACC was on budget for 2001.

With the NYPACC Stabilization Reserve Fund being fully depleted in 2000, the accumulated deficit as at December 31, 2001 increased to $770,000. The issue of future operations for the Centre was referred to staff for report and a long term business plan is being developed.

An amount of $4,835,000 in ticket surcharge monies is held as deferred revenue and is reported as a part of capital contributions. These monies are available to help finance future capital expenditures that may be required.

Toronto Community Housing Corporation

Toronto Community Housing Corporation was established on January 1, 2001 and, as a part of the provincial local services realignment program, received the transfer of over 29,000 social housing units located in the City from the Ontario Housing Corporation. The transfer was recorded at $83,200,000, being the book value of those transferred units in the books of Ontario Housing Corporation. While it was recognized that additional expenditures would be required to rectify deficiencies on the transferred units, no provision was made in the 2001 financial statements as cost estimates had not been determined.

The balance sheet as at December 31, 2001 reflects equity invested in capital assets of $162,582,000 and an operational deficit of $18,431,000. This deficit arises primarily from the assumption of employee benefit obligations which were assumed from Ontario Housing Corporation on January 1, 2001. There were significant matters to be dealt with during this first year of operation and the 2001 management letter from Ernst and Young identified a number of issues requiring corrective action. Management has agreed to implement solutions for all of the identified matters during 2002.

Heritage Toronto

There were no significant audit issues arising during the 2001 audit examination by Ernst and Young and as a result, an audit management letter was not issued.

The 2001 financial statements reflect grants from the City of $294,388 of which $42,937 is a one time grant. The deficit for the year of $36,037 arises as a result of differences in financial reporting and operating budget requirements where capital assets and capital contributions are amortized for financial reporting purposes but are not included in operating budget submissions as there is no impact on cash flow. Accumulated operating losses of $22,365 as at December 31, 2001 are offset by a net investment of $8,164 in capital assets less capital contributions for a net operating deficit of $14,201.

Toronto Parking Authority

The 2001 management letter issued by Ernst and Young contained four comments, including recommendations on bank reconciliations and vacation policy. Management has responded that concerns over the time to complete bank reconciliations have been addressed but replied that the policy to allow an indefinite carry forward period for unused vacation is a long standing policy of the Authority.

Total assets of $116,559,866 on the balance sheet as at December 31, 2001 consisting primarily of investments of $26,163,112 and capital assets of $81,936,874, are represented for the most part by equity of $99,331,699. Net income declined to $8,649,224 in 2001 as a result of the absence of gains from the sale of capital assets. The City's share of income in 2001 was $25,947,675 and represents a small increase from its share in 2000.

Exhibition Place

The 2001 management letter issued by Ernst and Young contained four recommendations to improve accounting practices. All recommendations are being implemented by management.

Operating results for 2001 reflect a surplus of $775,614 without the need for funding from the City to help subsidize operations. A balance of $1,384,189 is available in the Exhibition Place Stabilization Reserve Fund to help fund deficits that may occur in 2002 or subsequent years.

Toronto Zoo

The 2001 management letter issued by Ernst and Young was reviewed and there are no significant outstanding matters to be addressed.

With the City providing operational and capital funding of $8,067,000 to the Zoo in 2001, a surplus of $50,075 was generated. The balance in the Zoo Stabilization Reserve Fund available to help finance any deficit that may occur in 2002 or later years is $11,220.

Toronto Atmospheric Fund

This entity is audited by the chartered accountant firm of Smith, Nixon. There were no significant audit issues arising during the 2001 audit examination and as a result, an audit management letter was not issued

Total assets as at December 31, 2001 amounted to $25,963,492, of which $23,486,486 was on deposit with the City and invested in securities authorized under the former Trustee Act. The two minor loans outstanding total $91,160 and are being repaid in accordance with loan repayment provisions. The accumulated surplus as at December 31, 2001 was $25,089,817 and arises primarily through the City's investment of $23 million when incorporated approximately ten years ago.

The principal operational items are interest earned on funds on deposit with the City and grants approved for payment. Interest earnings declined from $1,622,468 in 2000 to $1,334,669 in 2001. Grants approved also declined from $1,171,718 in 2000 to $1,109,290 in 2001. A surplus of $193,457 was generated in 2000 while a deficit of $292,620 was incurred in 2001.

Funding commitments in the form of approved loans, lines of credit and guarantees but not yet finalized and executed amounted to $32,095,000 as at December 31, 2001. The proposed investment of $11,500,000 in CAIT did not receive City approval and has not proceeded. Other commitments amounting to $5,300,000 are to be terminated during 2002.

Conclusions:

Comments on certain of the 2001 audited financial statements of the City's agencies, boards and commissions included in this report respond to the Audit Committee request for additional information on the potential financial impact on the City and management issues.

The Finance Department will monitor all agencies, boards and commissions financial position and report annually relative to potential financial impacts as well as any related management issues.

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The Audit Committee reports, for the information of Council, having also had before it a report titled "Auditor's Report and Financial Statements for the Year Ended December 31, 2001", and a copy has been forwarded to Council under separate cover.