

## **CITY OF VAUGHAN**

### **EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 23, 2015**

Item 1, Report No. 10, of the Finance, Administration and Audit Committee, which was adopted without amendment by the Council of the City of Vaughan on June 23, 2015.

#### **1                      2014 DRAFT CONSOLIDATED FINANCIAL STATEMENTS**

**The Finance, Administration and Audit Committee recommends:**

- 1)        That the recommendation contained in the following report of the Commissioner of Finance & City Treasurer and the Director of City Financial Services/Deputy Treasurer, dated June 15, 2015, be approved; and**
- 2)        That the presentation by the Director of City Financial Services/Deputy Treasurer and Mr. Kevin M. Travers, Partner, KPMG LLP, North York, and C1, presentation material titled: “2014 Consolidated Financial Statements Financial Services”, be received.**

#### **Recommendation**

The Commissioner of Finance & City Treasurer and the Director of City Financial Services/Deputy Treasurer, in consultation with the Accounting Manager and the Director of Financial Planning and Analytics, recommend:

1.        That the 2014 Draft Consolidated Financial Statements, Vaughan Public Library Board, Kleinburg Business Improvement Area, Trust Fund Financial Statements and the Statement of Revenues and Expenditures and Fund Balance of the Mayor's Golf and Gala Events (Attachment 2) be approved; and
2.        That the KPMG Audit Findings Report for the year ended December 2014 (Attachment 3) be received.

#### **Contribution to Sustainability**

This is not applicable to this report.

#### **Economic Impact**

There is no economic impact as this is an information item.

#### **Communications Plan**

An advertisement will be placed in the local paper when the financial statements are approved by Council. The advertisement will indicate that the 2014 Consolidated Financial Statements and Trust Fund Statement are available for pick up at the City and in addition the financial statements will be published on the City's web page <https://www.vaughan.ca/cityhall/accounting>.

#### **Purpose**

To receive the financial review of the City's 2014 Draft Consolidated Financial Statements, to approve the City's 2014 Draft Consolidated Financial Statements, Vaughan Public Library Financial Statements, Kleinburg Business Improvement Area Financial Statements, and The Statement of Revenue and Expenditures and Fund Balance of the Mayor's Golf and Gala Events, the Trust Fund Financial Statements and to receive KPMG's Audit Findings Report for 2014.

#### **Background**

**The statutory financial statements are a requirement prescribed by the *Municipal Act, 2001* which states:**

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1. A municipality must prepare financial statements in accordance with generally accepted accounting principles (Section 294.1)
2. The Treasurer must report the financial affairs of the municipality to Council (Section 286.1)
3. The municipality shall appoint an auditor licensed under the *Public Accounting Act, 2004* who is responsible for annually auditing the accounts and transactions of the municipality and its local boards and expressing an opinion on the financial statements of these bodies based on the audit (Section 296.1)

KPMG LLP was awarded the contract in 2013 as a result of a competitive process. The City's Draft Consolidated Financial Statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) for governments as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada.

The City's Draft Consolidated Financial Statements incorporate the financial results of:

- the City of Vaughan
- Vaughan Public Library Board
- Kleinburg Business Improvement Area
- Hydro Vaughan Corporations

The City's Trust Fund Financial Statements are separate and are not included in the City's consolidated financial results. These statements are not part of the Consolidated Statements because they include assets held in trust by the City for other uses (ie. cemetery perpetual care).

Also included are separate Financial Statements for the Library Board and the Board of Management for the Kleinburg Business Improvement Area as well as a Statement of Revenues and Expenditures and Fund Balance of the Mayor's Gala and Golf Events.

#### **The City received an unqualified audit opinion.**

All of the above financial statements have received an unqualified opinion from KPMG and present fairly, in all material respects, the financial position of the entity audited as at December 31, 2014 and its results of operations and accumulated surplus, its change in net financial assets and its cash flows for the year then ended in accordance with public sector accounting standards.

#### **2014 Draft Consolidated Statement of Financial Position Overview**

The City of Vaughan's 2014 Consolidated Statement of Financial Position demonstrates a continued strong position, as the City is in a net financial asset position of \$338.7 million (2013, \$304.2 million).

Major items such as Cash and cash equivalents, Investment in Hydro Vaughan Corporations, Accounts payable and accrued liabilities, Deferred revenue and other items are discussed in Attachment 1 – Highlights.

#### **Financial Statement Presentation Differences from Budget Presentation**

Consolidated Financial Statements are prepared on a different basis than the annual budget.

The Consolidated Financial Statements must comply with Provincial Statutory Reporting and use an accrual basis of accounting whereas the Operating and Capital Budgets approved by Council are intended to set the tax rate and are prepared using a cash basis of accounting.

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Statements	Budget Approved By Council	Statutory Financial Statements
Purpose	To set the tax rate in accordance with the Municipal Act	To comply with Provincial Statutory Reporting
Basis	Cash basis of accounting	Accrual basis of accounting
Differences	Presents a partial financial picture	Presents full financial picture
	Expense tangible capital assets	Capitalize tangible capital assets
	Reserve contributions / No amortization	Amortization over the useful life of tangible capital assets
	Excludes unfunded liabilities	Includes unfunded liabilities

Note 13 in the Draft Consolidated Financial Statements provides a reconciliation of the budgets approved by Council and the annual deficit shown on the Draft Consolidated Statement of Financial Activities.

The actual surplus presented in the 2014 Draft Consolidated Financial Statements differs from the 2014 fourth quarter results due to the reporting differences noted above and is explained in more detail in Attachment 1 – Highlights. Significant revenue and expense variances (budget versus actual) for the 2014 fourth quarter results were presented to Council in May.

#### Relationship to Vaughan Vision 2020

This report is consistent with and supports the Vaughan Vision 2020 strategic initiatives under Organizational Excellence that ensures financial sustainability and manages corporate assets, by obtaining an unqualified audit opinion, ensuring that the consolidated financial position, prepared in accordance with Canadian public sector accounting standards, is presented fairly, in all material respects.

#### Regional Implications

There are no Regional implications associated in the report.

#### Conclusion

The City of Vaughan's 2014 Consolidated Financial Statements, the Financial Statements of the Library Board, the Board of Management for the Kleinburg Business Improvement Area, the Trust Fund and the Statement of Revenues and Expenditures and Fund Balance of the Mayor's Gala and Golf Events have received an **unqualified** audit opinion from KPMG and present fairly, in all material respects, the financial position of each entity as at December 31, 2014 and the results of operations and accumulated surplus, the change in net financial assets and the cash flows for each entity for the year ended December 31, 2014 in accordance with public sector accounting standards.

#### Attachments

1. 2014 Draft Consolidated Financial Statement Highlights
2. 2014 Draft City Consolidated Financial Statement Package which includes the City's Consolidated Financial Statements, the Vaughan Public Library Financial Statements and the Statement of Revenue and Expenditures and Fund Balance of the Mayor's Golf and

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Gala Events and the Kleinburg Business Improvement Area Financial Statements. Also included, but not incorporated in the City's Financial Statements, are the Trust Fund Financial Statements.

3. 2014 Audit Findings Report - KPMG LLP

**Report Prepared by:**

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(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.)