TORONTO CITY CLERK

Clause embodied in Report No. 3 of the Audit Committee, as adopted by the Council of the City of Toronto at its meeting held on July 22, 23 and 24, 2003.

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2001 Financial Statements for the City of Toronto Economic Development Corporation

(City Council on July 22, 23 and 24, 2003, adopted this Clause, without amendment.)

The Audit Committee recommends that:

(1) the 2001 financial statements for the City of Toronto Economic Development Corporation, attached to the report (March 19, 2003) from the Chief Financial Officer and Treasurer, be received; and

(2) discussions pertaining to Confidential Appendix A of the report (June 30, 2003) from the Chief Financial Officer and Treasurer, submitted to Council under separate cover, be held in camera, as the subject matter of the Appendix deals with the security of the property of the municipality or local board.

The Audit Committee submits the report (March 19, 2003) from the Chief Financial Officer and Treasurer:

Purpose:

To present the financial statements of the City of Toronto Economic Development Corporation for the year ended December 31, 2001.

Financial Implications:

There are no financial implications resulting from this report.

Recommendations:

It is recommended that the 2001 financial statements for the City of Toronto Economic Development Corporation be received.

Discussion:

The financial statements of the City of Toronto Economic Development Corporation for the year ended December 31, 2001 have been audited by Ernst & Young and were presented to and approved by the TEDCO Board of Directors in December 2002.

The finalization of these financial statements was delayed pending the resolution of estimates on the collectability of certain accounts receivable as described in Note 10 (b) to the financial statements.

Principal changes on the 2001 balance sheet relate to a settlement received from a former tenant for soil contamination in the form of cash/investments ($17.3 million) and land ($10.0 million). These funds are held by TEDCO for the remediation of the property once site redevelopment commences and are offset on the balance sheet by a liability for environmental costs.

Conclusion:

The audited financial statements of the City of Toronto Economic Development Corporation for the year ended December 31, 2001 have been approved by the TEDCO Board and are presented for the information of members of Audit Committee and other members of Council.

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The Audit Committee also had before it a report (June 30, 2003) from the Chief Financial Officer and Treasurer:

Purpose:

To respond to a request from Audit Committee for additional information related to the 2001 financial statements of the Toronto Economic Development Corporation ("TEDCO").

Financial Implications:

There are no financial implications resulting from this report.

Recommendation:

It is recommended that this report be received.

Background:

The 2001 financial statements of the Toronto Economic Development Corporation ("TEDCO"), presented for consideration by Audit Committee on April 9, 2003, were deferred pending a report on: (1) the appropriateness of investments being made by the City of Toronto rather than TEDCO; (2) the reason for the high amount in cash and short term investments; and (3) the allowance of $1 million for doubtful loans.

Discussion:

Investments

At its meeting of February 8, 2002, Audit Committee adopted a report from the Auditor General requesting that "the Chief Financial Officer and Treasurer report to the June 13, 2002 meeting of the Audit Committee recommending changes, if any, to the investment policies of Agencies, Boards and Commissions" and that "the investment policies of the City be followed by those agencies over which the City has authority". Audit Committee subsequently adopted a report from the Chief Financial Officer and Treasurer dated June 5, 2002 recommending the City's Agencies, Boards and Commissions comply with the City's investment policies with the exception of three entities-Toronto Community Housing Corporation, TEDCO and Toronto Atmospheric Fund. The rationale for exempting these three entities was based on their capability to implement investment policies that are generally more flexible than those of the City and are not subject to provisions of the Municipal Act. The three entities engage independent investment advisors to evaluate available investment opportunities and recommend investment decisions within corporate investment guidelines established by each corporation.

Cash Position

As at December 31, 2001, the TEDCO audited financial statements reflected a balance of $12.5 million in cash and short-term investments. This consisted of $4 million in cash and $8.5 million in short-term investments and reflected management's decision to maintain a relatively liquid cash position as a consequence of many operational and organizational issues that TEDCO was facing at that time.

Allowance for Doubtful Accounts

Comments related to this item are considered to confidential and are included in Appendix "A" attached to this report.

Conclusion:

This report provides the additional information requested by Audit Committee related to the 2001 financial statements of TEDCO on cash and short-term investments and the doubtful loan provision

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The Audit Committee reports having also had before it the following, and a copy has been forwarded to Council under separate cover:

- confidential Appendix A of the report (June 30, 2003) from the Chief Financial Officer and Treasurer; and
- 2001 Financial Statements for the City of Toronto Economic Development Corporation.

(City Council at its meeting held on July 22, 23 and 24, 2003, had before it, during consideration of the foregoing Clause, a confidential Appendix "A" to the TEDCO Financial Statements for year ended December 31, 2001, such Appendix "A" to remain confidential in its entirety, in accordance with the provisions of the Municipal Act, having regard that it concerns matters related to the security of property of the municipality.)