

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 8, 2010

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Communications Plan

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

Purpose

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

Background - Analysis and Options

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

Changes in Accounting Standards

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

Accounting for Tangible Capital Assets – PSAB Standard 3150

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

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

Financial Statement Presentation - PSAB Standard 1200

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

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2009 Draft Consolidated Financial Position Overview

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

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

Financial Assets

Cash and Cash Investments

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

EXHIBIT 1



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Taxes Receivable

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

Water and Wastewater Receivable

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

Accounts Receivable /Local Improvement Receivable/Other Current Assets

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

Investment in Hydro Vaughan Corporations and PowerStream

The Hydro Vaughan Corporations consist of the Hydro Vaughan Holdings Inc., Vaughan Holdings Inc. (45.3% share of PowerStream), Hydro Vaughan Energy Corporation, and 1446631 Ontario Inc. The consolidation is based on the modified equity basis and is consistent with the generally accepted accounting treatment for government business enterprises. Under the modified equity basis, the business enterprise's accounting principles are not adjusted to conform to those of the City, and inter-organizational transactions and balances are not eliminated. The City recognizes its equity interest in the annual income or loss of the Hydro Vaughan Corporations in its Consolidated Statement of Operations and Accumulated Surplus with a corresponding increase or decrease in its investment asset account.

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

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

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

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Following is the investment in the above established corporations:

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

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

LIABILITIES

Accounts Payable and Accrued Liabilities

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

Employee Future Benefit Liability

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

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

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

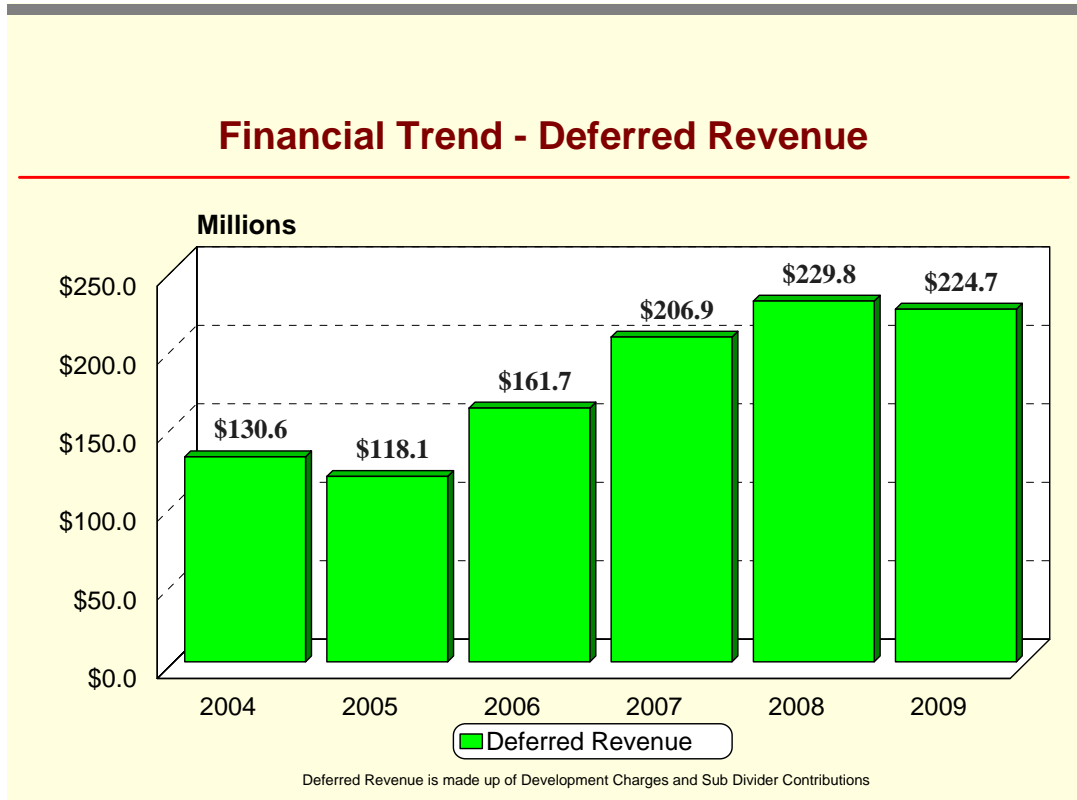
Deposits and Deferred Revenue

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

Deferred Revenue – Obligatory Reserve Fund

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

EXHIBIT 2



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Debenture and Other Debt

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

Non-Financial Assets

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

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

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

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

Accumulated Surplus

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

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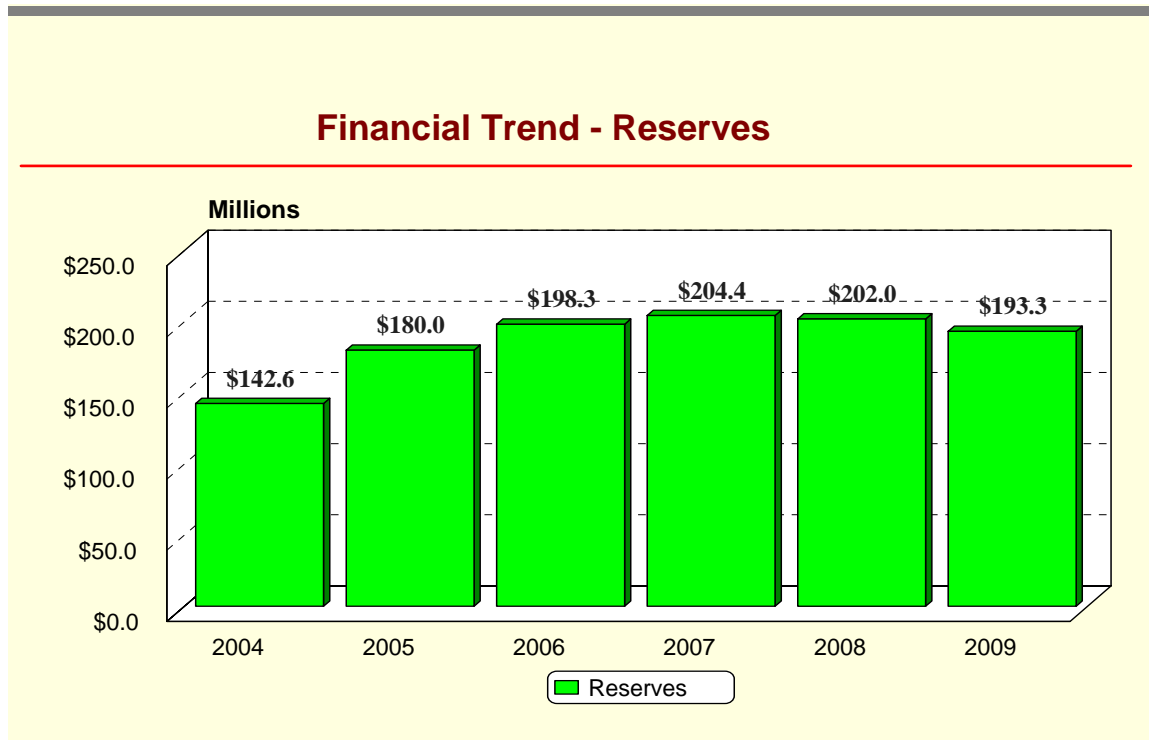
	2009	2008
Investment in Tangible Capital Assets	\$6,685,066,688	\$6,413,097,646
*Other	(85,568,318)	(22,671,685)
*Amounts to be Recovered in Future Years		
From future revenues	(84,469,374)	(77,096,033)
From reserves & reserve funds	<u>(8,189,358)</u>	<u>(6,931,666)</u>
Total	(92,658,732)	(84,027,699)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

*

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

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

EXHIBIT 3



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

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

Target - Discretionary Reserve Funds

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

Financial Information Return

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

Relationship to Vaughan Vision 2020

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

Regional Implications

There are no Regional Implications.

Conclusion

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

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

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

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

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Attachments

- No. 1 - 2009 Draft Consolidated Financial Statements and Trust Fund Statements (Available in Clerks Department)
- No. 2 - Confidential KPMG Audit Findings Report (Mayor & Members of Council only)
- No. 3 - 2009 Annual Corporate and Departmental Operating Variance Report (Available in the Clerk's Department)

Report Prepared by:

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

(A copy of the attachments referred to in the foregoing have been forwarded to each Member of Council and a copy thereof is also on file in the office of the City Clerk.)

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Item 2, Report No. 4, of the Audit and Operational Review Committee, which was adopted without amendment by the Council of the City of Vaughan on June 8, 2010.

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**PAYMENT CARD INDUSTRY (PCI)
DATA SECURITY STANDARDS COMPLIANCE**

The Audit and Operational Review Committee recommends approval of the recommendation contained in the following report of the Commissioner of Finance/City Treasurer, dated June 2, 2010:

Recommendation

The Commissioner of Finance/City Treasurer, in consultation with the City Manager, Chief Information Officer (CIO), and the Director of Financial Services recommends:

That this report be received.

Contribution to Sustainability

Not applicable.

Economic Impact

To assist the City with the Payment Card Industry (PCI) compliance program, the services of an external consulting organization was acquired, in consultation with Purchasing. The associated consulting services costs are estimated to be \$75,000. Sufficient funding is available in the 2009/2010 approved budget for this initiative.

Communications Plan

Quarterly updates are provided to the Program Sponsors and Owners by the Program Manager. Each project within the program has team meetings either monthly or weekly.

Purpose

The purpose of this report is to provide the Audit and Operational Review Committee with information pertaining to the Payment Card Industry mandatory data security standards compliance requirements and provide an update on the City's program to reach compliancy.

Background - Analysis and Options

PCI Data Security Standards were established by the PCI Security Standards Council which is made up of major payment card brands: American Express, Discover Financial Services, JCB International, MasterCard Worldwide and Visa Inc. The standards cover operational, as well as technical aspects of credit card payment processing.

Compliance with the PCI set of standards is mandatory for businesses/organizations that process credit card information. The City processes credit card information with VISA, MasterCard and American Express. The City's credit card processing bank, TD CanadaTrust, is engaged with the City and is monitoring the City's progress towards compliance on behalf of the PCI Security Standards Council.

In Q3 2008, the Commissioner of Finance & Corporate Services at the time initiated the PCI data security standards compliance program. A high level assessment of the City's processes, computer applications and technology infrastructure was conducted and a report was developed

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outlining recommendations to move towards PCI data security standards compliance. The PCI data security standards program is being managed by the Information & Technology Management (ITM) department's Project Management Office (PMO) and is focused on identifying:

- Where credit card data is stored or handled
- What is being done to secure the storage, transmission and handling of credit card data via policies and infrastructure/application set up
- Who is involved and should be involved in the various PCI related processes
- How will security of credit card data be maintained and monitored
- Proving that policies and procedures are applied and enforced, and that infrastructure/applications are secure.

A roadmap consisting of the following projects has been developed to address the above items, these projects include:

1. PCI Business Compliance;
2. Class 7.0 Upgrade;
3. PCI ITM Implementation;
4. Maintenance Plan; and
5. Validation & Certification.

1. PCI Business Compliance Project

The first project initiated was the PCI Business Compliancy Project in Q1 2009. The objective of this project is to develop and train staff on PCI data security standards related policies and procedures. The project team is comprised of representatives from Clerks, Corporate Communications, Enforcement Services, Financial Services, Human Resources, ITM, Legal, Public Works, Purchasing, Recreation & Culture departments, as well as, Vaughan Business Enterprise Centre (VBEC) and Vaughan Public Library. To-date the team has documented current and new credit card processes and created PCI related policies. Any high risk credit card processing issues were addressed immediately. The PCI related policies are currently in the revision stage and should be completed by Q2 2010 and then presented to Council for approval as necessary. Remaining activities include the documentation of new procedures and staff training. Included in the new procedures is an Incident Response Plan (IRP). The IRP will be invoked upon the report of a credit card breach. This project is slated for completion Q3 2010.

2. Class 7.0 Upgrade Project

The Class solution is used by City residents and City staff to register for Recreation & Culture programs and book facilities. This system was identified as requiring changes to accommodate PCI data security standards. The Class 7.0 Upgrade Project was dependant upon the availability of the upgraded solution from the vendor. Therefore, the Class 7.0 Upgrade Project was initiated in Q4 2009. The project team consists of representatives from Financial Services, ITM and Recreation & Culture. This project's objective was to upgrade the Class Solution to version 7.0, as well as, comply with the new HST tax. The upgraded Class solution has been live since May 5, 2010. This project will be completed upon final HST changes July 1st, 2010.

3. PCI ITM Implementation Project

The PCI ITM Implementation Project was initiated in Q4 2009. This project's objective is to ensure City technology infrastructure is PCI data security standards compliant. The project team

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consists of various resources within the ITM department. Some of the activities required for this project are dependent on the Class 7.0 Upgrade Project, therefore, the project planning for this initiative has commenced and planning should be completed by Q2 2010. A project completion date is currently estimated to be Q4 2010.

4. Maintenance Plan Project

The Maintenance Plan Project has not been initiated to-date. This project is dependant on the completion of the PCI Business Compliancy, Class 7.0 Upgrade and PCI ITM Implementation Projects. Since PCI data security standards compliance requires adherence to the latest PCI data security standards version and regular audits of City procedures and technology, a maintenance plan will be required. This plan will establish governance, assign PCI related roles and scheduled activities to ensure on-going PCI data security standards compliance within the City. This project has been slated for completion Q4 2010.

5. Validation & Certification Project

The Validation & Certification Project has not been initiated. This project is dependant on the completion of the Maintenance Plan Project. This project will include the completion of a Self Assessment Questionnaire. This questionnaire is a validation tool for merchants to review various business practices. As well, qualified assessors must be engaged to perform certified vulnerability scans on our computer systems. Upon successful completion of the questionnaire and scans the City will be deemed PCI data security standards compliant. This project has been slated for completion Q1 2011.

PCI Data Security Standards compliancy is crucial to the City's continuous service to our Residents and Businesses. It is important to note that this initiative is considered a program as compliancy is only valid until the next PCI data security standards version change or vulnerability scan. Therefore, adherence and commitment to the maintenance plan must be enforced.

Relationship to Vaughan Vision 2020

This report is consistent with the priorities previously set by Council and the necessary resources have been allocated and approved.

Specifically, the recommendations of this report support the following Vaughan Vision 2020 initiatives:

Service Excellence

- Pursue Excellence in Service Delivery

Management Excellence

- Enhance Productivity, Cost Effectiveness & Innovation
- Maintain Assets & Infrastructure

Regional Implications

None

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Conclusion

The City is being diligent in becoming PCI data security standards compliant by initiating and maintaining PCI compliance program. PCI data security standards compliance is crucial to maintaining “good standing” with our credit card processing bank and to continue the delivery of services to our residents and businesses.

Attachments

None

Report prepared by:

Lucy Pasianotto, Project Manager,
Business Solutions Services, ITM – Ext. 8068

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Item 3, Report No. 4, of the Audit and Operational Review Committee, which was adopted, as amended, by the Council of the City of Vaughan on June 8, 2010, as follows:

By receiving the memorandum from the Commissioner of Community Services, dated June 4, 2010.

3 CAPITAL PROJECTS QUARTERLY REPORT ENDING DECEMBER 31, 2009

The Audit and Operational Review Committee recommends approval of the recommendation contained in the following report of the Commissioner of Finance/City Treasurer and the Director of Reserves & Investments, dated June 2, 2010:

Recommendation

The Commissioner of Finance/City Treasurer and the Director of Reserves & Investments recommends:

- 1) That this report be received for information purposes; and
- 2) That staff update procedures to implement the closure of open capital projects that are in service/use to comply with the new Public Sector Accounting Board reporting requirements.

Contribution to Sustainability

This is not applicable to this report.

Economic Impact

There is no economic impact as all capital projects have been previously approved by Council and the Reserves and Reserve Fund continuity schedule is for information purposes only.

Communications Plan

Not Applicable.

Purpose

The purpose of this report is to provide Audit and Operational Review Committee with the 2009 fourth quarter update on the financial status of all approved capital projects and reserves and reserve fund balances.

Background - Analysis and Options

The Reserves and Investments department is responsible for:

- managing capital processes on an ongoing basis to provide departmental management with the information to ensure that their projects are completed within their approved budgets
- ensuring the appropriate approvals are obtained if circumstances determine additional funding is necessary
- maintaining reserve and reserve fund balances to ensure required funding is available to finance all approved capital projects
- providing quarterly financial updates to Council

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The attached quarterly report provides an update on the financial status of all approved and active capital projects and reserve and reserve fund balances.

Attachment 1 provides the Budget to Actual Status for all currently approved and active capital projects as at December 31, 2009. It is important to note that while a capital work plan may be complete (the road done or the park built) the project is still considered active until all invoices are paid and all funding completed. It should also be noted that this report is a financial representation of payments made to December 31, 2009 and is not an indication of the percentage completion of capital work-in-progress. This information is compiled at a point in time and as capital work plan information is continuously changing current information may vary from this report.

Reserves & Investments has reviewed the Budget to Actual Status report as at December 31, 2009 and provides the following analysis:

- there are 458 open capital projects with a capital budget value of \$558 Million
- to date approximately 64% of this capital budget has been spent (payments processed)
- capital work-in-progress to be completed is valued at approximately \$202 Million
- 92 projects were closed in 2009 releasing \$9.2 million in funding for future projects (funding returned to the original funding source)

Reserves staff together with the operational departments reviewed all active capital projects listed as at December 31, 2009 to determine which capital projects could be consolidated and/or closed. The new Public Sector Accounting Board reporting requirements for tangible capital assets will result in amortization expense being applied to new assets in their first year of service/use. Therefore staff will update procedures for the closing of open capital projects once they are in service/use in order to ensure compliance with the new reporting standards. A complete list of closed capital projects in 2009 is provided as Attachment 3.

Attachment 2 provides the Reserves Continuity Schedule as at December 31, 2009. This schedule provides information on the individual and aggregate reserve balances and the outstanding financial commitments required to fund approved projects. These commitments also include any payments required in future years where approved multi-year payment agreements exist. The balance available after commitments is compiled at a point in time and as reserve activity is ongoing the current available balances may vary from this report.

Relationship to Vaughan Vision 2020

This report is consistent with the priorities previously set by Council and the necessary resources have been allocated and approved.

Regional Implications

Not Applicable.

Conclusion

The Capital Projects Quarterly Report ending December 31, 2009 provides Audit and Operational Review Committee with the financial status of all approved capital projects and reserve balances as at December 31, 2009. The Budget to Actual Status Report and Reserves Continuity Schedule provide point in time information to provide assurance of ongoing management of approved capital projects and the reserves required to fund them.

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Attachments

Attachment 1 – Budget to Actual Status Report by Department as at December 31, 2009
Attachment 2 – Continuity of Reserves & Reserve Funds Schedule as at December 31, 2009
Attachment 3 – List of Capital Projects Closed in 2009

Report prepared by

Ferrucio Castellarin, CGA
Director of Reserves & Investments
Ext. 8271

(A copy of the attachments referred to in the foregoing have been forwarded to each Member of Council and a copy thereof is also on file in the office of the City Clerk.)

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Item 4, Report No. 4, of the Audit and Operational Review Committee, which was adopted without amendment by the Council of the City of Vaughan on June 8, 2010.

4 SUMMARY STATUS REPORT ON AUDIT RECOMMENDATIONS

The Audit and Operational Review Committee recommends approval of the recommendation contained in the following report of the City Auditor, dated June 2, 2010:

Recommendation

The City Auditor recommends:

That this report be received for information purposes.

Contribution to Sustainability

Not applicable.

Economic Impact

There is no economic impact.

Communications Plan

The report will be available on the web.

Purpose

To provide the Audit and Operational Review Committee with information on the number of audit recommendations which (1) have been implemented, (2) are in progress and (3) are deferred by City departments which have been audited since the inception of the City Auditor position in March 2005.

Background - Analysis and Options

Between March 2005 to present, a number of audits were done of City departments based on the risk-based audit work plan. The City Auditor made a number of recommendations in his audit reports to improve controls, mitigate risk, improve corporate governance, efficiency and effectiveness of the operations audited.

Numerous follow-ups were sent out diligently over the years to obtain responses from departments as to the status of the recommendations whether they (1) have been implemented, (2) are in progress or (3) have not yet been started and the reasons for the delay. Actual follow-up audits were not done due to a shortage of audit staff.

The attachment summarizes (1) the departments audited, (2) the quantity of audit recommendations, (3) the quantity of recommendations (or equivalent corrective actions) implemented, in progress or deferred.

Other audits were done where recommendations were not provided due to the nature of the type of audit e.g., investigative or fact finding types. These audits are not included in this Summary Status Report.

CITY OF VAUGHAN

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A total of 472 audit recommendations were included in the Internal Audit Reports of the City operations audited. Of these, 450 (95.3%) recommendations were implemented by the departments, 14 (3.0%) recommendations were in progress and 8 (1.7%) recommendations were deferred, primarily due to reliance on the ITM department.

Relationship to Vaughan Vision 2020

This report is consistent with the priorities previously set by Council and the necessary resources have been allocated and approved.

Regional Implications

Not applicable

Conclusion

A high percentage (98.3%) of Internal Audit recommendations have been implemented or are in progress by the operations audited, as per the responses received from City departments. The result of the implementation will improve efficiency, effectiveness, controls, risk management and corporate governance of these City departments.

Attachments

Summary Status Report On Audit Recommendations

Report prepared by:

Michael Tupchong

(A copy of the attachments referred to in the foregoing have been forwarded to each Member of Council and a copy thereof is also on file in the office of the City Clerk.)

CITY OF VAUGHAN

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Item 5, Report No. 4, of the Audit and Operational Review Committee, which was adopted without amendment by the Council of the City of Vaughan on June 8, 2010.

5 **COUNCIL MEMBER EXPENSE POLICY UPDATE**

The Audit and Operational Review Committee recommends approval of the recommendation contained in the following report of the City Auditor, dated June 2, 2010:

Recommendation

The City Auditor recommends:

That this report be received for information purposes.

Contribution to Sustainability

Not applicable.

Economic Impact

There is no economic impact.

Communications Plan

Not applicable.

Purpose

The Council Member Expense Policy has been in operation since February 1, 2010. This report is to provide an update on the City Auditor's ongoing review of expense submissions (with supporting documentation) by Council Members' Executive Assistants of Council Members' expenses.

Background - Analysis and Options

The original Council Member Expense Policy was approved by Council on December 14, 2009.

Refinements were made to the Policy as a result of training sessions held in January 2010 and Audit and Operational Review Committee meetings held on February 1, 3, 16 and 18, 2010 and Committee of the Whole meeting on February 23, 2010.

On March 9, 2010 Council approved the Council Member Expense Policy to be effective from February 1, 2010.

The City Auditor was assigned the task of reviewing and ensuring compliance with the Council Member Expense Policy before forwarding the expense documentation to the Finance Department for payment.

From the City Auditor's observations to-date:

- The most common expenses are Cellular Phones and Community Event Tickets.
- The next most common expenses are Community Gifts and Promotions.
- Then there were a few Stationery and Highway Toll expenses.
- This is followed by an occasional Advertising, Community Expense-Hosting Event, Newsletter expenses.

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Initially, as expected, there was a steep learning curve and a number of expense submissions were returned back to the Council Members' Executive Assistants. This was because signatures, charitable/not-for-profit numbers, CSO status and/or more documentation were required, or there was an incorrect coding, or the split of taxes(GST, PST) and their allocation were incorrect. As of July 1, 2010, the split of taxes will not be an issue as there will be only one HST tax.

Due to the variety of expenses and documentation submitted, it became clear that that certain sections of the approved Policy should be refined for further clarity, less ambiguity and better understanding. The City Auditor will make the appropriate refinements to the Policy which will be brought forward at a later date for review, discussion and approval.

After 4 months in progress, the Executive Assistants are more aware of the expectations and requirements and have a more informed grasp of the new Policy. As a result, there are less errors, less omissions, and less submissions are returned back to them for re-work.

Relationship to Vaughan Vision 2020

This report is consistent with the priorities previously set by Council and the necessary resources have been allocated and approved.

Regional Implications

Not applicable

Conclusion

The Council Member Expense Policy has been in effect since February 1, 2010. There was an initial big learning curve for all concerned. Expectations of the Policy are now clearer and more understood by all. There are now less errors and less expense submissions are being returned to Executive Assistants of Council Members for re-work. There is improvement over time and this will continue. The Policy needs further refinement for improved clarity and understanding and this is being updated. The refined Policy will be presented to the Audit and Operational Review Committee in a few months' time.

Attachments

Not Applicable

Report prepared by:

Michael Tupchong