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## **Audit Committee**

### **Date**

2016/05/09

### **Time**

9:00 AM

### **Location**

Civic Centre, Council Chamber,  
300 City Centre Drive, Mississauga, Ontario, L5B 3C1 Ontario

### **Members**

Mayor Bonnie Crombie	
Councillor Jim Tovey	Ward 1
Councillor Karen Ras	Ward 2
Councillor Ron Starr	Ward 6
Councillor Matt Mahoney	Ward 8

### **Contact**

Carmela Radice, Legislative Coordinator, Legislative Services  
905-615-3200 ext. 5426  
[carmela.radice@mississauga.ca](mailto:carmela.radice@mississauga.ca)

### **Find it Online**

<http://www.mississauga.ca/portal/cityhall/auditcommittee>

1. **CALL TO ORDER**
2. **APPROVAL OF AGENDA**
3. **DECLARATION OF CONFLICT OF INTEREST**
4. **MINUTES OF PREVIOUS MEETING**
- 4.1. Minutes of March 7, 2016
5. **DEPUTATIONS** - Nil
6. **MATTERS TO BE CONSIDERED**
- 6.1. Report dated March 26, 2016 from the Director of Internal Audit re: **Final Audit Reports: 1. Community Services Department, Parks & Forestry Division - Urban Forestry Capital Contracts Audit, and 2. Transportation & Works Department, Works Operations and Maintenance Division - Corporate Fleet Audit.**

Recommendation

That the report dated April 26, 2016 from the Director of Internal Audit with respect to final audit reports: 1. Community Services Department, Parks & Forestry Division – Urban Forestry Capital Contracts Audit, and 2. Transportation & Works Department, Works Operations and Maintenance Division – Corporate Fleet Audit, be received for information.

Recommend Receipt

- 6.2. Report dated April 26, 2016 from the City Manager and Chief Administrative Officer re: **Status of Outstanding Audit Recommendations as of March 31, 2016.**

Recommendation

That the report dated April 26, 2016 from the City Manager & Chief Administrative Officer regarding the status of outstanding audit recommendations as of March 31, 2016, be received for information.

Recommend Receipt

- 6.3. Report dated April 18, 2016 from the Commissioner of Corporate Services and Chief Financial Officer re: **2015 External Audit Findings Report.**

Recommendation

That the 2015 External Audit Findings Report dated April 18, 2016 from the Commissioner of Corporate Services and Chief Financial Officer, which includes the Audit Findings Report from KPMG for the fiscal year 2015 for the City of Mississauga (City), be received for information.

Recommend Receipt

- 6.4. Report dated April 18, 2016 from the Commissioner of Corporate Services and Chief Financial Officer re: **2015 Audited Financial Statements.**

Recommendation

That the 2015 Audited Financial Statements for City of Mississauga (consolidated), City of Mississauga Public Library Board, City of Mississauga Trust Funds, Clarkson Business Improvement Area, Port Credit Business Improvement Area, Streetsville Business Improvement Area, Malton Business Improvement Area, and Enersource Corporation be received.

Recommend Receipt

7. **INQUIRIES**
8. **CLOSED SESSION**
9. **ADJOURNMENT**

# City of Mississauga Minutes



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## Audit Committee

### Date

March 7, 2016

### Time

9:03 a.m.

### Location

Council Chamber, 2<sup>nd</sup> Floor, Civic Centre, 300 City Centre Drive, Mississauga, ON L5B3C1

### Members Present

Mayor Bonnie Crombie	(arrived at 9:06 a.m.)
Councillor Jim Tovey	Ward 1
Councillor Karen Ras	Ward 2
Councillor Ron Starr	Ward 6 (Chair)
Councillor Matt Mahoney	Ward 8

### Members Absent

### Staff Present

Janice Baker, City Manager and Chief Administrative Officer  
Martin Powell, Commissioner of Transportation and Works  
Paul Mitcham, Commissioner of Community Services  
Jeff Jackson, Director of Finance and Treasurer  
Mark Beuparlant, Manager of Corporate Financial Services  
Sally Eng, Director, Internal Audit  
Kevin Travers, Partner, KPMG, External Auditor  
Carmela Radice, Legislative Coordinator, Office of the City Clerk

### Find it online

<http://www.mississauga.ca/portal/cityhall/auditcommittee>

1. **CALL TO ORDER** - 9:03 a.m.2. **APPROVAL OF AGENDA**

That the agenda be approved as presented.

Motion: Moved by: (K. Ras)

3. **DECLARATION OF CONFLICT OF INTEREST** - Nil4. **MINUTES OF PREVIOUS MEETING**

4.1. That the Audit Committee minutes of November 16, 2015 be approved as presented.

Approved (M. Mahoney)

5. **DEPUTATIONS** - Nil6. **MATTERS TO BE CONSIDERED**

Mayor arrived at 9:06 a.m.

6.1. Report dated February 22, 2016, from the Director of Internal Audit re: **Final Audit Reports: Final Reports: 1. Community Services Department, Recreation Division - Mississauga SportZone Cash Handling Audit, 2. Transportation and Works Department, Engineering and Construction Division, Capital Works Section - Capital Works Contracts Audit, and 3. Corporate Services Department, Finance Division, Investments Section - 2015 Investment Audit.**

Sally Eng, Director of Internal Audit indicated that the Corporate Service Department, Finance Division Investments Section - 2015 Investment Audit all objectives have been met. She further indicated that Al Steinbach, Senior Internal Auditor will be presenting the other two audits.

Al Steinbach, Senior Internal Auditor provided a summary of the Community Services Department, Recreation Division - Mississauga SportZone Cash Handling Audit. He further indicated that the audit resulted in fifteen recommendations and twelve of the recommendations were specific to Mississauga SportZone and involve update to fees and charges, monitoring and collection of revenues and compliances to Divisional procedures. The remaining

three recommendations address the need to review and update current Corporate and/or Divisional procedures to reflect good business practices and strengthen controls. Management agreed with all the recommendations and have completed four to date with seven expected to be completed by January 31, 2016, three by March 31, 2016 and remaining one by December 31, 2016. Mayor Crombie inquired about unclaimed property. Paul Mitcham, Commissioner of Community Services indicated that unclaimed property is a City wide problem. Janice Baker, City Manager and Chief Administrative Officer indicated that the City has a policy of lost and found and staff will take a look at the issue. Martin Powell, Commissioner of Transportation and Works indicated that he will follow up with staff. Councillor Ras inquired about the donations of the unclaimed property. Mr. Steinbach indicated that they are donated to charities. She further inquired about the playing privileges of staff while on and off duty. Ms. Eng indicated that that recommendation has been completed and needed to be documented.

Al Steinbach, Senior Internal Auditor provided a summary of the Transportation and Works Department, Engineering and Construction Division, Capital Works Section - Capital Works Contracts Audit. He further indicated that the audit resulted in six recommendations and three of the recommendations are related to compliance with clarification of corporate requirements, two are for safeguarding of assets and information and the remaining one recommendation deals with operational control and financial reporting. Management indicated that one will be completed by March 31, 2016, one by September 30, 2016, three by December 31, 2016 and all recently completed projects will be reviewed for recoveries by February 28, 2017. Councillor Tovey inquired about recoveries performed by third parties. Mr. Steinbach indicated that the recoveries performed were from Enersource and Region of Peel. Martin Powell, Commissioner of Transportation and Works indicated that recoveries are requested from governments, utility companies and Regions. Janice Baker, City Manager and Chief Administrative Officer indicated that right now we have two staff to help with the administrative work and if the City needs to hire another staff it will be looked at. Mayor Crombie inquired about the carry-over of funding. Mr. Powell indicated that this is a recommendation that needs to be worked on with finance staff. Jeff Jackson, Director of Finance indicated that Council approves phases instead of the entire projects. Councillor Starr spoke to the high priority of the six recommendations. Mr. Martin indicated that once there is better reporting and the new system will have to make the project managers more accountable.

Recommendation

AC-0001-2016

That the report dated February 22, 2016 from the Director of Internal Audit with respect to final audit reports: 1. Community Services Department, Recreation Division □ Mississauga SportZone Cash Handling Audit; 2. Transportation and Works Department, Engineering and Construction Division, Capital Works Section □ Capital Works Contracts Audit; and 3. Corporate Services Department, Finance Division, Investments Section □ 2015 Investment Audit, be received for information.

Received (J. Tovey)

- 6.2. Report dated February 22, 2016, from the Director of Internal Audit re: **Internal Audit Work Plan for 2016 to 2017.**

Sally Eng, Director of Internal Audit spoke about the Internal Audit Work Plan for 2016 to 2017. Ms. Eng indicated that the 2016 and 2017 work plan has been updated to incorporate audits that have been postponed from 2015 and to reflect changing needs, priorities and resource allocations. She further indicated that a progress report will be provided to the Audit Committee at the September meeting and the work plan will be refreshed at the beginning of 2017.

Recommendation

AC-0002-2016

That the report dated February 22, 2016 from the Director of Internal Audit, with respect to the Internal Audit Work Plan for 2016 to 2017 be approved.

Approved (Mayor Crombie)

7. **INQUIRIES** - Nil
8. **CLOSED SESSION** - Nil
9. **ADJOURNMENT** - 9:41 a.m. (M. Mahoney)

City of Mississauga

# Corporate Report



Date: 2016/04/26

To: Chair and Members of Audit Committee

From: Sally P. Eng, CPA, CA, CMA, Director, Internal Audit

Originator's files:

Meeting date:  
2016/05/09

## Subject

### Final Audit Reports:

1. **Community Services Department, Parks & Forestry Division - Urban Forestry Capital Contracts Audit, and**
2. **Transportation & Works Department, Works Operations and Maintenance Division - Corporate Fleet Audit**

## Recommendation

That the report dated April 26, 2016 from the Director of Internal Audit with respect to final audit reports:

1. Community Services Department, Parks & Forestry Division – Urban Forestry Capital Contracts Audit, and
2. Transportation & Works Department, Works Operations and Maintenance Division – Corporate Fleet Audit

be received for information.

## Background

In accordance with the Terms of Reference for the Audit Committee (By-law 0069-2015), the Committee is responsible for “reviewing reports from the Director of Internal Audit identifying audit issues and the steps to resolve them, [and] reviewing the adequacy of the management responses to audit concerns, having regard to the risks and the costs involved.”

## Comments

Internal Audit has completed finalization of two audits, being:

1. Community Services Department, Parks & Forestry Division – Urban Forestry Capital Contracts Audit, and



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Originators files: File names

2. Transportation & Works Department, Works Operations and Maintenance Division – Corporate Fleet Audit.

The two audit reports are separately bound and are hereby submitted to the Audit Committee for consideration.

## Financial Impact

Not applicable

## Conclusion

The Community Services Department, Parks & Forestry Division – Urban Forestry Capital Contracts Audit and Transportation & Works Department, Works Operations and Maintenance Division – Corporate Fleet Audit are now complete and are submitted for consideration by the Audit Committee.

## Attachments

Appendix 1: Community Services Department, Parks & Forestry Division - Urban Forestry Capital Contracts Audit

Appendix 2: Transportation & Works Department, Works Operations and Maintenance Division - Corporate Fleet Audit



Sally P. Eng, CPA, CA, CMA, Director, Internal Audit

Prepared by: Sally P. Eng, CPA, CA, CMA  
Director, Internal Audit

City of Mississauga  
**Corporate Report**



Date: 2016/04/26

To: Chair and Members of Audit Committee

From: Janice Baker, FCPA, FCA, City Manager and Chief  
 Administrative Officer

Originator's files:

Meeting date:  
 2016/05/09

## Subject

**Status of Outstanding Audit Recommendations as of March 31, 2016**

## Recommendation

That the report dated April 26, 2016 from the City Manager & Chief Administrative Officer regarding the status of outstanding audit recommendations as of March 31, 2016 be received for information.

## Background

The terms of reference for the Audit Committee (By-law 0069-2015) requires the submission of an annual report from the City Manager & Chief Administrative Officer indicating progress made in addressing recommendations which were made by Internal Audit and by the City's External Auditor. At the November 2011 Audit Committee meeting, members requested that a bi-annual progress update be submitted. The current report shows the status as of March 31, 2016.

## Comments

A summary of recommendations which were outstanding as of September 31, 2015 (the effective date of the previous status report to the Audit Committee) and new recommendations which were scheduled for completion from October 1, 2015 to March 31, 2016 is attached as Appendix 1.

Twenty-eight (28) of the fifty-seven (57) recommendations which were previously outstanding as at September 30, 2015 have since been completed and implementations of these recommendations has been verified by Internal Audit. Detailed comments and status for the twenty-nine (29) recommendations that are still outstanding are attached in Appendix 2. Of the twenty-nine (29) recommendations, two (2) require enhancement of computer systems which is underway; one (1) entails documentation of business process; and five (5) relate to business continuity and recovery which are expected to take a little longer. Majority, i.e. twenty-one (21), of the outstanding recommendations involve review and update of business processes. In two areas, Lean projects are in progress. In another case, a new Manager has just started and

additional time is required for him to become familiar with the business processes before implementing the recommendations.

Forty-two (42) new recommendations that were due between October 1, 2015 and March 31, 2016 were added to the list. Thirty (30) have been completed and implementation of these recommendations has been verified by Internal Audit. The remaining twelve (12) recommendations are in various stages of implementation.

## Financial Impact

None

## Conclusion

In summary, ninety-nine (99) recommendations were scheduled for implementation prior to March 31, 2016. Twenty-eight (28) of the recommendations that were outstanding from the previous status report of September 30, 2015 were completed and an additional thirty (30) with due dates between October 1, 2015 and March 31, 2016 were done. Work continues with implementation of the forty-one (41) recommendations that were outstanding as at March 31, 2016.

Continuous efforts are being made by staff to implement audit recommendations and progress is closely monitored to ensure timely implementation.

## Attachments

Appendix 1: Status of Outstanding Audit Recommendations as at March 31, 2016

Appendix 2: Status of Audit Recommendations Outstanding as at September 30, 2015 and Still in Progress as of March 31, 2016



Janice Baker, FCPA, FCA, City Manager and Chief Administrative Officer

Prepared by: Barb Webster, Senior Internal Audit

**STATUS OF OUTSTANDING AUDIT RECOMMENDATIONS  
AS AT MARCH 31, 2016**

<b>Audit</b>	<b>(1) Date Issued (MM/YY)</b>	<b>(2) Outstanding September 30, 2015 *</b>	<b>(3) New **</b>	<b>(4) Implemented/ Resolved</b>	<b>(5) In Progress March 31, 2016</b>
Compliance & Licensing Revenue	09/11	1			1
Medium Value Acquisition	02/13	1			1
Paid Parking	09/13	1		1	
Building Enforcement Inspection Review	12/13	2		1	1
Marina Operations	02/14	3		3	
Accounts Receivable Collections	04/14	9			9
Museums	04/14		1	1	
Notice of Contravention Process	08/14	1	3		4
Mississauga Transit Union Payroll	08/14	12		6	6
Animal Services Review	12/14	7		5	2
T & W Current Maintenance Contracts	02/15	10		8	2
Business Continuity and Disaster Recovery Plan Review	02/15	7		2	5
Golf Courses	02/15	2	1	2	1
Parks Work Records	04/15	1	4	5	
Overtime/Lieu Time (Non-Union)	08/15		2	1	1
3-1-1 Citizen Contact Centre	09/15		2	2	
F&PM Current Maintenance Contracts	10/15		8	3	5
Rental and Lease Agreements	10/15		10	8	2
SportZone – Business Operation	01/16		10	9	1
T & W Capital Works Contracts	02/16		1	1	
<b>TOTAL</b>		<b>57</b>	<b>42</b>	<b>58</b>	<b>41</b>

\* This column includes recommendations which were originally scheduled for implementation on or prior to September 30, 2015 (effective date of the previous status report to Audit Committee).

\*\* This column includes recommendations which were originally scheduled for implementation between October 1, 2015 and March 31, 2016 (effective date of the current status report to Audit Committee).

**STATUS OF AUDIT RECOMMENDATIONS  
OUTSTANDING AS OF SEPTEMBER 30, 2015 AND  
STILL IN PROGRESS AS OF MARCH 31, 2016**

<b>Audit</b>	<b>No. of Recommendations</b>	<b>Comments/Status</b>
<b>Enhancement of Computer System</b>		
2013 Building Enforcement Inspection Review	1	A rollout to the entire mobile device fleet has begun and is expected to be complete by the end of June, 2016. The deployment will ensure all corporately owned devices are protected by the Airwatch MDM ensuring corporate data is properly protected.
2014 Notices of Contravention	1	Information Technology recommended Infor Case Module to create, manage and monitor By-law cases from beginning to end. Business case has been approved; procurement of software has been completed. Project Charter is currently pending approval of steering committee. Planned completion is December 31, 2016.
<b>Business Process Documentation</b>		
2013 Medium Value Acquisition	1	Procedures are currently being documented in conjunction with the development of the Procurement Centre, an automated purchasing workflow system. Procedures will be posted on the Materiel Management website. This is scheduled for completion by the end of 2016.
<b>Business Continuity and Recovery</b>		
2015 Business Continuity and Disaster Recovery Plan Review	5	A plan is underway to hire a Business Continuity Specialist in the Emergency Management Office (EMO). This individual will conduct a Business Impact Analysis and create a work plan to initiate and coordinate an exercise to test and update the City's Business Continuity Plan, specifically the IT Disaster Recovery Plan. In order not to duplicate efforts, IT, in coordination with EMO, will update their objectives based on the requirements from the business units. The IT Management team will also work with the Emergency Management team to identify key metrics and implement a process to measure the data. All these recommendations are expected to be completed by the end of 2017.
<b>Review and Update of Business Processes</b>		
2011 Compliance and Business Licensing Revenue	1	The implementation of the LEAN processes is on target to be complete by December 2016.
2014 Accounts Receivable – Collections	9	A LEAN project was initiated on December 15, 2015 with a target completion date of June 1, 2016. All processes will be done in SAP by September 30, 2016.
2014 Mississauga Transit Payroll	6	Transit is currently working with Finance to establish a reconciliation process. Benchmarking reports are now being used to identify causes for unplanned overtime. A new Manager has been hired and additional time is required to

**STATUS OF AUDIT RECOMMENDATIONS  
OUTSTANDING AS OF SEPTEMBER 30, 2015 AND  
STILL IN PROGRESS AS OF MARCH 31, 2016**

<b>Audit</b>	<b>No. of Recommendations</b>	<b>Comments/Status</b>
		complete the recommendations. Most will be complete by June 30, 2016 and one by December 31, 2016.
2014 Animal Services Review	2	Inventory has been consolidated to Animal Services Licensing desk from community centres and road officers. Reconciliation process of resulting consolidated inventory is scheduled to begin in early May 2016.
2015 Golf Courses	1	Staff continue to work with Finance and Legal to resolve the issue of taxable benefits. A system has been put in place to track and monitor staff and volunteer play through the Golf POS system. Resolution of the taxable benefit is scheduled for June 1, 2016.
2015 T & W Current Maintenance Contracts	2	It is expected that an additional dedicated Compliance Coordinator for Works Operation Maintenance will be hired shortly. Amongst other duties, the Compliance Coordinator will be conducting random checks on maintenance contracts and recoverable in 2016. This should be all underway by mid-May 2016.
<b>Total</b>	<b>29</b>	

City of Mississauga  
**Corporate Report**



Date: 2016/04/18

To: Chair and Members of Audit Committee

From: Gary Kent, Commissioner of Corporate Services and  
 Chief Financial Officer

Originator's files:

Meeting date:  
 2016/05/09

## Subject

**2015 External Audit Findings Report**

## Recommendation

That the 2015 External Audit Findings Report dated April 18, 2016 from the Commissioner of Corporate Services and Chief Financial Officer, which includes the Audit Findings Report from KPMG for the fiscal year 2015 for the City of Mississauga (City), be received for information.

### Report Highlights

- The 2015 External Audit Findings Report provides an overview of the 2015 audit process and findings and highlights those matters on which the Auditors wish to advise the Audit Committee.
- The Audit Committee is responsible for reviewing any reports and correspondence from the External Auditor relating to the City and any local boards or agencies which may be created
- KPMG did not identify any adjustments that were communicated to management and subsequently corrected in the financial statements.
- KPMG did not identify any adjustments that remain uncorrected.
- In 2015, KPMG identified one process improvement recommendation related to tangible capital asset accounting (TCA) and reporting:
  - KPMG recommends that management continue to work with and educate the affected departments maintaining the land inventory database to minimize or eliminate future land adjustments.

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## Background

The Audit Committee's Terms of Reference (Bylaw #0321-2010) establishes the role and responsibilities of the Audit Committee. The assigned responsibilities of the Committee include reviewing and making recommendations to Council regarding the external audit function, internal audit function, financial reporting, internal controls, and compliance.

The Audit Committee is responsible for reviewing any reports and correspondence from the External Auditor relating to the City and any local boards or agencies which may be created. For fiscal year 2015, local boards and agencies include the Mississauga Public Library Board and the four Business Improvement Area Associations.

## Comments

KPMG have now completed the statutory audit for the fiscal year 2015 and have issued an Audit Findings Report for information.

The 2015 External Audit Findings Report assists the Audit Committee in the review of the consolidated financial statements and provides an overview and summary of the findings and an assessment of the completed audit.

The report also provides information and comments regarding the following areas:

- significant audit, accounting and reporting matters
- any corrected or uncorrected audit items
- control deficiencies and business improvement observations
- an Independence Letter

The Process Improvement Observations section provides auditor comments and recommendations relating to the design or effectiveness of internal controls, and/or enhancements to financial accounting and reporting.

In 2015, KPMG identified one process improvement recommendation related to tangible capital asset accounting and reporting.

- KPMG recommends that management continue to work with and educate the affected departments maintaining the land inventory database to minimize or eliminate future land adjustments. This is a common audit observation amongst other municipal audits due the size and complexity of the land inventory.

### Management Response:

Finance, Geomatics, Realty Services, and Legal Services will work collaboratively to ensure efficient and timely reporting of land and other asset acquisitions, disposals, and adjustments.

Please refer to the Audit Findings Reports for more detailed information on this observation.



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#### Prior Year Process Recommendations:

In 2014, KPMG identified one process improvement recommendation related to tangible capital asset accounting (TCA) and reporting:

- City staff continues to work and educate departments involved in the TCA process in order to achieve proper cut-off and explore opportunities to automate this process in order to decrease the delay between activity and recognition.

#### Management Comments:

This recommendation was completed in 2015 and this process will be an ongoing exercise.

The Independence Letter within the report identifies any professional services provided by our external auditors, KPMG, to the City during the year. It also identifies any relationships with the City that may reasonably be thought to bear on auditor independence. The Independence Letter confirms KPMG's independence throughout the audit year.

### **Financial Impact**

There are no financial implications to the City from the Audit Findings Report.

### **Conclusion**

The 2015 External Audit Findings Report is a by-product of the financial statement audit.

The 2015 External Audit Findings Report provides an overview of the 2015 audit process. The report highlights any audit findings and/or audit observations and recommendations for the Audit Committee's review and consideration.

The Independence Letter summarizes the relationship and independence between the City and our external auditors (KPMG).

### **Attachments**

Appendix 1: 2015 Audit Findings Report




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Gary Kent, Commissioner of Corporate Services and Chief Financial Officer

Prepared by: Mark Beauparlant, Manager, Financial and Treasury Services



cutting through complexity

# The Corporation of the City of Mississauga

Audit Findings Report  
For year ended December 31, 2015

*KPMG LLP*

April 2016

kpmg.ca





The contacts at KPMG in connection with this report are:

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Partner

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Audit Senior Manager

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# Executive summary

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## Purpose of this report\*

The purpose of this Audit Findings Report is to assist you, as a member of the Audit Committee, in your review of the results of our audit of the consolidated financial statements (the "financial statements") of the City of Mississauga ("the City") as at and for the year ended December 31, 2015

This Audit Findings Report builds on the Audit Plan we presented to the Audit Committee on November 16, 2015.

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## Changes from the Audit Plan

There have been no significant changes regarding our audit from the Audit Planning Report previously presented to you.

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## Other matters

We have highlighted other significant matters that we would like to bring to your attention.

*See page 4*

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## Finalizing the audit

As of April 14, 2016, we have completed the audit of the financial statements and received evidence of approval of the consolidated financial statements from the City's Chief Financial Officer (individual delegated authority to approve the financial statements). Completion of our subsequent event procedures up our auditor's report date

As of date of this report, we have completed the audit of the financial statements and received evidence of approval of the consolidated financial statements from the City's Chief Financial Officer (individual delegated authority to approve the financial statements).

Our audit report is dated the date of approval of the consolidated financial statements by the Chief Financial Officer, April 14, 2016.

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## Adjustments and differences

We did not identify any adjustments that were communicated to management and subsequently corrected in the financial statements.

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## Critical accounting estimates

Overall, we are satisfied with the reasonability of critical accounting estimates.

The critical areas of estimates relate to allowance for doubtful account for certain accounts and tax receivables, carrying value of tangible capital assets, provisions for accrued liabilities and obligations related to employee future benefits.

\* This Audit Findings Report should not be used for any other purpose or by anyone other than the Audit Committee. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this Audit Findings Report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

# Other matters

## Other matters

We have highlighted below other significant matters that we would like to bring to your attention:

Matter	KPMG comment
Tangible Capital Assets; Recasting adjustment to opening figures	<ul style="list-style-type: none"> <li>• During 2015 and subsequent to finalizing of the 2014 consolidated financial statements, the City initiated a land inventory review project and identified parcels of land and land under road inventory that were not previously recorded as Tangible Capital Assets ("TCA") in the 2014 financial statements.</li> <li>• As at the date of this report, management determined that the TCA land inventory as previously reported in the 2014 financial statements was understated by approximately \$22 million.</li> <li>• The adjustment was identified primarily as the City utilizes an improved method to land inventorying related to parcels that did not have an existing by-law and the City's ownership and responsibility over these land parcels was not clear. The City contracted Municipal Property Assessment Corporation to review these parcels. In 2015, the City's ownership of these parcels was confirmed.</li> <li>• As the land holdings in question have been owned by the City for a significant period of time, management has decided to recast the 2014 financial statements to include these land holdings.</li> <li>• KPMG performed the following audit procedures in this regard: <ul style="list-style-type: none"> <li>- reviewed the analysis prepared by management and performed testing on selected land and land under road items to validate the existence and accuracy of the adjustment.</li> <li>- inquired management on controls/procedures in place to validate the completeness of the land inventory review project.</li> </ul> </li> <li>• The adjustment to the 2014 financial statements is described in Note 2 to the financial statements.</li> <li>• Our discussion with management indicated the TCA accounting continues to be a manual process. Refer to Process improvement observation section for more details.</li> </ul>

Contaminated Sites	<ul style="list-style-type: none"> <li>Effective January 1, 2015, the City adopted Public Sector ("PS") Accounting Standard PS 3260 Liability for Remediation of Contaminated Sites, as highlighted in financial statements Note 1(o).</li> <li>Management elected to adopt the standard on a prospective basis.</li> <li>KPMG reviewed Management's policy and process to ensure compliance with PSA 3260 including review of the City's policy over identification, recognition and measurement of contaminated sites liability for the year ended December 31, 2015, and review of Council meeting minutes to validate completeness of the contaminated sites inventory.</li> <li>The impact of adopting the new accounting standard is immaterial to the City's financial statements.</li> </ul>
Refund of Development Charges	<ul style="list-style-type: none"> <li>During 2015, the 2009 Development Charges were under appeal. The City reached settlement with developers on the 2009 by-laws which was approved by the Ontario Municipal Board in July 2015.</li> <li>The City had refunded previously collected Development Charges. The total amount refunded to developers was approximately \$15 million.</li> <li>KPMG inspected Council meeting minutes, approved by-laws to validate the transfers. We also corroborated the changes in Cash and Investments balances for the year-end December 31, 2015 from which the funds were drawn to pay the refund.</li> </ul>
Debenture Debt	<ul style="list-style-type: none"> <li>During 2015, the City, through the Regional Municipality of Peel ("the Region"), issued \$40 million of debenture debt.</li> <li>The interest rate, principal repayment requirements and other related terms and conditions of the debenture debt, along with the debenture debt issued in 2014 and 2013 are detailed in Note 9 to the financial statements.</li> <li>KPMG obtained and reviewed the by-laws both from the City and the Region in the issuance of the debenture debt.</li> <li>KPMG performed audit work over total debenture debt to confirm existence and accuracy.</li> </ul>
Enersource Corporation	<ul style="list-style-type: none"> <li>As noted in our Audit Planning Report, we assessed Enersource Corporation ("Enersource") as a significant component to the City's financial statements.</li> <li>In 2015, the City's share of Enersource's net income and dividends paid out totalled \$18.2M and \$14.4M, respectively (2014 - \$2.7M and \$13M respectively).</li> <li>These transactions are described in Note 6 to the 2015 financial statements.</li> <li>Subsequent to year end on March 24, 2016, the proposed merger of Enersource with certain utility companies in Ontario was approved by all of the municipal shareholders subject to obtaining final regulatory approval, as described in Note 22 to the 2015 financial statements.</li> </ul>

Contingent Liabilities	<ul style="list-style-type: none"> <li>• The Chartered Professional Accountants Handbook PS3300 Contingent Liabilities requires that the City recognize a liability when "...it is likely that a future event will confirm that a liability has been incurred at the date of the financial statements; and the amount can be reasonably estimated."</li> <li>• At any point in time, the City is subject to a number of matters which could potentially result in the determination of a contingent liability as defined above, including, but not limited to matters such as legal claims, contract settlement accruals etc.</li> <li>• KPMG has reviewed the City's assessments of contingent liabilities and the process employed to develop and record the related estimated liabilities. Where applicable, KPMG discussed with the individuals responsible for the process and is satisfied that the methodology used is rational, consistent with the approach taken in prior years and has been appropriately reviewed.</li> <li>• As these items are resolved, it is possible that the final amounts recorded for these liabilities may change, however the amounts currently recorded represent management's best estimates of exposure given the information presently available.</li> </ul>
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# Adjustments and differences

Adjustments and differences identified during the audit have been categorized as Corrected "adjustments" or Uncorrected "differences." These include disclosure adjustments and differences.

Professional standards require that we request of management and the audit committee that all identified adjustments or differences be corrected.

## Corrected adjustments

We did not identify any adjustments that were communicated to management and subsequently corrected in the financial statements

## Uncorrected differences

We did not identify differences that remain uncorrected.



# Data & Analytics in Audit

We have summarized areas of the audit where D&A tools and routines were used.

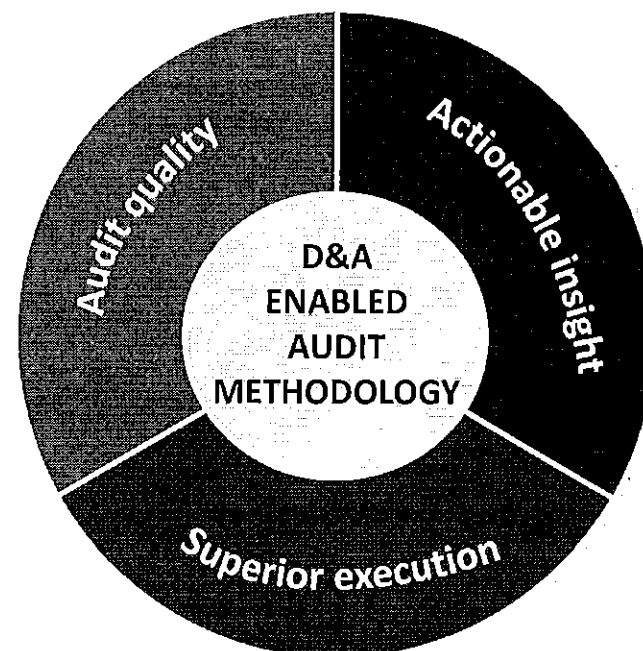
Area(s) of focus	D&A tools and routines
Journal entry testing	<ul style="list-style-type: none"> <li>We utilized data analytics in the audit to evaluate the completeness of the journal entry population through a roll-forward of selected cash, accounts receivable, tangible capital assets, and revenue and reserve G/L accounts. This consists of a summation of all automated and manual journal entries posted in the G/L during the fiscal year and comparison of the calculated amounts to the account balances as at and for the year ended December 31, 2015 as reported by management.</li> <li>The results of data analytics did not identify any significant audit adjustments.</li> </ul>
Accrued liabilities	<ul style="list-style-type: none"> <li>We utilized computer-assisted audit techniques (CAATs) to perform audit procedures surrounding year-end accrued liabilities as follows:               <ol style="list-style-type: none"> <li>by verifying the year-end accrued liability listing against the associated purchase order number listing;</li> <li>by analyzing 100% of total population and identifying accrued liabilities with balances below \$0 (i.e. negative amounts).</li> </ol> </li> <li>The results of data analytics did not identify any significant audit adjustments. However, we observed that there were 21 entries in the year-end accrued liability listing with negative balances, totaling \$397k.</li> <li><b>Management response:</b> due to the low dollar value of these items, these amounts were not reclassified to accounts receivable.</li> </ul>

## Turning data into value

KPMG continues to make significant investments in our Data & Analytics (D&A) capabilities to help enhance audit quality and provide actionable insight to our clients by unlocking the rich information that businesses hold. When D&A is applied to the audit, it enables us to test complete data populations and understand the business reasons behind outliers and anomalies. Advancements in D&A tools allow us to analyze data at more granular levels, focusing on higher risk areas of the audit and developing insights you can then leverage to improve compliance, potentially uncover fraud, manage risk and more.

## KPMG is enhancing the audit

The combination of our proven industry experience, technical know-how and external data allows us to focus our audit on the key business risks, while providing relevant insights of value to you.



### FOR THE AUDIT

#### AUDIT QUALITY

- Focuses manual audit effort on key exceptions and identified risk areas

### FOR YOUR BUSINESS

#### ACTIONABLE INSIGHT

- Helping you see your business from a different perspective
- How effectively is your organization using your systems?

# Process improvement observations

As part of the audit process, we communicate opportunities for improvements in financial or operational processes or controls should we become aware of them during our audit.

Current year process improvement point:

Description of significant deficiency	Potential effect and recommendation	Management Comments (to be updated)
<p>During the fiscal year 2015 audit, due to a new land inventorying process, the City identified approximately \$22M of parcels of land that were not previously reported as TCA in the 2014 financial statements.</p> <p>The newly-identified land parcels resulted a recast of the 2014 financial statements that impacted the opening accumulated surplus and TCA balances.</p> <p>As we noted in the Audit Findings report in previous years, the process of recognizing TCA assets remains reliant on significant manual intervention. This is not uncommon in the municipality sector across the country.</p>	<p>We recommend that management continue to work with and educate the affected departments on maintaining the land inventory database to minimize or eliminate future land adjustments.</p>	<p>The Land/Land Under Roads section of TCA has required land size or value adjustments since TCA was implemented in 2009 for various reasons outside of Finances control. Geomatics continues to refine their land inventories and database as required.</p> <p>Land values represent \$5.1 billion of the City's \$7.96 billion net book value of TCA. In 2015, this \$22M land recast adjustment represents less than 1 per cent of the City's asset value which is immaterial to the City's overall capital asset value.</p> <p>Background:</p> <p>The City had no land inventory prior to 2008. When TCA was implemented in 2009, opening Land Under Road inventories were based on road centreline – mapping identified any land parcel that crossed the centreline and calculated the size of that parcel. All other (assessable) lands were identified as "city-owned" under our tax assessment system MAX.</p> <p>In 2011, Geomatics undertook a long term project to develop a land inventory database, leveraging the opening inventories developed in 2008, adding shoulders and parcels not captured under the centreline approach. This process assigned attributes such as the by-law and date the road was created.</p>

Description of significant deficiency	Potential effect and recommendation	Management Comments (to be updated)
		<p>As a result there were inventory adjustments to recognize a single parcel on a main multi-lane road such as Hurontario as being several different parcels acquired progressively as the road expanded over the last century. This effort was collectively reflected in the 2013 financial statements as a recast adjustment of approximately \$70M.</p> <p>In 2014, a further review noted an interpretative issue with the recording of land inventories as parcels that did not have a by-law were not recorded because often ownership was not clear. A spatial query identified approximately 5,000 of these parcels. The City contracted MPAC to review these parcels and identify ownership. In early 2015, it was confirmed approximately 500 of these parcels were owned by the City.</p> <p>Throughout the remainder of 2015, Geomatics reviewed these parcels in order to identify attributes such as map zone, street name, date of acquisition, and description (reserve, widening, walkway, etc). In 2015, the Realty Services section determined the valuation to be approximately \$22M. These parcels were missed as part of the City's opening inventories in 2008, therefore it was recommended the inventory addition be recorded as a recast of the 2014 opening inventory balance.</p> <p>These types of TCA adjustments, particularly as it relates to land inventory, are not uncommon in the municipal sector across the country. This is primarily due to the size and complexity of the land inventory.</p> <p>At this time, Finance and Geomatics do not anticipate any further significant land adjustments after the recast adjust in 2016.</p>



Description of significant deficiency	Potential effect and recommendation	Management Comments (to be updated)
		<p>Annually Geomatics will continue their land parcel/agreement reviews. If they come across any new information that requires land size or value adjustment or ownership change, these adjustments will be reflected during that fiscal year.</p> <p>Finance, Geomatics, Realty Services, and Legal Services will work collaboratively to ensure efficient and timely reporting of land and other asset acquisitions, disposals, and adjustments.</p>

# Appendices

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**Appendix 1: Required communications**

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**Appendix 2: Audit Quality and Risk Management**

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**Appendix 3: Background and professional standards**

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**Appendix 4: Current Developments**

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**Appendix 5: Management Representation Letter**

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# Appendix 1: Required communications

In accordance with professional standards, there are a number of communications that are required during the course of and upon completion of our audit. These include:

- **Auditors' report** – the conclusion of our audit is set out in our draft auditors' report the Audit Committee. Management have provided you with a copy of the representation letter for the audit of the financial statements
- **Management representation letter** –In accordance with professional standards, copies of the management representation letter are provided to

## Appendix 2: Audit Quality and Risk Management

KPMG maintains a system of quality control designed to reflect our drive and determination to deliver independent, unbiased advice and opinions, and also meet the requirements of Canadian professional standards.

Quality control is fundamental to our business and is the responsibility of every partner and employee. The following diagram summarises the six key elements of our quality control systems.

Visit <http://www.kpmg.com/Ca/en/services/Audit/Pages/Audit-Quality-Resources.aspx> for more information.

- Other controls include:

- Before the firm issues its audit report, the Engagement Quality Control Review reviews the appropriateness of key elements of publicly listed client audits.
- Technical department and specialist resources provide real-time support to audit teams in the field.

- We conduct regular reviews of engagements and partners. Review teams are independent and the work of every audit partner is reviewed at least once every three years.
- We have policies and guidance to ensure that work performed by engagement personnel meets applicable professional standards, regulatory requirements and the firm's standards of quality.
- All KPMG partners and staff are required to act with integrity and objectivity and comply with applicable laws, regulations and professional standards at all times.



- We do not offer services that would impair our independence.
- The processes we employ to help retain and develop people include:
  - Assignment based on skills and experience;
  - Rotation of partners;
  - Performance evaluation;
  - Development and training; and
  - Appropriate supervision and coaching.
- We have policies and procedures for deciding whether to accept or continue a client relationship or to perform a specific engagement for that client.
- Existing audit relationships are reviewed annually and evaluated to identify instances where we should discontinue our professional association with the client.



## Appendix 3: Background and professional standards

### Internal control over financial reporting

As your auditors, we are required to obtain an understanding of internal control over financial reporting (ICFR) relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on internal control. Accordingly, we do not express an opinion on the effectiveness of internal control.

Our understanding of ICFR was for the limited purpose described above and was not designed to identify all control deficiencies that might be significant deficiencies and therefore, there can be no assurance that all significant deficiencies and other control deficiencies have been identified. Our awareness of control deficiencies varies with each audit and is influenced by the nature, timing, and extent of audit procedures performed, as well as other factors.

The control deficiencies communicated to you are limited to those control deficiencies that we identified during the audit.

### Documents containing or referring to the audited financial statements

We are required by our professional standards to read only documents containing or referring to audited financial statements and our related auditors' report that are available through to the date of our auditors' report. The objective of reading these documents through to the date of our auditors' report is to identify material inconsistencies, if any, between the audited financial statements and the other information. We also have certain responsibilities, if on reading the other information for the purpose of identifying material inconsistencies, we become aware of an apparent material misstatement of fact.

We are also required by our professional standards when the financial statements are translated into another language to consider whether each version, available through to the date of our auditors' report, contains the same information and carries the same meaning.

## Appendix 4: Current developments

The following is a summary of the current developments that are relevant to the City of Mississauga:

Standard	Summary and implications
PS Introduction	<p>This standard provides the standards to be followed by government partnerships. Government business partnerships (with all public sector partners) are to follow the standards applicable to publicly accountable entities in Part I of the <i>CPA Canada Handbook Accounting</i>. Non-business government partnerships with only government partners can choose either PSA Standards or the standards applicable to publicly accountable entities in Part I of the <i>CPA Canada Handbook Accounting</i>. Government partnerships that have one or more private sector partners should use the standards determined by the partners. This section also requires government organizations that meet the new definition of government components to apply the PSA Standards</p> <p>This standard is effective for fiscal periods beginning on or after January 1, 2017 (the City's December 31, 2017 year end)</p>
PS 3210 - Assets	<p>This standard provides a definition of assets and further expands that definition as it relates to control.</p> <p>Assets are defined as follows:</p> <ul style="list-style-type: none"> <li>• They embody future economic benefits that involve a capacity, singly or in combination with other assets, to provide goods and services, to provide future cash inflows, or to reduce cash outflows.</li> <li>• The public sector entity can control the economic resource and access to the future economic benefits.</li> <li>• The transaction or event giving rise to the public sector entity's control has already occurred.</li> </ul> <p>The standard also includes some disclosure requirements related to economic resources that are not recorded as assets to provide the user with better information about the types of resources available to the public sector entity.</p> <p>This standard is effective for fiscal periods beginning on or after April 1, 2017 (the City's December 31, 2018 year end).</p>

## PS 3320 – Contingent Assets

This standard defines contingent assets.

They have two basic characteristics:

- An existing condition or situation that is unresolved at the financial statement date.
- An expected future event that will resolve the uncertainty as to whether an asset exists.

The standard also has specific disclosure requirements for contingent assets when the occurrence of the confirming event is likely.

This standard is effective for fiscal periods beginning on or after April 1, 2017 (the City's December 31, 2018 year end).

## PS 3380 – Contractual Rights

This standard defines contractual rights to future assets and revenue.

Information about a public sector entity's contractual rights should be disclosed in notes or schedules to the financial statements and should include descriptions about their nature and extent and the timing. The standard also indicates that the exercise of professional judgment would be required when determining contractual rights that would be disclosed. Factors to consider include, but are not limited to:

(a) contractual rights to revenue that are abnormal in relation to the financial position or usual business operations; and

(b) contractual rights that will govern the level of certain type of revenue for a considerable period into the future.

This standard is effective for fiscal periods beginning on or after April 1, 2017 (the City's December 31, 2018 year end).

## PS 2200 Related Party Disclosures

This standard relates to related party disclosures and defines related parties. Related parties could be either an entity or an individual. Related parties exist when one party has the ability to control or has shared control over another party. Individuals that are key management personnel or close family members may also be related parties.

Disclosure is only required when the transactions or events between related parties occur at a value different from what would have been recorded if they were not related and the transactions could have a material financial impact on the financial statements. Material financial impact would be based on an assessment of the terms and conditions underlying the transaction, the financial materiality of the transaction, the relevance of the information

and the need for the information to enable the users to understand the financial statements and make comparisons.

This standard also specifies the information required to be disclosed including the type of transactions, amounts classified by financial statement category, the basis of measurement, and the amounts of any outstanding items, any contractual obligations and any contingent liabilities. The standard also requires disclosure of related party transactions that have occurred where no amounts has been recognized.

This standard is effective for fiscal periods beginning on or after April 1, 2017 (the City's December 31, 2018 year end).

#### PS 3430 Restructuring Transactions

A restructuring transaction in the public sector differs from an acquisition as they generally include either no or nominal payment. It also differs from a government transfer as the recipient would be required to assume the related program or operating responsibility.

The standard requires that assets and liabilities are to be measured at their carrying amount. It also prescribes financial statement presentation and disclosure requirements.

This standard is effective for fiscal periods beginning on or after April 1, 2018 (the City's December 31, 2019 year end).

#### PS 3420 Inter-entity Transactions

This standard relates to the measurement of related party transactions and includes a decision tree to support the standard.

Transactions are recorded a carrying amounts with the exception of the following:

- In the normal course of business – use exchange amount
- Fair value consideration – use exchange amount
- No or nominal amount – provider to use carrying amount; recipient choice of either carrying amount or value fair.
- Cost allocation – use exchange amount

This standard is effective for fiscal periods beginning on or after April 1, 2017 (the City's December 31, 2018 year end).

**Standard of Financial Instruments**

A standard has been issued, establishing a standard on accounting for and reporting all types of financial instruments including derivatives. The effective date of this standard has recently been deferred and it is now effective for fiscal periods beginning on or after April 1, 2019 (the City's December 31, 2020 year-end).

This standard will require the City to identify any contracts that have embedded derivatives and recognize these on the consolidated statement of financial position at fair value. Portfolio investments in equity instruments are required to be recorded at fair value. Changes in fair value will be reported in a new financial statement – statement of remeasurement gains and losses. This standard sets out a number of disclosures in the financial statements designed to give the user an understanding of the significance of financial instruments to the City. These disclosures include classes of financial instruments and qualitative and quantitative risk disclosures describing the nature and extent of risk by type. The risks to be considered include credit, currency, interest rate, liquidity, and market risk.

**Revised Standard on Foreign  
Currency Translation**

A revised standard has been issued establishing standards on accounting for and reporting transactions that are denominated in a foreign currency.

The effective date of this standard has been deferred and is effective for fiscal periods beginning on or after April 1, 2019 (the City's December 31, 2020 year-end). Earlier adoption is permitted. An entity early adopting this standard must also adopt the new financial instruments standard.

This standard will require exchange gains and losses arising prior to settlement are recognized in a new statement of remeasurement gains and losses.



April 14, 2016

KPMG LLP  
Yonge Corporate Centre  
4100 Yonge Street, Suite 200  
Toronto, Ontario M2P 2H3  
Canada

Ladies and Gentlemen:

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the consolidated financial statements (hereinafter referred to as "financial statements") of The Corporation of the City of Mississauga ("the Entity") as at and for the period ended December 31, 2015.

We confirm that the representations we make in this letter are in accordance with the definitions as set out in **Attachment I** to this letter.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

**GENERAL:**

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated November 16, 2015 for:
  - a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework
  - b) providing you with all relevant information, such as all financial records and related data and complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of the Council and committees of the Council that may affect the financial statements, and access to such relevant information
  - c) such internal control as management determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error
  - d) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements
  - e) identifying and ensuring that the Entity complies with the laws and regulations applicable to its activities
- 2) The Entity has satisfactory title to all owned assets and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral, except as disclosed in the financial statements.
- 3) We have no knowledge of any plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

**INTERNAL CONTROL OVER FINANCIAL REPORTING:**

- 4) We have communicated to you all deficiencies in the design and implementation or maintenance of internal control over financial reporting of which management is aware.

**FRAUD & NON-COMPLIANCE WITH LAWS AND REGULATIONS:**

- 5) We have disclosed to you:
- a) the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud
  - b) all information in relation to fraud or suspected fraud that we are aware of and that affects the Entity and involves: management, employees who have significant roles in internal control, or others, where the fraud could have a material effect on the financial statements
  - c) all information in relation to allegations of fraud, or suspected fraud, affecting the Entity's financial statements, communicated by employees, former employees, analysts, regulators, or others
  - d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements, whose effects should be considered when preparing financial statements
  - e) all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements
  - f) all information in relation to communications from regulatory or governmental authorities or others concerning noncompliance with, or deficiencies in, financial reporting practices that could have a material effect on the financial statements

**COMMITMENTS & CONTINGENCIES:**

- 6) There are no:
- a) other liabilities that are required to be recognized and no other contingent assets or contingent liabilities that are required to be disclosed in the financial statements in accordance with the relevant financial reporting framework, including liabilities or contingent liabilities arising from illegal acts or possible illegal acts, or possible violations of human rights legislation
  - b) guarantees, whether written or oral, under which the Entity is contingently liable

**SUBSEQUENT EVENTS:**

- 7) All events subsequent to the date of the financial statements and for which the relevant financial reporting framework requires adjustment or disclosure in the financial statements have been adjusted or disclosed.

**RELATED PARTIES:**

- 8) We have disclosed to you the identity of the Entity's related parties.
- 9) We have disclosed to you all the related party relationships and transactions/balances of which we are aware.
- 10) All related party relationships and transactions/balances have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.
- 11) We have no knowledge of any relationship or transaction with related parties that have not been properly accounted for, or adequately disclosed.
- 12) We have provided you with all information concerning related party transactions and amounts receivable from or payable to related parties, including support for any assertion that a transaction with a related party was conducted on terms equivalent to those prevailing in an arm's-length transaction.

**ESTIMATES:**

- 13) Measurement methods and significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- 14) Significant estimates, which could change materially within the near term, and all areas of measurement uncertainty have been properly recorded or disclosed in the financial statements.

**NON-SEC REGISTRANTS OR NON-REPORTING ISSUERS:**

- 15) We confirm that the Entity is not a Canadian reporting issuer (as defined under any applicable Canadian securities act) and is not a United States Securities and Exchange Commission ("SEC") Issuer (as defined by the Sarbanes-Oxley Act of 2002). We also confirm that the financial statements of the Entity will not be included in the consolidated financial statements of a Canadian reporting issuer audited by KPMG or an SEC Issuer audited by any member of the KPMG organization.

**EXPERTS/SPECIALISTS:**

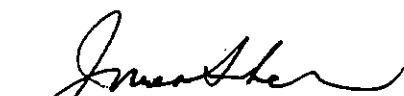
- 16) The information provided by us to Nexus Actuarial Consultants and J.S. Cheng and Partners Inc. ("the experts") and used in the work and findings of the experts are complete and accurate. We agree with the findings of the experts in evaluating employee future benefits, including WSIB, and have adequately considered the qualifications of the experts in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give nor cause any instructions to be given to the experts with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence and objectivity of the experts.



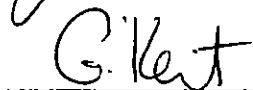
**COMPARATIVE INFORMATION:**

- 17) In respect of the recast adjustment related to opening tangible capital assets and opening accumulated surplus made to correct an immaterial misstatement in the comparative information as a result of the newly-identified land and land under road parcels of \$22 million, we reaffirm that the written representations we previously provided to you, in respect of the prior period financial statements, remain appropriate.

Yours truly,



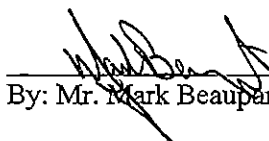
By: Ms. Janice Baker, City Manager and Chief Administrative Officer



By: Mr. Gary Kent, Commissioner of Corporate Services and Chief Financial Officer



By: Mr. Jeffrey J. Jackson, Director of Finance and Treasurer



By: Mr. Mark Beauparlant, Manager, Financial and Treasury Services

I have the recognized authority to take, and assert that I have taken, responsibility for the financial statements.

## **Attachment I – Definitions**

### **MATERIALITY**

Certain representations in this letter are described as being limited to matters that are material. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both.

### **FRAUD & ERROR**

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorization

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

#### **kpmg.ca**

KPMG LLP, an Audit, Tax and Advisory firm (kpmg.ca) and a Canadian limited liability partnership established under the laws of Ontario, is the Canadian member firm of KPMG International Cooperative ("KPMG International"). KPMG member firms around the world have 174,000 professionals, in 155 countries.

The independent member firms of the KPMG network are affiliated with KPMG International, a Swiss entity. Each KPMG firm is a legally distinct and separate entity, and describes itself as such.

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# City of Mississauga

## Corporate Report



Date: 2016/04/18

To: Chair and Members of Audit Committee

From: Gary Kent, Commissioner of Corporate Services and  
Chief Financial Officer

Originator's files:

Meeting date:  
2016/05/09

## Subject

**2015 Audited Financial Statements**

## Recommendation

That the 2015 Audited Financial Statements for City of Mississauga (consolidated), City of Mississauga Public Library Board, City of Mississauga Trust Funds, Clarkson Business Improvement Area, Port Credit Business Improvement Area, Streetsville Business Improvement Area, Malton Business Improvement Area, and Enersource Corporation be received.

## Report Highlights

- The audited financial statements have been reviewed and approved by the Director of Finance and Treasurer, and the Commissioner of Corporate Services and Chief Financial Officer.
- One of the fiduciary responsibilities of the Audit Committee is to review the annual financial statements and audit results.
- This report presents the following 2015 Audited Financial Statements for:
  - City of Mississauga (consolidated)
  - City of Mississauga Public Library Board
  - City of Mississauga Trust Funds
  - Clarkson Business Improvement Area
  - Port Credit Business Improvement Area
  - Streetsville Business Improvement Area
  - Malton Business Improvement Area
  - Enersource Corporation
- KPMG has provided an unqualified audit opinion on all financial statements which attests to the integrity and quality of the financial statements.

Audit Committee	2016/04/18	2
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## Background

The statutory function of our auditors, KPMG LLP, is to report to Audit Committee by expressing an opinion on the City's annual financial statements. The auditors conduct their audit in accordance with Canadian Generally Accepted Auditing Standards with the objective of expressing an opinion whether the City's annual financial statements present fairly, in all material respects, the financial position, results of operations and the cash flows of the City.

Management is responsible for the preparation and fair presentation of the City's annual financial statements in accordance with the Public Sector Accounting Board (PSAB) financial reporting framework.

One of the fiduciary responsibilities of the Audit Committee is to review the annual financial statements and audit results.

KPMG LLP has been selected once again, through a competitive procurement, for another five year contract (2015 to 2019).

## Comments

The financial statements have been audited by the City's external auditors, KPMG LLP. The City's financial statements follow the Public Sector Accounting Board (PSAB) recommendations and comply fully with Canadian Generally Accepted Accounting principles.

The financial statements must provide information on the cost of all activities, how they were financed, investing activities and the assets and liabilities of the government. The information is to reflect the full nature and extent of the government's financial affairs.

The Audited Financial Statements are a report card on the financial position, health and strength of the City of Mississauga. The 2015 financial results continue to demonstrate Mississauga's legacy of strong leadership and excellence in financial planning and fiscal prudence.

The City of Mississauga consolidated financial statements are comprised of all organizations, committees and local boards accountable to the City for the administration of their financial affairs and resources and which are owned or controlled by the City.

Refer to Appendix 2 (2015 Financial Year in Review) for detailed information and analysis on the financial statements and results.

To complement the audited financial statements, Finance is currently preparing the 2015 Annual Financial Report which will be available on the City's website.

The 2015 Annual Financial Report will continue to be prepared in electronic format and will be available to all stakeholders on the City's website. No print versions of the Annual report will be produced for public and stakeholder distribution. A notice will be posted in the Mississauga News advising residents and other stakeholders that the Annual Financial Report will be posted and available on the City's website, [www.mississauga.ca/finance](http://www.mississauga.ca/finance) where it can be printed or read at their convenience.

Audit Committee	2016/04/18	3
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## Financial Impact

The City's year-end audit fees for the 2015 financial statements were \$129,250 plus applicable taxes. This audit included the City, Mississauga Public Library Board, Trust Funds, and four Business Improvement Areas.

In addition to the City's year-end audit, there were also a few smaller audit engagements such as Next Step to Active Living Program and the Canada Strategic Fund Agreement

The City's 90% interest in Enersource Corporation in 2015 was \$267.0 million (2014 \$263.2 million) and has been reported as a financial asset on the Consolidated Statement of Financial Position.

The City's share of Enersource's 2015 net income was \$18.2 million (2014 \$2.7 million) and has been reported as revenue on the City's Consolidated Statement of Financial Activities.

## Conclusion

The 2015 Financial Statements are a report on the stewardship of the City's financial affairs and the Auditor's Reports attest that they present fairly our financial position as at December 31, 2015 and the results of operations for the year then ended.

## Attachments

Appendix 1: 2015 Audited Financial Statements

Appendix 2: 2015 Financial Year in Review




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Gary Kent, Commissioner of Corporate Services and Chief Financial Officer

Prepared by: Mark Beauparlant, Manager, Financial & Treasury Services

## 2015 FINANCIAL YEAR IN REVIEW

The City of Mississauga's consolidated financial statements have been prepared in accordance with the Municipal Act and based on the reporting standards set by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA Canada).

There are four required consolidated financial statements: consolidated statement of financial position, consolidated statement of operations, consolidated statement of change in net financial assets, and consolidated statement of cash flows. These consolidated financial statements provide information on the cost of all the City activities, how they were financed, investing activities and the assets and liabilities of the City. The information also reflects the full nature and extent of the City's financial affairs similar to a private sector financial statement presentation.

The following is a high level overview of the 2015 financial results of the City.

### **Consolidated Statement of Financial Position**

The consolidated statement of financial position highlights four key figures that together describe the financial position of a government:

(a) Cash resources of the government, (b) net financial asset position calculated as the difference between financial assets and financial liabilities, (c) non-financial assets that are normally held for service provision such as tangible capital assets, (d) accumulated surplus/deficit (or in private sector terms, retained earnings as there are no shareholder contributions or distributions).

Although the City continues to manage its financial operations through various funds such as the Operating Fund, the Capital Fund, the Reserves and the Reserve Funds, in accordance with PSAB, these funds are no longer reported in the consolidated financial statements and have been replaced by Accumulated Surplus. The Accumulated Surplus summarizes the Corporation's consolidated equity which identifies the financial position, including tangible capital assets, and financial resources of the City.

### **Accumulated Surplus**

The City's accumulated surplus for fiscal year 2015 is \$8.469 billion (2014 \$8.249 billion). The City's 2015 accumulated surplus (Note 11) is comprised of the following balances:

- ☐ Investment in tangible capital assets of \$7.966 billion;
- ☐ Unexpended capital of \$190.4 million;
- ☐ Investment in Enersource Corporation of \$267.0 million;
- ☐ Reserves of \$62.1 million;
- ☐ Reserve Funds of \$292.1 million;
- ☐ Unfunded employee benefits and other liabilities of (\$198.0) million;
- ☐ Long-term debt of (\$110.8) million.

The City is a 90 per cent shareholder in Enersource Corporation. Enersource's consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS).

The City's 2015 Investment in Enersource Corporation is \$267.0 million (2014 \$263.1 million), an increase of \$3.9 million from the prior year. This increase is attributed to the City's \$18.2 million share of Enersource's net income less a \$14.4 million dividend payment received from Enersource in 2015. Enersource adopted IFRS beginning in 2011.

## Net Financial Assets

In 2015, the City's Net Financial Assets were \$491.9 million (2014 \$375.5 million), an increase of \$116.4 million from the prior year.

### Financial Assets

Financial assets in 2015 were \$1.288 billion (2014 \$1.304 billion), a decrease of \$16.0 million from the prior year.

- ☐ Cash, short-term investments, and long-term investments at 2015 yearend were \$921.8 million (2014 \$921.2 million), an increase of \$0.6 million.
  - The timing of payments at year end impacted the cash/investment and liability positions.
- ☐ Taxes receivable in 2015 were \$41.5 million (2014 \$40.3 million), an increase of \$1.2 million.
- ☐ Accounts receivable in 2015 were \$55.2 million (2014 \$77.0 million), a decrease of \$21.8 million.
  - The \$21.8 million decrease primarily relates to lower school board receivables for property tax settlements versus the prior year.
- ☐ Loans and other receivables in 2015 were \$2.4 million (2014 \$2.5 million).
- ☐ Inventories for resale in 2015 were \$0.3 million (2014 \$0.4 million).
- ☐ Investment in Enersource Corporation in 2015 was \$267.0 million (2014 \$263.2 million), an increase of \$3.8 million from the prior year.

### Financial Liabilities

Financial liabilities in 2015 were \$796.4 million (2014 \$929.0 million) a decrease of \$132.6 million from the prior year.

- ☐ Accounts Payable liabilities in 2015 were \$173.5 million (2014 \$184.0 million), a decrease of \$10.5 million representing various liability accounts.
  - The timing of payments at year end impacted the cash/investment and liability positions.
- ☐ Deferred revenue-general in 2015 was \$7.7 million (2014 \$7.0 million), an increase of \$0.7 million.
  - The increase is primarily due to general fluctuations in various departmental deferred revenue accounts.
- ☐ The deferred revenue-obligatory reserve funds in 2015 were \$306.5 million (2014 \$458.6 million), a decrease of \$152.1 million.
  - Provincial public transit funds in 2015 were \$14.4 million (2014 \$99.4 million), a decrease of \$85.0 million.
  - Federal public transit funds in 2015 were \$1.8 million (2014 \$38.4 million), a decrease of \$36.6 million.
  - Provincial gas tax funds in 2015 were \$17.9 million (2014 \$15.0 million), an increase of \$2.9 million.
  - Federal gas tax funds in 2015 were \$59.5 million (2014 \$65.2 million), a decrease of \$5.7 million.
  - Parkland funds in 2015 were \$58.4 million (2014 \$65.4 million), a decrease of \$7.0 million.



- Development Charge funds in 2015 were \$153.8 million (2014 \$175.1 million), a decrease of \$21.3 million.
- Bonus Zoning funds in 2015 were \$0.6 million (2014 \$0.2 million), an increase of \$0.4 million.
- ☐ Employee benefits and other liabilities in 2015 were \$198.0 million (2014 \$198.7 million), a decrease of \$0.7 million.
  - Other liabilities decreased by \$5.3 million primarily because of insurance assessment changes due to changing insurance legislation.
  - Section 14 development charge credit liabilities increased by \$0.8 million as a result of the bi-annual indexing.
  - Post employments liabilities, including sick leave and WSIB increased by \$2.8 million due to changes in actuarial assessments.
  - Vacation pay liabilities increased by \$0.5 million.
  - Other liability assessments accounted for the balance of the change.
- ☐ Long-term debt in 2015 was \$110.8 million (2014 \$80.8 million), an increase of \$30.0 million.
  - \$40.0 million of new debt was added in 2015.

#### Non-Financial Assets

Non-financial assets in 2015 were \$8.0 billion (2014 \$7.9 billion). Non-financial assets are comprised primarily of tangible capital assets. Inventory of supplies and prepaid expenses make up the balance of the change.

#### **Consolidated Statement of Operations**

The consolidated statement of operations reports the annual surplus/ (deficit) from operations during the accounting period. The statement shows the cost of providing the City's services, the revenues recognized in the period and the difference between them.

#### **Revenues**

Total revenues in 2015 were \$993.1 million (2014 \$781.2 million), an increase of \$211.9 million.

- Taxation revenues (property taxes and taxation from other governments) in 2015 were \$446.6 million (2014 \$428.3 million), an increase of \$18.3 million.
  - The City had an assessment growth of 0.66 per cent in 2015.
  - City Council approved the 2015 budget which provided for a 4.0 per cent average property tax rate increase on the City's portion of the total tax bill, which includes 2.0 per cent for the Capital Infrastructure and Debt Repayment Levy. This increase equates to an average 1.3 per cent increase on the total residential tax bill.
- User charges in 2015 were \$192.0 million (2014 \$179.2 million), an increase of \$12.8 million from the prior year.
  - Fees and user charge revenues in 2015 were \$57.0 million (2014 \$47.4 million), an increase of \$9.6 million over the prior year.
    - Recreation program fees increased by \$1.7 million from the prior year.
    - Works fees increased by \$1.9 million from prior year.
    - Capital project related fees increased by \$2.2 million from the prior year.

- Other departmental miscellaneous user fees accounted for the balance of the increase.
- Transit fares in 2015 were \$75.2 million (2014 \$74.1million), an increase of \$1.1 million from the prior year.
  - Total 2015 revenue riders were 37.46 million; the 2014 total was 36.61 million.
  - The 2 per cent increase in riders and a fare increase resulted in a revenue increase of \$1.1 million over 2014.
- Golf green fees in 2015 were \$2.9 million (2014 \$2.7 million), an increase of \$0.2 million from the prior year.
- License and permit revenues in 2015 were \$15.7 million (2014 \$16.1 million), a decrease of \$0.4 million over the prior year.
  - Building permit revenues in 2015 were \$10.3 million (2014 \$11.0 million), a decrease of \$0.7 million over the prior year.
  - Other departmental license and fee increases offset the decrease.
- Rents and concession fees in 2015 were \$21.4 million (2014 \$21.5 million), a decrease of \$0.1 million from the prior year.
- Fine revenues in 2015 were \$19.8 million (2014 \$17.3 million), an increase of \$2.5 million from the prior year.
  - Bylaw and enforcement fines in 2015 were \$10.1 million (2014 \$7.6 million), an increase of \$2.5 million.
- Recovery charges in 2015 were \$21.1 million (2014 \$26.9 million), a decrease of \$5.8 million from the prior year.
  - Operating related recoveries increased by \$1.4 million from the prior year.
  - Capital project related recoveries decreased by \$7.2 million from the prior year.
- Funding transfers from other governments in 2015 were \$2.4 million (2014 \$3.0 million), a decrease of \$0.6 million from the prior year.
- Development and other government contributions applied in 2015 were \$228.7 million (2014 \$58.0 million), an increase of \$170.7 million from the prior year.
  - Expenditures on development-related capital projects in 2015 were up significantly from the prior year.
  - Therefore, increased development and government contributions were applied against the expenditures and recognized as revenue from the deferred revenue-obligatory reserve funds in 2015.
- Investment income in 2015 was \$33.1 million (2014 \$35.8 million), a decrease of \$2.7 million.
- Penalties and interest earnings from overdue tax accounts in 2015 were \$8.8 million (2014 \$8.1 million), an increase of \$0.7 million from the prior year.
- Contributed Assets in 2015 were \$34.3 million (2014 \$26.7 million), an increase of \$7.6 million from the prior year.
  - Contributed assets include land under roads, land under infrastructure, as well as general

infrastructure (storm sewers, roads, pathways, streetlights, etc.) assumed by the City through development agreements.

- Other revenues in 2015 were \$7.9 million (2014 \$12.5 million), a decrease of \$4.6 million from the prior year.
  - The decrease is due to the change in one-time miscellaneous revenues from year to year.
- The City's share of Enersource Corporation's net income in 2015 was \$18.2 million (2014 \$2.6 million), an increase of \$15.6 million from the prior year.
  - From this net income amount, the City was paid a dividend of \$14.4 million in 2015 (2014 \$13.1 million).

## Expenses

Expenses are broken down into major expense categories: labour and benefits, materials and supplies, contracted services, rents and financial expenses, transfer payments, and amortization. Total expenses in 2015 were \$773.6 million (2014 \$804.0 million), a decrease of \$30.4 million.

- Labour costs (salaries, wages and benefits) in 2015 were \$459.5 million (2014 \$451.8 million), an increase of \$7.7 million from the prior year.
  - Salary and wage costs in 2015 were \$374.1 million (2014 \$373.2), an increase of \$0.9 million.
    - Growth in the City's labour force for new and expanded services, labour contract settlements and pay adjustments, and increased benefit costs offset by labour gapping contributed to this increase.
  - Fringe benefit costs in 2015 were \$89.3 million (2014 \$86.3 million), an increase of \$3.0 million.
  - WSIB related costs in 2015 were \$2.7 million (2014 \$2.2 million), an increase of \$0.5 million.
  - Labour related recoveries in 2015 were -\$14.3 million (2014 -\$12.0 million), an increase of -\$2.3 million.
  - Other labour related adjustments in 2015 were 2.9 million (2014 -\$8.9 million), an increase of \$11.8 million.
    - This increase was primarily due to Fire labour settlement adjustments recorded in 2015 for the period 2011 to 2014.
  - Employee benefits and other liabilities in 2015 were \$3.3 million (2014 \$4.5 million), a decrease of \$1.2 million.
    - These expenses are based on the changes in employee benefits and other liabilities in the Consolidated Statement of Financial Position.
    - This increase reflects the change in actuarial assessment, assumptions, and estimates from the previous year.
    - These are accrual-based expenses which are not included in the City's annual budget but included in the financial statement presentation.
  - Labour operating expenses transferred from capital projects in 2015 were \$1.4 million (2014 \$2.4 million), a decrease of \$1.0 million.
- Long-term debt interest and fees in 2015 were \$2.1 million (2014 \$1.6 million), an increase of \$0.5 million.

- Materials and supplies in 2015 were \$51.5 million (2014 \$56.1 million), a decrease of \$4.6 million from the prior year.
  - Transportation related costs in 2015 were \$28.0 million (2014 \$30.0 million), a decrease of \$2.0 million from the prior year.
    - Diesel fuel accounted for \$4.5 million decrease in 2015.
    - Vehicle maintenance increased by \$2.1 million which offset the overall decrease.
    - Other transportation related cost increases offset the overall decrease.
  - Materials and supplies operating expenses in 2015 were \$18.2 million (2014 \$21.1 million), a decrease of \$2.9 million from the prior year.
    - General citywide departmental operating materials and supplies accounted for this overall increase.
  - Materials and supplies operating expenses transferred from capital projects increased by \$3.7 million from the prior year. These expenses represent non-capitalized capital project costs from year to year.
  - Other citywide materials and supplies cost increases offset the overall decrease.
- Contracted services in 2015 were \$67.2 million (2014 \$94.3 million), a decrease of \$27.1 million from the prior year.
  - Contracted services in 2015 were \$49.2 million (2014 \$59.5 million), a decrease of \$10.3 million from the prior year.
    - Contracted services for standby winter control in 2015 were \$5.1 million lower than the previous year due to decreased snowfall and events.
    - General maintenance contracts were \$6.0 million lower than the previous year.
    - Other citywide contracted services increases offset the balance of this decrease.
  - Contracted service operating expenses transferred from capital projects in 2015 were \$18.0 million (2014 \$34.8), a decrease of \$16.8 million. These costs consisted of non-capitalized external recoverable expenses for Bus Rapid Transit (BRT) construction, various studies, etc.
- Rents and financial expenses in 2015 were \$61.9 million (2014 \$67.6 million), a decrease of \$5.7 million from the prior year.
  - Insurance related expenses in 2015 were \$8.2 million (2014 \$6.6 million), an increase of \$1.6 million from the prior year.
    - The increase was primarily due to claim settlements.
  - Property tax adjustments in 2015 were \$4.2 million (2014 \$8.1 million), a decrease of \$3.9 million.
  - Other citywide financial expense increases accounted for the balance of the change.
- External transfers to others in 2015 were \$5.8 million (2014 \$5.5 million), an increase of \$0.3 million from the prior year.
- Loss on disposal of assets in 2015 was \$0.5 million (2014 \$2.3 million), a decrease of \$1.8 million.

- Amortization of tangible capital assets in 2015 was \$125.1 million (2014 \$124.7 million), an increase of \$0.4 million from the prior year.

### **Consolidated Statement of Change in Net Financial Assets**

The consolidated statement of change in net financial assets/(net debt) starts with the annual surplus/(deficit) and identifies changes in non-financial assets (i.e. tangible capital asset acquisition, amortization) that will utilize or add to the surplus amount to derive a net change in financial assets.

### **Consolidated Statement of Cash Flows**

The consolidated statement of cash flows reports changes in cash and short-term investments resulting from operations and shows how the City financed its activities during the year and met its cash requirements.

### **Tangible Capital Assets Overview**

All City assets as at the end of 2015 have been inventoried, valued and recorded in an Asset Registry for accounting and reporting purposes.

The City's net book values of tangible capital assets at the end of 2015 were \$8.0 billion (2014 \$7.9 billion). Refer to Note #10 in the financial statements for a detailed breakdown of tangible capital asset activity for 2015.

Annual amortization expense in 2015 was \$125.1 million (2014 \$124.7 million).

## **Reserves and Reserve Funds Overview**

Although Reserves and Reserve Funds are not formally reported directly in the financial statements, they are a key area in the financial management and operations of the City. Reserves and Reserve Fund balances are consolidated within the Accumulated Surplus position on the Consolidated Statement of Operations. Refer to Note #11 in the financial statements for more Reserve and Reserve Fund information.

Reserves and Reserve Funds are established by Council. These funds are set aside to help offset future capital needs, obligations, pressures and costs. They are drawn upon to finance specific purpose capital and operating expenditures as designated by Council to minimize tax rate fluctuations due to unanticipated expenditure and revenue shortfalls and to fund ongoing programs (i.e. insurance and employee benefits).

Reserves and Reserve Fund balances at the end of 2015 totalled \$354.3 million (2014 \$333.3 million), an increase of \$21.0 million from the prior year. The Reserves and Reserve Fund totals do not include development charges and senior government grants that are reported as deferred revenue-obligatory reserve funds on the Statement of Financial Position.

### **Reserves**

Reserves, which are discretionary in nature, are generally used to offset major fluctuations in operating costs/revenues or to fund future contingent liabilities. Total Reserves in 2015 were \$62.1 million (2014 \$45.1 million), an increase of \$17.0 million.

### **Reserve Funds**

Reserve Funds are non-discretionary, segregated and restricted to meet specific identified purposes for the municipality. Total Reserve Funds in 2015 were \$292.1 million (2014 \$288.2 million), an increase of \$3.9 million from the prior year.

The Reserve and Reserve Funds will help the City meet projected expenditure needs in the upcoming years. However, draws on Reserve and Reserve Funds in future years to support our growing capital infrastructure and maintenance needs will reduce these balances and therefore reduce the total accumulated surplus.

This has been anticipated for many years, recognizing that as the City matured, infrastructure renewal would require increased funding. Additional funding support is needed from senior levels of government, as well as ongoing increased annual contributions from the operating funds, in order to help sustain and invest in new and replacement infrastructure.