

**THE NINTH MEETING OF THE FINANCE COMMITTEE
OF THE CITY OF GREATER SUDBURY**

**Council Chamber
Tom Davies Square**

**Monday, June 18, 2007
Commencement: 3:40 p.m.**

Chair

COUNCILLOR RUSS THOMPSON, IN THE CHAIR

Present

Councillors Cimino; Barbeau; Berthiaume; Dupuis; Craig; Caldarelli; Gasparini; Landry-Altman; Mayor Rodriguez (A3:45pm)

City Officials

M. Mieto, Chief Administrative Officer; T. Beadman, Chief of Emergency Services; C. Hallsworth, Executive Director of Administrative Services; L. Hayes, CFO/Treasurer; G. Lamothe, Manager of Communications & French Language Service; E. Stankiewicz, Manager of Financial Planning & Policy; D. Bergeron, Manager of Financial Support & Budgeting; P. Buchanan, Manager of Accounting; S. St. Onge, Senior Financial Analyst; D. Mathe, Manager of Supplies & Services; J. Van de Rydt, Acting Coordinator of General Accounting; T. Parmar, Manager of Quality, Administration & Financial Services; A. Haché, City Clerk; J. Nelson, Clerk's Services Coordinator; CJ Caporale, Council Secretary

News Media

Sudbury Star; Northern Life; CBC

Declarations of
Pecuniary Interest

None declared.

PRESENTATIONS/DELEGATIONS

Item 2
2006 Annual Financial
Reports

Report dated 2007-06-11, with attachments, from the CFO/Treasurer regarding 2006 Annual Financial Reports was received.

The Consolidated Financial Statements of the City of Greater Sudbury was distributed under separate cover.

Ms. Lorella Hayes, CFO/Treasurer provided an electronic presentation entitled "*Consolidated Municipal Financial Information - December 31, 2006*".

Ms. Hayes advised that the consolidated information includes the financial activities of all the entities controlled or owned by the City:

- Greater Sudbury Housing Corporation
- City of Greater Sudbury CDC
- Metro Centre Management Board

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- Flour Mill Business Improvement Area
- Library Board
- Greater Sudbury Police Services Board

She also advised that there are three government business enterprises which are controlled by the City and accounted for in the financial statements using the "Equity Method".

- Greater Sudbury Utilities Inc. - Net Income \$2.3 million
- Sudbury Airport CDC - Net Income \$409,982
- Sudbury CDC - Net Income - NIL

She explained that only the net income of the Greater Sudbury Utilities Inc., Sudbury Airport CDC and the Sudbury CDC have been included in the statement of Financial Activities.

Ms. Hayes stated that the financial statements are prepared on the Accrual Basis of Accounting, in other words, transactions are recorded when earned or acquired and not when the cash exchanges hands. Capital expenditures are reported as an expenditure but effective January 1, 2009, municipalities will be required to record Capital Assets on the Balance Sheet and depreciate on an annual basis.

She stated that municipalities report the results of Current, Capital and Reserve Funds. The City's accounting policies must be disclosed in the financial statement notes which form an integral part as they explain the basis upon which the financial information has been accumulated.

Ms. Hayes reviewed the City's 2006 Revenue totaling \$492 million, Current Expenditures totaling \$399 million, and Capital Expenditures totaling \$75 million, with a Change in Fund balance of \$15.9 million.

She also provided a breakdown of the Statement of Financial Position or the Balance Sheet with a Net Municipal Position of \$111.6 million.

Ms. Hayes reviewed the Capital Fund Continuity indicating that large capital projects span a couple of years, and as a result, approximately \$35M sits in the capital fund which is set aside for specific capital projects that will be completed in 2007-2008.

Ms. Hayes reviewed the Reserve and Reserve Fund Continuity stating that the balance for December 31, 2006 was \$88.8 million with a draw of approximately \$8 million as approved by Council during the 2007 Budget deliberations. She provided program specific budget variances and trends in Reserve and Reserve Funds

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stating that the City of Greater Sudbury is still below the BMA study median. In order to compare to the BMA study, the reserves would need to increase by about \$45 million.

Ms. Hayes stated that the City's total debt as a percentage compared to reserves is below the average which illustrates that the City does not have a high level of debt. The majority of debt is self-supported either through water/wastewater rates, rental income, or provincial grants.

The following recommendation was presented:

2007-16 Dupuis-Berthiaume: THAT the Consolidated Financial Statements for the City of Greater Sudbury and the City of Greater Sudbury Trust Funds, for the year ended December 31, 2006 be accepted and approved as presented.

CARRIED

Item 3
2006 Audit Findings
Report

Report dated 2007-06-11, with attachments, from the CFO/Treasurer regarding 2006 Audit Findings Report was received.

Mr. Wayne McDonald of KPMG introduced Mr. Marc Bertrand of Collins Barrow-Maheu Noiseux, Mr. Ed Reilly of Freelandt Caldwell Reilly, Mr. Oscar Poloni and Ms. Sandra Moscal of KPMG.

Mr. McDonald gave an electronic presentation outlining the purpose of an Audit Findings Report, the basis for this information, and the scope of a financial statement audit.

He stated that for the City of Greater Sudbury 2006 audit, materiality for planning purposes was established at \$2,200,000 based on one-half of one percent of revenue of the City, as required under generally accepted auditing standards. Reporting materiality is the threshold that is used to determine whether corrections must be made at the completion of the audit, which has not been adjusted during the course of the audit.

He stated that the liability for Employee Future Benefits (life insurance, dental and health coverage), which are provided to employees upon retirement, has been estimated using an actuarial valuation and determines the City's obligation at a total of \$40,706,060 at December 31, 2006. He advised that KPMG concurs with Management's treatment.

Mr. McDonald stated that the City's active landfill sites have a remaining operating life ranging from approximately ten years in Walden to forty-seven years in Sudbury. The liability for the future closure and post closure care costs have been accrued for the sites at a total of \$7,825,000 at December 31, 2006. He advised that KPMG concurs with Management's estimates and assumptions.

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2006 Audit Findings
Report
(continued)

He stated that the allowance for doubtful taxes is \$3,637,500 which includes allowances for properties in arrears (including contaminated properties) as well as allowances for pending MOS / ARB / 357 and 358. The determination of the allowance is dependant upon estimation of future payments as well as the success rate of appeal. He advised that KPMG concurs with management's methodology.

He stated that municipalities are not paying invoices for ambulance calls provided by other municipalities until concerns regarding the legislation surrounding this practice has been resolved and KPMG concurs with this methodology.

Mr. McDonald provided a summary of uncorrected and corrected audit differences. He outlined performance improvement observations, recommendations from KPMG and management's comments relating to procurement cards, purchase orders, building permits and the establishment of an Audit Committee.

He indicated that the Canadian Institute of Chartered Accountants Public Sector Accounting Standards Board approved the recommendations of Section 3150, *Tangible Capital Assets*. He stated that, "this new standard requires all Canadian local governments to account for tangible capital assets on their statement of financial position commencing with the publication of their December 31, 2009 financial statements at historical cost and to amortize this cost over the asset's estimated useful life" which will require a retroactive application.

Mr. McDonald advised the Committee that management has begun the process and several items were discussed during a meeting:

- how to determine historical cost
- development of capitalization threshold
- development of depreciation policies
- information system requirements

He advised the Committee that there have been changes to existing accounting standards relating to financial statements:

- ▶ PS1200 Financial statement presentation - this new standard will add a new statement of operations which will include depreciation as an expenditure. In addition, the existing statement of financial activities will be modified and referred to statement of changes in net debt.
- ▶ PS2700 Segment disclosures - the new standard encourages the disclosure of financial information relating to major functional areas.

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2006 Audit Findings
Report
(continued)

- ▶ Government transfers (exposure draft) - the exposure draft outlines accounting policies relating to amounts received from government agencies.

He advised that management must gain an understanding of these above changes and sufficient resources will have to be made available for management.

CORRESPONDENCE FOR INFORMATION ONLY

Item 4
2006 Capital Fund
Year-End Position

Report dated 2007-06-11, with attachments, from the CFO/Treasurer regarding 2006 Capital Fund Year-End Position was received for information only.

Item 5
2006 Reserves &
Reserve Funds

Report dated 2007-06-11, with attachments, from the CFO/Treasurer regarding 2006 Reserves and Reserve Funds Report was received for information only.

Adjournment

2007-17 Berthiaume-Dupuis: THAT this meeting does now adjourn.
Time: 4:25 p.m.

Councillor Russ Thompson, Vice-Chair

Corrie-Jo Caporale, Council Secretary