Item 7.2 was revised on May 15, 2017 due to an administrative error.

City of Mississauga
Agenda

MISSISSAUGA

Audit Committee

Date
2017/05/15

Time
9:00 AM

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

Members

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

Contact
Sacha Smith, Legislative Coordinator, Legislative Services
905-615-3200 ext. 4516
sacha.smith@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 6, 2017

5. **DEPUTATIONS**

5.1. Gary Kent, Commissioner, Corporate Services & Chief Financial Officer to provide opening remarks regarding financial statements.

5.2. Item 7.1 Axel Breuer, Resident

5.3. Item 7.1 Jeff Jackson, Director, Finance with respect to the 2016 Audited Financial Statements.

6. **PUBLIC QUESTION PERIOD - 15 MINUTE LIMIT**
Audit Committee may grant permission to a person who is present at Audit Committee and wishes to ask a question to the Committee on a matter on the Agenda. Persons addressing Audit Committee will ask their question: the time limit per person is a maximum of 5 minutes, as public question period time limit is 15 minutes.

7. **MATTERS TO BE CONSIDERED**

7.1. Report dated April 18, 2017 from the Commissioner of Corporate Services and Chief Financial Officer re: **2016 Audited Financial Statements.**

Recommendation

That the 2016 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 for information.

Recommend Receipt

7.2. Report dated April 18, 2017 from the Commissioner of Corporate Services and Chief Financial Officer re: **2016 External Audit Findings Report**.

Recommendation

That the 2016 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 2016 for the City of Mississauga (City), be received for information.

Recommend Receipt

7.3. Report dated May 3, 2017 from the Director of Internal Audit re: **Final Audit Reports: 1. Community Services Department, Fire and Emergency Services Division - Building and Fleet Maintenance Audit; and 2. Corporate Services Department, Finance Division Investments Section - 2016 Investment Audit.**

Recommendation

That the report dated May 3, 2017 from the Director of Internal Audit with respect to final audit reports:
1. Community Services Department, Fire and Emergency Services Division - Building and Fleet Maintenance Audit; and,
2. Corporate Services Department, Finance Division, Investments Section - 2016 Investment Audit

be received for information.

Recommend Receipt

7.4. Report dated April 27, 2017 from the City Manager and Chief Administrative Officer re: **Status of Outstanding Audit Recommendations as of March 31, 2017**.

Recommendation

That the report dated April 27, 2017 from the City Manager & Chief Administrative Officer regarding the status of outstanding audit recommendations as of March 31, 2017 be received for information.

Recommend Receipt

8. **ENQUIRIES**

9. **CLOSED SESSION** - Nil

10. **ADJOURNMENT**

City of Mississauga

Minutes (Revised)

Audit Committee

Date

March 6, 2017

Time

9:04 a.m.

Location

Council Chamber, 2nd Floor, Civic Centre, 300 City Centre Drive, Mississauga, ON L5B3C1

Members Present

Mayor Bonnie Crombie	(Arrived at 9:10 a.m.)
Councillor Karen Ras	Ward 2
Councillor Matt Mahoney	Ward 8
Councillor Ron Starr	Ward 6 (Chair)

Members Absent

Councillor Jim Tovey	Ward 1

Staff Present

Janice Baker, City Manager and Chief Administrative Officer
Gary Kent, Commissioner of Corporate Services and Chief Financial Officer
Jeff Jackson, Director of Finance and Treasurer
Mark Beauparlant, Manager of Corporate Financial Services
Sally Eng, Director, Internal Audit
Kevin Travers, Partner, KPMG, External Auditor
Angie Melo, Legislative Coordinator, Office of the City Clerk
Karen Morden, Legislative Coordinator, Office of the City Clerk

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mississaugavideos on air online

Meetings of Audit streamed live and archived at Mississauga.ca/videos

1. **CALL TO ORDER** – 9:04 a.m.

2. **APPROVAL OF AGENDA**

That the agenda be approved as presented.

Motion: Moved by: (M. Mahoney)

3. **DECLARATION OF CONFLICT OF INTEREST** - Nil

4. **MINUTES OF PREVIOUS MEETING**

4.1. That the Audit Committee minutes of November 14, 2016 be approved as presented.

Approved (K. Ras)

5. **DEPUTATIONS**

Mayor Crombie arrived at 9:10 a.m.

6. **PUBLIC QUESTION PERIOD - 15 MINUTE LIMIT** - Nil

Audit Committee may grant permission to a person who is present at Audit Committee and wishes to ask a question to the Committee on a matter on the Agenda. Persons addressing Audit Committee will ask their question: the time limit per person is a maximum of 5 minutes, as public question period time limit is 15 minutes.

7. **MATTERS TO BE CONSIDERED**

7.1. Report dated February 16, 2017, from the Commissioner of Community Services re: **Community Services Compliance Project.**

Paul Mitcham, Commissioner, Community Services provided an overview of the Community Services Compliance Project, which Mr. Mitcham indicated establishes a proactive plan. Mr. Mitcham advised that Jason Klomp, Manager, Client Services, Recreation Division has been appointed to lead a small compliance group to work through every section throughout the organization with a view towards confirming processes and ensuring we have compliance to financial controls and inventory controls, and as a consequence we will have established a very strong process framework that the Manager or the Supervisor can self-audit and/or the Compliance Manger can audit, with the objective to report up the line. Mr. Mitcham indicated that this process will take approximately 18 months to 2 years to complete all the sections; however priority will be given to the high risk areas.

Councillor Karen Ras inquired whether more time should be added to the timelines for completing this process, given that, as Mr. Mitcham indicated, this is an ambitious undertaking. Mr. Mitcham advised that they will be monitoring the progress after the first 6 months to get a better understanding of how detailed and how long it will take and report back to the Audit Committee. Councillor Ras suggested that consideration should be given to reporting to the Audit Committee sometime in June 2018, rather than indicating that the project would be complete by June 2018. Mr. Mitcham agreed.

Councillor Ron Starr inquired about whether there is a template being followed or is it in accordance with other standard audit directions. Mr. Mitcham advised that there will be a standardized approach, and that there could be some templates. Mr. Mitcham further advised that the first step is to lock down the process and have internal audit and finance sign off on the process.

Recommendation

AC-0001-2017
That the Corporate Report dated, February 16, 2017 from the Commissioner of Community Services entitled “Community Services Compliance Project” be received for information.

Received (M. Mahoney)

RECORDED VOTE	YES	NO	ABSENT	ABSTAIN
Mayor B. Crombie	X			
Councillor J. Tovey			X	
Councillor K. Ras	X			
Councillor R. Starr	X			
Councillor M. Mahoney	X			

7.2. Report dated February 17, 2017 from the Director of Internal Audit re: **Internal Audit Work Plan for 2017:**

Sally Eng, Director, Internal Audit, spoke to the Internal Audit Work Plan for 2017. Ms. Eng indicated that the 2017 is the last year of the multi-year program approved by the Audit Committee. Ms. Eng further indicated that the Internal Audit Work Plan has been brought back to the Audit Committee annually and adjusted to reflect updated information. Ms. Eng advised that the focus is to finish the reports that were commenced in 2016. The new project based on the original 3 year plan has been amended due changes in priorities, risk profiles and resources. Some of the timing of the projects have been amended due to departments undergoing changes, and in those cases, Internal Audit staff are working with management and staff to advise and recommend appropriate controls in their systems.

Ms. Eng further advised that the Audit Division had 2 main projects, one being the corporate risk assessment, which is required in order to develop the 2018-2020 Work Plan. Ms. Eng further advised that later in the year Internal Audit staff will work with management and staff to assess the risk of City projects and programs in order to develop the 2018-2020 Work Plan, and, further that the projects that have been recommended to be deferred from 2017 will also be considered for the 2018-2020 Work Plan.

Ms. Eng advised that the other project is the Quality Assurance Review required by the Institute of Internal Auditors, to ensure that we comply with the professional standards of the Institute of Internal Auditors and the Institute requires that an ongoing self-assessment to ensure we are continuously improving and that we engage an external consultant every 3 years to verify that we are complying with the Code of Ethics, Institute Standards and our own Charter.

Ms. Eng commented that despite the efforts made to plan, monitor and do the best we can, there are always interruptions and to be mindful that the Work Plan needs to remain flexible to accommodate changes.

Ms. Eng advised that a status report, advising of changes, will be brought forward to the Audit Committee in September 2017.

Recommendation

AC-0002-2017
That the report dated February 17, 2017 from the Director of Internal Audit, with respect to the Internal Audit Work Plan for 2017 be approved.

Received (Mayor Crombie)

RECORDED VOTE	YES	NO	ABSENT	ABSTAIN
Mayor B. Crombie	X			
Councillor J. Tovey			X	
Councillor K. Ras	X			
Councillor R. Starr	X			
Councillor M. Mahoney	X			

7.3. Report dated February 24, 2017 from the Director of Internal Audit re: **Final Audit Report.**

Thomas Kelly, Senior Internal Auditor spoke about the Final Audit Report, for the Corporate Services Department, Facilities and Property Management Division Capital Maintenance Contracts Audit. Mr. Kelly indicated that the Facilities and Development and Accessible sections are responsible for the capital projects, capital maintenance, providing accessibility services and delivering space planning services. Mr. Kelly advised that he Audit Report focused on capital maintenance projects which are replacing existing buildings and infrastructure that have reached the end of their life cycle, for example replacing a roof, repaving a parking lot, and installing a new back-up generator. Mr. Kelly provided an overview of the audit objectives and criteria.

Mr. Kelly advised that previous audit recommendations for this area were followed up and show that controls are in place, for example approval and documentation of contracts and subsequent changes, payments to the contractors were properly approved calculated processed and recorded, charge back for labour recovery were consistently charged to each project; and liability insurance was requested and received for each contractor.

Mr. Kelly further advised that controls could be further strengthened by consistently allocating expenses to the current accounts and projects, insurance certificates comply with the terms of the contract and reviewing the project managers and project files and warranty information gets entered into the data base.

Mr. Kelly advised that the last audit on capital maintenance contracts was performed in 2007, which had 14 recommendations and have all been implemented; however issues relating to 3 of the recommendations have resurface; they are which are reviewing the project management manual annually and updating where necessary; developing performance standards for closing project files and warranty information into the data base; and ensuring adequate liabilities insurance coverage when warranty work is performed. There is currently a process in place; however, an additional procedure is being recommended.

Mr. Kelly advised that the audit resulted in 9 recommendations. Management has agreed with the recommendations. Mr. Kelly further advised that 5 of the recommendations will be completed by April 2017, 3 recommendations will be completed by the end of the year and the remaining recommendation will be completed by March 31st. 2018.

Mr. Kelly thanked the Facilities and Property Management staff, and Kendall Wayow, Manager of Building Services and Operations for the assistance with the audit.

Recommendation

AC-0003-2017
That the report dated February 24, 2017 from the Director of Internal Audit with respect to final audit report:

1. Corporate Services Department, Facilities and Property Management Division Capital Maintenance Contracts Audit.

be received for information.

Received (M. Mahoney)

RECORDED VOTE	YES	NO	ABSENT	ABSTAIN
Mayor B. Crombie	X			
Councillor J. Tovey			X	
Councillor K. Ras	X			
Councillor R. Starr	X			
Councillor M. Mahoney	X			

8. MOTIONS

Sally Eng, Director, Internal Audit addressed the Audit Committee, advising that this is her last Audit Committee meeting and thanked them and all Members of Council for guidance and support and the great opportunity to work for the City of Mississauga; it has been an honour and privilege. Ms. Eng introduced Al Steinbach, the new Director, Internal Audit.

Audit Committee Members and staff present expressed their thanks to Sally Eng for her professionalism, efforts, approach and dedication over all the years in the Corporation.

Recommendation

That the Chair and Members of the Audit Committee express thanks and gratitude to Sally Eng, Director of Internal Audit for her many years of service and expertise as the Director of Internal Audit and upon her retirement, wish her well in her future endeavours.

Motion to recognize Sally (moved by B. Crombie)

RECORDED VOTE	YES	NO	ABSENT	ABSTAIN
Mayor B. Crombie	X			
Councillor J. Tovey			X	
Councillor K. Ras	X			
Councillor R. Starr	X			
Councillor M. Mahoney	X			

9 **ENQUIRIES** – Nil

Councillor Ron Starr inquired about the Whistle blower policy.

Janice Baker, City Manager and Chief Administrative Officer, advised that she is brief on every report received, and that ever year approximately 12 to 15 incidents are reported. Ms. Baker further advised that every report is looked into and that approximately 75 to 80% of reports are fully investigated, and that there are a number of those, ½ or less that are substantiate, were action is taken, such as training, discipline, including termination.

10. **CLOSED SESSION**

Pursuant to Subsection 239 (2) of the Municipal Act, Mayor Crombie moved the following motion:

Whereas the *Municipal Act, 2001*, as amended, requires Council to pass a motion prior to closing part of a meeting to the public;

And whereas the Act requires that the motion states the act of the holding of the closed meeting and the general nature of the matter to be considered at the closed meeting;

Now therefore be it resolved that a portion of the General Committee meeting to be held on March 6, 2017 shall be closed to the public to deal with the following matter:

Personal matters about an identifiable individual, including municipal or local board employees: **Meadowvale Theatre Audit Action Plan Update.**
Paul Mitcham, Commissioner of Community Services provided a verbal update regarding the Meadowvale Theatre Audit Action Plan.

Returned from Closed Session at 9:40 a.m.

This motion was voted on and carried at 9:41 a.m.

(b) **Meadowvale Theatre Audit Action Plan Update**

Recommendation

AC-0005-2017
1. That the Corporate Report dated 9, 2017, from the Commissioner of Community Services entitled “Meadowvale Theatre Audit Plan Update” be received for information.

2. That staff be directed to amend the Corporate Report dated 9, 2017, from the Commissioner of Community Services entitled “Meadowvale Theatre Audit Plan Update, and bring it to the General Committee.

Received (Mayor Crombie)

RECORDED VOTE	YES	NO	ABSENT	ABSTAIN
Mayor B. Crombie	X			
Councillor J. Tovey			X	
Councillor K. Ras	X			
Councillor R. Starr	X			
Councillor M. Mahoney	X			

ADJOURNMENT – 9:45 a.m. (K. Ras)

City of Mississauga
Corporate Report

Date: 2017/04/18 To: Chair and Members of Audit Committee From: Gary Kent, Commissioner of Corporate Services and Chief Financial Officer	Originator's files: Meeting date: 2017/05/15

Subject
2016 Audited Financial Statements

Recommendation
That the 2016 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 as information.

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 2016 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.

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 is in their second year of a 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 2016 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 (2016 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 2016 Annual Financial Report which will be available on the City's website.

For the 19th consecutive year, the Government Finance Officers Association (GFOA) of the United States and Canada presented the City of Mississauga with the Canadian Award for Financial Reporting for its 2015 Annual Financial Report in recognition of the City's ability to present financial information in a clear, concise and informative manner. This award program encourages innovative financial reporting and maintains a high quality standard that is recognized amongst peers.

The 2016 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 where it can be printed or read at their convenience.

Financial Impact

The City's year-end audit fees for the 2016 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 2016 was $281.0 million (2015 $267.0 million) and has been reported as a financial asset on the Consolidated Statement of Financial Position. The City's share of Enersource's 2016 net income was $26.9 million (2015 $18.2 million) and has been reported as revenue on the City's Consolidated Statement of Financial Activities.

Conclusion

The 2016 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, 2016 and the results of operations for the year then ended.

Attachments

Appendix 1: 2016 Audited Financial Statements
Appendix 2: 2016 Financial Year in Review

G. Kent.

Gary Kent, Commissioner of Corporate Services and Chief Financial Officer

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

2016 **AUDITED FINANCIAL STATEMENTS**

For the period ending December 31, 2016

Prepared by:
Finance Division, Corporate Services Department
City of Mississauga

City of Mississauga

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The Corporation of the City of Mississauga
Consolidated Financial Statements

December 31, 2016

KPMG

KPMG LLP
Vaughan Metropolitan Centre
100 New Park Place, Suite 1400
Vaughan ON L4K 0J3
Canada
Tel 905-265-5900
Fax 905-265-6390

INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of
The Corporation of the City of Mississauga

We have audited the accompanying consolidated financial statements of The Corporation of the City of Mississauga, which comprise the consolidated statement of financial position as at December 31, 2016, the consolidated statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of The Corporation of the City of Mississauga as at December 31, 2016, and its consolidated results of operations and accumulated surplus, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

April 7, 2017
Vaughan, Canada

The Corporation of the City of Mississauga
Consolidated Statement of Financial Position

as at December 31, 2016 with comparatives for 2015
(All dollar amounts are in $000)

	2016 $	2015 $
Financial Assets		
Cash	103,804	37,983
Taxes receivable (Note 2)	36,611	41,532
Accounts receivable (Note 2)	74,129	55,195
Loans and other receivables (Note 3)	600	2,439
Inventories for resale	284	315
Investments (Note 4)	856,942	883,868
Investment in Enersource Corporation (Note 5)	281,012	266,959
Total Financial Assets	**1,353,382**	**1,288,291**
Financial Liabilities		
Accounts payable and accrued liabilities	175,912	173,490
Deferred revenue - general	9,013	7,663
Deferred revenue - obligatory reserve funds (Note 6)	325,295	306,507
Employee benefits and other liabilities (Note 7)	210,256	197,982
Long-term debt (Note 8)	134,447	110,785
Total Financial Liabilities	**854,923**	**796,427**
Net Financial Assets	**498,459**	**491,864**
Non-Financial Assets		
Tangible capital assets (Note 9)	8,020,550	7,966,189
Inventories of supplies	6,901	7,958
Prepaid expenses	2,391	2,997
Total Non-Financial Assets	**8,029,842**	**7,977,144**
Accumulated Surplus (Note 10)	**8,528,301**	**8,469,008**

Subsequent Event (Note 21)

The accompanying notes are an integral part of these consolidated financial statements.

The Corporation of the City of Mississauga
Consolidated Statement of Operations

for the year ended December 31, 2016 with comparatives for 2015
(All dollar amounts are in $000)

	Budget 2016 $ (Note 17)	Actual 2016 $	Actual 2015 $
Revenues			
Taxation (Note 11)	469,003	470,641	446,625
User charges	221,400	245,182	191,970
Recoveries from third parties	25,405	4,337	21,098
Funding transfers from other governments (Note 18)	2,683	3,887	2,458
Development and other contributions applied	-	69,138	228,687
Investment income	26,421	34,903	33,082
Penalties and interest on taxes	8,120	8,444	8,848
Contributed assets	-	18,595	34,266
Other	4,548	3,909	7,852
Equity in income of Enersource Corporation (Note 5)	-	26,855	18,226
Total Revenues	**757,580**	**885,891**	**993,112**
Expenses			
General government services	147,787	184,630	164,177
Protection services	128,505	128,120	122,648
Transportation services	317,943	312,144	297,646
Environmental services	19,463	17,890	14,601
Health services	581	587	549
Social and family services	542	479	478
Recreation and cultural services	159,220	160,113	151,861
Planning and development services	22,209	21,561	21,095
Loss on disposal of tangible capital assets	-	1,074	505
Total Expenses	**796,250**	**826,598**	**773,560**
Annual Surplus/(Deficit)	**(38,670)**	**59,293**	**219,552**
Accumulated surplus, beginning of year	8,469,008	8,469,008	8,249,456
Accumulated Surplus, end of year (Note 10)	**8,430,338**	**8,528,301**	**8,469,008**

The accompanying notes are an integral part of these consolidated financial statements.

The Corporation of the City of Mississauga
Consolidated Statement of Change in Net Financial Assets

for the year ended December 31, 2016 with comparatives for 2015
(All dollar amounts are in $000)

	Budget 2016 $	Actual 2016 $	Actual 2015 $
Annual Surplus/(Deficit)	**(38,670)**	**59,293**	**219,552**
Acquisition of tangible capital assets	-	(292,528)	(242,823)
Amortization	131,673	130,113	125,144
Loss on disposal of tangible capital assets (Note 9)	-	1,074	505
Transfer of assets under construction	-	106,980	15,184
	93,003	**4,932**	**117,562**
Acquisition of inventory of supplies	-	(6,901)	(7,958)
Acquisition of prepaid expenses	-	(2,391)	(2,997)
Consumption of inventory of supplies	-	7,958	6,770
Use of prepaid expenses	-	2,997	2,978
Change in Net Financial Assets	**93,003**	**6,595**	**116,355**
Net Financial Assets, beginning of year	491,864	491,864	375,509
Net Financial Assets, end of year	**584,867**	**498,459**	**491,864**

The accompanying notes are an integral part of these consolidated financial statements.

The Corporation of the City of Mississauga
Consolidated Statement of Cash Flows

for the year ended December 31, 2016 with comparatives for 2015
(All dollar amounts are in $000)

	2016 $	2015 $
Cash Provided By (Used In): Operating Activities		
Annual surplus/(deficit)	59,293	219,552
Items Not Involving Cash		
Amortization of tangible capital assets	130,113	125,144
Loss on disposal of tangible capital assets	1,074	505
Contributed assets	(18,595)	(34,266)
Change in employee benefits and other liabilities	12,274	(709)
Equity in income of Enersource Corporation	(26,855)	(18,226)
Change in Non-Cash Assets and Liabilities		
Accounts receivable	(18,934)	21,782
Taxes receivable	4,921	(1,213)
Accounts payable and accrued liabilities	2,422	(10,493)
Deferred revenue - general	1,350	712
Deferred revenue - obligatory reserve funds	18,788	(152,107)
Inventories for resale	31	115
Inventories of supplies	1,057	(1,188)
Prepaid expenses	606	(19)
Net Change in Cash from Operating Activities	**167,545**	**149,589**
Capital Activities		
Tangible capital asset additions	(273,933)	(208,557)
Transfer of assets under construction	106,980	15,184
Net Change in Cash from Capital Activities	**(166,953)**	**(193,373)**
Investing Activities		
(Increase) decrease in investments	26,926	(36,039)
Decrease in loans and other receivables	1,839	50
Dividends from Enersource Corporation	12,802	14,425
Net Change in Cash from Investing Activities	**41,567**	**(21,564)**
Financing Activities		
Issuance of long-term debt	37,584	40,000
Repayment of long-term debt	(13,922)	(10,022)
Net Change in Cash from Financing Activities	**23,662**	**29,978**
Net Change in Cash	**65,821**	**(35,370)**
Cash, beginning of year	37,983	73,353
Cash, end of year	**103,804**	**37,983**

The accompanying notes are an integral part of these consolidated financial statements.

The Corporation of the City of Mississauga
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2016
(All dollar amounts are in $000)

The City of Mississauga is a municipality in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act 2001, Planning Act, Building Code Act, Provincial Offences Act and other related legislation.

1. Significant Accounting Policies

The consolidated financial statements of The Corporation of the City of Mississauga (the "City") are prepared by management in accordance with generally accepted accounting principles ("GAAP") for local governments as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada ("CPA Canada"). Significant aspects of the accounting policies adopted by the City are as follows:

a) Basis of consolidation

(i) Consolidated entities

The consolidated financial statements reflect the assets, liabilities, revenues, and expenses of the reporting entity. The reporting entity is comprised of all organizations, committees, and local boards accountable for the administration of their financial affairs and resources to the City and which are owned or controlled by the City except for the City's Government Business Enterprise which is accounted for on the modified equity basis of accounting.

These entities and organizations include:

- City of Mississauga Public Library Board
- Clarkson Business Improvement District Association
- Malton Business Improvement Area
- Port Credit Business Improvement Area
- Streetsville Business Improvement District Association

Inter-departmental and inter-organizational transactions and balances between these entities and organizations are eliminated.

(ii) Investment in a Government Business Enterprise

The City's investment in Enersource Corporation is accounted for on a modified equity basis, consistent with GAAP as recommended by PSAB for investments in Government Business Enterprises. Under the modified equity basis, the Government Business Enterprise's accounting policies are not adjusted to conform with those of the City, and inter-organizational transactions and balances are not eliminated. The City recognizes its equity interest in the annual income of Enersource Corporation in its consolidated statement of operations with a corresponding increase or decrease in its investment asset account. Any dividends that the City may receive from Enersource Corporation will be reflected as reductions in the investment asset account.

(iii) Accounting for Region and School Board transactions

The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the Regional Municipality of Peel ("the Region") and the school boards are not reflected in these consolidated financial statements.

(iv) Trust funds

Trust funds and their related operations administered by the City are not included in these consolidated financial statements. The Perpetual Care Fund and Election Trust Fund are not accounted for as part of the City's assets. The City acts as a trustee, investing and administering such funds, in accordance with regulations of the Funeral, Burial and Cremations Services Act and Municipal Elections Act.

b) Basis of accounting

The City follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measureable as a result of receipt of goods or services and/or the legal obligation to pay.

The Corporation of the City of Mississauga
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2016
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1. Significant Accounting Policies

c) Government transfers

Government grants are recognized in the consolidated financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

d) Taxation revenue

Taxation revenues are recorded at the time tax billings are issued. Additional property taxation revenue can be added throughout the year, related to new properties that become occupied, or that become subject to property taxation, after the return of the annual assessment roll used for billing purposes. The City may receive supplementary assessment rolls over the course of the year from MPAC, identifying new or omitted assessments. Property taxes for these supplementary and/or omitted amounts are then billed according to the approved tax rate for the property class.

e) Deferred revenue

Deferred revenues represent licenses, permits and other fees which have been collected, but for which the related services or inspections have yet to be performed. These amounts will be recognized as revenues in the fiscal year the services are performed.

f) Investment income

Investment income is reported as revenue in the period earned. When required by the funding government or related Act, investment income earned on deferred revenue is added to the investment and forms part of the deferred revenue balance.

g) Cash and cash equivalents

Cash and cash equivalents include cash and highly liquid investments with original dates to maturity of 90 days or less.

h) Land held for resale

Land held for resale is recorded at the lower of cost and net realizable value. Cost includes amounts for improvements to prepare the land for sale or servicing.

i) Investments

Investments consist of bonds and debentures with original dates to maturity of 91 days or longer and are recorded at amortized cost. Discounts and premiums arising on the purchase of these investments are amortized over the term of the investments. When there has been a loss of value that is other than a temporary decline in value, the respective investment is written down to recognize the loss in the consolidated statement of operations.

j) Employee future benefits

(i) The City provides certain employee benefits which will require funding in future periods. These benefits include sick leave, benefits under the Workplace Safety and Insurance Board ("WSIB") Act, and life insurance, extended health and dental benefits for early retirees.

The costs of sick leave, benefits under WSIB Act and life insurance, extended health and dental benefits are actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement, insurance and health care cost trends, long-term inflation rates and discounted rates.

For self-insured retirement and other employee future benefits that vest or accumulate over the periods of service provided by employees, such as retirement gratuities, compensated absences and health, dental and life insurance benefits for retirees, the cost is actuarially determined using the projected benefits method prorated on service. Under this method, the benefit costs are recognized over the expected average service life of the employee group. Any actuarial gains and losses related to the past service of employees are amortized over the expected average remaining service life of the employee group.

For those self-insured benefit obligations that arise from specific events that occur from time to time, such as obligations for workers' compensation and life insurance and health care benefits for those on disability leave, the cost is recognized immediately in the period

The Corporation of the City of Mississauga

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2016
(All dollar amounts are in $000)

1. Significant Accounting Policies

j) Employee future benefits

when the events occur. Any actuarial gains or losses that are related to these benefits are recognized immediately in the period they arise.

(ii) The costs of multi-employer defined benefit pension plan, such as the Ontario Municipal Employees Retirement System ("OMERS") pensions which is accounted for as a defined contribution plan, are the employer's defined contributions to the plan in the period.

k) Contaminated sites

Contaminated sites are defined as the result of contamination being introduced that exceeds an environmental standard.

A liability for remediation of contaminated sites is recognized, net of any expected recoveries, when all of the following criteria are met:.

(i) an environmental standard exists

(ii) contamination exceeds the environmental standard

(iii) the organization is directly responsible or accepts responsibility for the liability

(iv) future economic benefits will be given up, and

(v) a reasonable estimate of the liability can be made.

l) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They are not intended for sale in the ordinary course of operations.

(i) Tangible capital assets

Tangible capital assets are recorded at cost which includes amounts that are directly attributed to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, excluding land, are amortized on a straight-line basis over their useful lives as follows:

Asset	Useful Life - Years
Land	Unlimited
Land improvements	15 - 20
Buildings	40 - 50
Equipment, books and other	5 - 40
Linear - storm drainage	25 - 100
Linear - transportation	15 - 100
Vehicles	10 - 20

Annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

(ii) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair market value at the date of receipt and also are recorded as revenue.

(iii) Works of art and cultural and historic assets

Works of art and cultural and historic assets are not recorded as assets in these consolidated financial statements.

(iv) Interest capitalization

The Corporation of the City of Mississauga
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2016
(All dollar amounts are in $000)

1. Significant Accounting Policies

l) Non-financial assets

(iv) Interest capitalization

The City may capitalize interest costs associated with the acquisition or construction of tangible capital assets.

(v) Leased tangible capital assets

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

(vi) Inventories of supplies

Inventories of supplies held for consumption are recorded at the lower of cost and replacement cost.

m) Use of estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the consolidated financial statement, and the reported amounts of revenues and expenses during the period. Significant estimates and assumptions include allowance for doubtful accounts for certain accounts receivable, carrying value of tangible capital assets, provisions for accrued liabilities and obligations related to employee future benefits.

Actual results could differ from these estimates.

n) Adoption of budgets

The 2016 operating and capital budgets, as approved by Council, were adopted by the City at the December 09, 2015 meeting.

o) Future accounting pronoucements

These standards and amendments were not effective for the year ended December 31, 2016, and have therefore not been applied in preparing these consolidated financial statements. Management is currently assessing the impact of the following accounting standards updates on the future consolidated financial statements.

(i) PS 3210, Assets, provides a definition of assets and further expands that definition as it relates to control. 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. This standard is effective for fiscal periods beginning on or after April 1, 2017 (the City's December 31, 2018 year-end).

(ii) PS 3320, Contingent Assets, defines contingent assets and outlines two basic characteristics of contingent assets: (a) an existing condition or situation that is unresolved at the financial statement date, (b) 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).

(iii) PS 3380, Contractual Rights, defines contractual rights to future assets and revenue. The standard requires that a public sector entity's contractual rights to certain types of revenue for a considerable period into the future or revenues that are abnormal in relation to the financial position or usual business operations should be disclosed in notes or schedules to the financial statements and should include descriptions about their nature and extent and timing. This standard is effective for fiscal periods beginning on or after April 1, 2017 (the City's December 31, 2018 year-end).

(iv) PS 2200, Related Party Disclosures, establishes related party disclosure requirements and defines related parties. 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 have been recognized. This standard is effective for fiscal periods beginning on or after April 1, 2017 (the City's December 31, 2018 year-end).

The Corporation of the City of Mississauga
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2016
(All dollar amounts are in $000)

1. Significant Accounting Policies

o) Future accounting pronoucements

(v) PS 3430, Restructuring Transactions, requires that assets and liabilities in restructuring transactions 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).

(vi) PS 3420, Inter-Entity Transactions, relates to the measurement of related party transactions and includes a decision tree to support the standard. Transactions are recorded at carrying amounts other than certain exceptions. This standard is effective for fiscal periods beginning on or after April 1, 2017 (the City's December 31, 2018 year-end).

(vii) PS 1201, Financial Statement Presentation, was issued in June, 2011. This standard requires entities to present a new statement of remeasurement gains and losses separate from the consolidated statement of operations and accumulated surplus. This new statement includes unrealized gains and losses arising from remeasurement of financial instruments and items denominated in foreign currencies and any other comprehensive income that arises when a government includes the results of government business enterprises and partnerships. This section is effective for fiscal years beginning on or after April 1, 2019 and applies when PS 3450, Financial Instruments, and PS 2601, Foreign Currency Translation, are adopted.

(viii) PS 3450, Financial Instruments, establishes the standards on accounting for and reporting all types of financial instruments including derivatives. The effective date of this standard has recently been deferred and is now effective for fiscal periods beginning on or after April 1, 2019 (the City's December 31, 2020 year-end).

(ix) PS 2601, Foreign Currency Translation, establishes the 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 now effective for fiscal periods beginning on or after April 1, 2019 (the City's December 31, 2020 year-end). Earlier adoption is permitted. A public sector entity adopting this standard must also adopt the new financial instruments standard.

2. Taxes Receivable and Accounts Receivable

Taxes receivable are reported net of valuation allowances of $143 (2015 $0). Accounts receivable are reported net of a valuation allowance of $358 (2015 $359).

3. Loans and other receivables

In December 2013, Heart House Hospice entered into a five-year lease agreement with the City in exchange for two acres of City parkland for the construction of a new hospice facility. In 2016, the lease arrangement was cancelled. Pursuant to the terms of the original lease agreement and related amendment, Heart House Hospice transferred the responsibility and ownership of the two acres of City parkland back to the City. The outstanding balance of the loan totalled $2,455 immediately before the loan was cancelled. The City recorded the parkland as tangible capital assets based on the fair market value $2,800 including costs incurred directly attributable to the ownership transfer and recognized a gain of $345. The outstanding balance included in loans and other receivables as at December 31, 2016 is $0 (2015 $1,789).

4. Investments

Investments reported on the consolidated statement of financial position have cost and market values as follows:

	2016		2015	
	Cost $	Market Value $	Cost $	Market Value $
Bank deposit notes and finance paper	142,940	143,764	185,240	186,161
Government and government guaranteed bonds	623,525	643,203	572,582	605,554
Municipal bonds	90,477	95,379	126,046	133,766
Total	**856,942**	**882,346**	**883,868**	**925,481**

The Corporation of the City of Mississauga
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For the Year Ended December 31, 2016
(All dollar amounts are in $000)

5. Investment in Enersource Corporation

The City has a 90 per cent interest in Enersource Corporation and is accounted for on the modified equity basis in these consolidated financial statements. Enersource Corporation serves as the electrical distribution utility for the City's residents and businesses. Other activities of Enersource Corporation are to provide energy services, billing services, street lighting services, retrofit multi-residential buildings to metered units and utility related construction.

Enersource's consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS).

The following table provides condensed financial information for Enersource Corporation for its 2016 fiscal year, together with comparative figures for 2015:

Financial Position:	2016 $	2015 $
Assets:		
Current	219,915	179,568
Capital	645,575	606,876
Other	56,131	69,648
Total Assets	**921,621**	**856,092**
Liabilities:		
Current	259,214	152,808
Non-current liabilities	350,171	406,663
Total Liabilities	**609,385**	**559,471**
Shareholders' Equity:		
Share capital	175,691	175,691
Accumulated other comprehensive income	1,118	442
Retained earnings	135,427	120,488
Total Shareholders' Equity	**312,236**	**296,621**
Total Liabilities and Shareholders' Equity	**921,621**	**856,092**
Results of Operations and Non-Operations:		
Revenues	1,118,078	1,015,311
Expenses (including income tax provision)	1,088,239	995,060
Net Income	**29,839**	**20,251**
City's Share of Net Income	**26,855**	**18,226**

During the year, the City received a dividend of $12,802 (2015 $14,425) declared by Enersource Corporation.

The City's investment in Enersource Corporation is reflected in the following table for its 2016 fiscal year together with comparative figures for 2015.

Investment in Enersource Corporation	2016 $	2015 $
Opening Balance, Beginning of Year	266,959	263,158
Equity in income of Enersource Corporation	26,855	18,226
City's share of dividend	(12,802)	(14,425)
Closing Balance, End of Year	**281,012**	**266,959**

The Corporation of the City of Mississauga

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2016
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6. Deferred Revenue - Obligatory Reserve Funds

Revenues received that have been set aside for specific purposes by Provincial legislation, certain City by-laws, or agreements are included in deferred revenue and reported on the consolidated statement of financial position. Details of these deferred revenues are as follows:

	2016 $	2015 $
Development charges (plus unspent capital)	147,764	153,768
Parkland	65,842	58,397
CIL Parking	6,143	-
Bonus zoning	1,175	646
Provincial public transit funds	11,703	14,433
Federal public transit funds	1,426	1,844
Provincial gasoline tax	18,730	17,941
Federal gasoline tax	72,512	59,478
Total Deferred Revenue - Obligatory Reserve Funds	**325,295**	**306,507**

Deferred Revenue - Obligatory Reserve Funds Continuity Schedule

Source	Opening Balance $	Received $	Recognized as Revenue $	Transfers $	Closing Balance $
Development charges (plus unspent capital)	153,768	38,045	150	43,899	147,764
Parkland	58,397	9,231	-	1,786	65,842
CIL Parking	-	6,716	-	573	6,143
Bonus zoning	646	529	-	-	1,175
Provincial public transit funds	14,433	545	-	3,275	11,703
Federal public transit funds	1,844	67	-	485	1,426
Provincial gasoline tax	17,941	16,881	16,092	-	18,730
Federal gasoline tax	59,478	40,886	-	27,852	72,512
Total	**306,507**	**112,900**	**16,242**	**77,870**	**325,295**

7. Employee Benefits and Other Liabilities

The employee benefits and other liabilities, reported on the consolidated statement of financial position, are made up of the following:

	2016 $	2015 $
WSIB	23,465	18,273
Sick leave benefits	12,384	11,827
Early retirement benefits	37,971	37,283
Post-employment benefits	11,284	10,075
Vacation pay	24,106	22,694
Developer charges credits	59,982	59,138
Contaminated site liability	275	380
Other liabilities	40,789	38,312
Total	**210,256**	**197,982**

The City has established reserve funds of $126,733 (2015 $124,918) to mitigate the future impact of these obligations.

a) WSIB: The City has elected to be a Schedule 2 employer under the provisions of WSIB, and as such remits payments to the WSIB only as required to fund disability payments. A full actuarial study of this obligation was completed in December 2016, in accordance

The Corporation of the City of Mississauga

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2016
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7. Employee Benefits and Other Liabilities
with the financial reporting guidelines established by PSAB.

b) Sick leave benefits accrue to certain employees of the City and are paid out either on approved retirement, or upon termination or death. The accrued benefit obligation and the net periodic benefit cost were determined by an actuarial valuation completed in December 2016, in accordance with the financial reporting guidelines established by PSAB.

c) Early retirement benefits are representative of the City's share of the cost to provide certain employees with extended benefits upon early retirement. The accrued benefit obligation and the net periodic benefit cost were determined by an actuarial valuation completed in December 2016, in accordance with the financial reporting guidelines established by PSAB.

d) Post-employment benefits are paid on behalf of any employee on long-term disability. The accrued benefit obligation and the net periodic cost were determined by an actuarial valuation completed in December 2016, in accordance with the financial reporting guidelines established by PSAB. Information about liabilities for defined benefit plans is as follows:

	WSIB $	Sick Leave $	Early Retirement $	Post Employment $	2016 Total $	2015 Total $
Accrued Benefit Liability, Beginning of Year	18,273	11,827	37,283	10,075	77,458	74,646
Service cost	6,552	1,097	1,487	1,798	10,934	6,363
Interest cost	1,017	758	1,489	434	3,698	3,468
Amortization of actuarial (gain)/loss	40	589	(632)	84	81	(24)
Benefit payments	(2,621)	(1,887)	(1,656)	(1,107)	(7,271)	(6,995)
Increase due to plan amendment	204	-	-	-	204	-
Accrued Benefit Liability, End of Year	**23,465**	**12,384**	**37,971**	**11,284**	**85,104**	**77,458**
Unamortized actuarial (gain)/loss	2,111	8,698	(3,598)	(4,532)	2,679	1,279
Actuarial valuation update, end of year	**25,576**	**21,082**	**34,373**	**6,752**	**87,783**	**78,737**
Expected average remaining service life	12 yrs	12 yrs	12 yrs	8 yrs	n/a	n/a

The actuarial valuations of the plans were based upon a number of assumptions about future events, which reflect management's best estimates. The following represents the more significant assumptions made:

	WSIB	Sick Leave	Post Employment	Early Retirement
Expected inflation rate	1.75%	1.75%	1.75%	1.75%
Expected level of salary increases	n/a	2.75%	2.75%	2.75%
Interest discount rate	4.00%	4.00%	3.50%	4.00%
Expected health care increases	4.75%	n/a	5.00%	4.75%

e) Developer charge credits are liabilities and obligations that arise through the Development Charges Act. For the year ended December 31, 2016, the developer charge credit liability is $59,982 (2015 $59,138).

f) Other pension plans:

The City makes contributions to OMERS, a multi-employer plan, on behalf of 4,665 employees. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

Contributions for employees with a normal retirement age of 65 are being made at a rate of 9.0 per cent for earnings up to the annual maximum pensionable earnings of $54,900 and at a rate of 14.6 per cent for earnings greater than the annual maximum pensionable earnings.

Contributions for employees with a normal retirement age of 60 (firefighters) are being made at a rate of 9.2 per cent up to the annual maximum pensionable earnings of $54,900 at a rate of 15.8 per cent for earnings greater than the annual maximum pensionable earnings.

The amount contributed to OMERS for 2016 was $36,944 (2015 $38,540) for current service and is included as an expense on the

The Corporation of the City of Mississauga

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2016
(All dollar amounts are in $000)

7. Employee Benefits and Other Liabilities
consolidated statement of operations. Employees' contributions to OMERS in 2016 totalled $37,063 (2015 $38,626).

The City is current with all payments to OMERS; therefore, there is neither a surplus nor deficit with the pension plan contributions. However, at OMERS, the pension plan's funding deficit in 2016 dropped to $5.7 billion (2015 $7.0 billion). OMERS expects that investment returns as well as benefit reductions should return the plan to surplus by 2025.

OMERS has held contributions for both employees and employers at the 2016 rates for 2017 for employees with a normal retirement age of 65 and for employees and employers with a normal retirement age of 60 (firefighters). If actuarial surpluses are not available to offset the existing deficit and subsidize future contributions, additional increases in the contributions may be required.

8. Long-term Debt

The long-term debt reported on the consolidated statement of financial position of $134,447 was issued by the Region. Of the debt issued in 2013, $32,900 is outstanding; of the debt issued in 2014, $27,963 is outstanding, of the debt issued in 2015, $36,000 is outstanding; all of the debt issued in 2016, $37,584 is outstanding as at December 31, 2016.

Principal payments on the 2013 debt are payable on June 20th annually; principal payments on the 2014 debt are payable on June 10th; principal payments on the 2015 debt are payable on August 20th; and principal payments on the 2016 debt are payable on June 1st.

Serial debenture debt has been approved by Council by-law. The annual principal and interest payments required to service this liability are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing. Coupon rates range from 0.95 to 3.30 per cent.

Principal payments are repayable annually as follows:

	Total **$**
2017	17,405
2018	16,321
2019	16,121
2020	15,700
2021	16,100
Thereafter	52,800
Total	**134,447**

Interest expense and fees of $2,751 (2015 $2,042) are reported in the consolidated statement of operations.

The Corporation of the City of Mississauga
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2016
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9. Tangible Capital Assets

a) Assets under construction:

Assets under construction having a value of $190,940 (2015 $224,416) have not been amortized. Amortization of these assets will commence when the asset is put into service

b) Contributed tangible capital assets:

Contributed tangible capital assets have been recognized at fair market value at the date of contribution. The value of contributed assets received during the year is $18,595 (2015 $34,266) comprised of infrastructure in the amount of $10,075 (2015 $0) and land in the amount of $8,520 (2015 $34,266).

c) Works of art and historical treasures:

The City owns both works of art and historical treasures at various City-owned facilities such as Benares and Bradley Museums and the Mississauga Art Gallery. These assets are deemed worthy of preservation because of the social rather than financial benefits they provide to the community. These assets are not recorded as tangible capital assets and are not amortized.

d) Write-down of tangible capital assets:

The write-down of tangible capital assets during the year was $0 (2015 $0).

e) Disposal of tangible capital assets:

The costs of assets under construction are excluded in calculating the loss on disposal of tangible capital assets. The purchase cost of $52,211 (2015 $11,361) (land $585; buildings $4,667; land improvements $1,018; equipment, books and other $31,644; linear transportation $129; and vehicles $14,168) less the accumulated amortization of $51,137 (2015 $10,856) results in a loss on disposal of $1,074 (2015 $505).

The Corporation of the City of Mississauga
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2016
(All dollar amounts are in $000)

9. Tangible Capital Assets

2016 Tangible Capital Assets

Cost	December 31, 2015 $	Additions $	Disposals $	December 31, 2016 $
Land	5,130,795	13,841	585	5,144,051
Land improvements	168,047	9,489	1,018	176,518
Buildings	994,181	67,523	4,667	1,057,037
Equipment, books and other	257,758	20,199	31,644	246,313
Linear - storm drainage	806,327	19,918	-	826,245
Linear - transportation	1,933,659	84,383	129	2,017,913
Vehicles	278,368	3,671	14,168	267,871
Assets under construction	224,416	73,504	106,980	190,940
Total	**9,793,551**	**292,528**	**159,191**	**9,926,888**

Accumulated Amortization	December 31, 2015 $	Amortization Expense $	Disposals $	December 31, 2016 $
Land	-	-	-	-
Land improvements	90,163	6,613	1,013	95,763
Buildings	328,081	27,490	4,275	351,296
Equipment, books and other	167,277	19,325	31,644	154,958
Linear - storm drainage	216,703	10,493	-	227,196
Linear - transportation	842,178	46,685	129	888,734
Vehicles	182,960	19,507	14,076	188,391
Assets under construction	-	-	-	-
Total	**1,827,362**	**130,113**	**51,137**	**1,906,338**

Net Book Value	December 31, 2015 $	December 31, 2016 $
Land	5,130,795	5,144,051
Land Improvements	77,884	80,755
Buildings	666,100	705,741
Equipment, books and other	90,481	91,355
Linear - storm drainage	589,624	599,049
Linear - transportation	1,091,481	1,129,179
Vehicles	95,408	79,480
Assets under construction	224,416	190,940
Total	**7,966,189**	**8,020,550**

The Corporation of the City of Mississauga
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2016
(All dollar amounts are in $000)

10. Accumulated surplus

Accumulated surplus consists of individual fund surplus and reserves and reserve funds as follows:

	2016 $	2015 $
Surplus:		
Invested in Tangible Capital Assets		
Invested in tangible capital assets	8,020,334	7,965,978
Business Improvement Area tangible capital assets	216	211
Total Invested in Tangible Capital Assets	**8,020,550**	**7,966,189**
Unexpended capital	177,975	190,431
Long-term debt	(134,447)	(110,785)
Enersource Corporation	281,012	266,959
Unfunded employee benefits	(210,256)	(197,982)
Total Surplus	**8,134,834**	**8,114,812**
Reserves Set Aside by Council:		
Development revenue	-	2,280
Assessment appeals	-	4,688
Vacation pay	-	5,820
Contingencies	38,692	12,325
Labour settlements	-	6,466
Planning process update	-	795
Building permit revenue stabilization	3,730	2,774
Legal settlements	-	1,740
Winter maintenance	11,613	11,613
Elections	3,720	1,470
Commitments	-	113
Early retirement benefits	-	500
Arts	1,752	1,324
Bus shelter advertising	-	342
Stormwater	6,345	-
BIA Reserves	305	281
Utilities	-	9,546
Total Reserves	**66,157**	**62,077**
Reserves Funds Set Aside for Specific Purposes by Council:		
Lot levies	57,262	60,756
Contributions from specific developers for specific works	33,586	72,308
Vehicle and equipment replacement	-	3,596
Capital construction	153,554	95,636
Self-insurance	33,134	30,175
Group benefits	34,597	29,648
Stormwater	15,177	-
Total Reserve Funds	**327,310**	**292,119**
Total Accumulated Surplus	**8,528,301**	**8,469,008**

The Corporation of the City of Mississauga
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2016
(All dollar amounts are in $000)

11. Taxation

Taxation revenues are recorded at the time tax billings are issued. Additional property tax revenue can be added throughout the year, related to new properties that become occupied or that become subject to property tax, after the return of the annual assessment roll used for billing purposes. The City may receive supplementary assessment rolls over the course of the year from MPAC, identifying new or omitted assessments. Property taxes for these supplementary and/or omitted amounts are then billed according to the approved tax rate for the property class. Taxation revenue, reported on the consolidated statement of operations, is made up of the following:

	2016 **$**	**2015** **$**
Municipal, region and school property taxes	1,565,567	1,518,191
Payments in lieu of property taxes	29,921	28,768
Net Property Taxes	**1,595,488**	**1,546,959**
Payments to Region and school boards	(1,124,847)	(1,100,334)
Net Property Taxes and Payments in Lieu Available for Municipal Purposes	**470,641**	**446,625**

12. Trust funds

Trust funds administered by the City amounting to $731 (2015 $664) have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of operations.

13. Contingent liabilities

As at December 31, 2016, the City has been named as defendant or co-defendant in a number of outstanding legal actions. No provision has been made for any claims that are expected to be covered by insurance or where the consequences are undeterminable. Where the claims are not expected to be covered by insurance and where management has assessed the likelihood of exposure as being more likely than not and is able to reasonably assess the exposure, an amount is provided for in these consolidated financial statements.

14. Segmented information

Segmented information has been identified based upon lines of service provided by the City. City services are provided by departments and their activities are reported by functional areas in the body of the consolidated financial statements. Certain lines of service that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

a) General Government Services:

The General Government Services segment comprised the following service areas: Mayor and Council, City Manager's Office, Internal Audit, Economic Development, Strategic Initiatives, Office of the City Clerk, Finance, Information Technology, Facilities and Property Management, Revenue, Materiel Management, Legal, Customer Service, and Communications. These divisions are responsible for by-laws and administrative policies, levying taxes, acquiring, managing City assets, ensuring effective financial management, planning and budgeting, monitoring financial and operating performance, and ensuring that high quality City service standards are met.

b) Protection Services:

The Protection Services segment is comprised of the following service areas: Fire Services including fire suppression, fire prevention programs, and fire inspection, By-law Enforcement, Animal Control, Vehicle and Business Licensing, Security, and Provincial Offences.

c) Transportation Services:

The Transportation Services segment is comprised of the following service areas: Roadway Services including road maintenance, public works, street cleaning, traffic operations, planning, engineering and development, Winter Control, Transit, and Street lighting.

The Corporation of the City of Mississauga
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2016
(All dollar amounts are in $000)

14. Segmented information

d) Environmental Services:

The Environmental Services segment is comprised primarily of Storm Sewer Services. The City provides stormwater management to ensure the overall health and maintenance of creeks, rivers, and water channels in Mississauga. Water and Sanitary Sewer services are provided by the Region.

e) Health Services:

The Health Services segment is comprised primarily of cemetery maintenance and management.

f) Social and Family Services:

The Social and Family Services segment is comprised primarily of assistance to aged persons. Social and Family Services are handled directly by the Region of Peel. However, the City does offer limited programs and services to support and aid seniors in Mississauga.

g) Recreation and Cultural Services:

The Recreation and Cultural Services segment is comprised of the following service areas: Parks and Forestry, Recreation Programs, Recreation Facilities, Marinas and Golf Courses, Libraries, Museums and Other Cultural Services and Activities.

h) Planning and Development Services:

The Planning and Development Services segment is comprised of the following service areas: Planning and Zoning; Commercial and Industrial Developments, and Policy Planning. The Planning and Development Services manages urban development for business interests, environmental concerns, heritage matters, local neighbourhoods and the downtown through City planning and community development.

The segmented information was provided in accordance with the financial reporting guidelines established by the PSAB (section PS2700). For additional information, see the Consolidated Schedule of Segment Disclosure.

Certain allocation methodologies are employed in the preparation of segmented financial information. User charges and other revenue have been allocated to the segments based upon the segment that generated the revenue. Government transfers have been allocated to the segment based upon the purpose for which the transfer was made. Development charges earned and developer contributions received were allocated to the segment for which the charge was collected.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1.

The Corporation of the City of Mississauga
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2016
(All dollar amounts are in $000)

14. Segmented information

	2016										
	General Government Services $	Protection Services $	Transportation Services $	Environmental Services $	Health Services $	Social and Family Services $	Recreation and Cultural Services $	Planning and Development Services $	Other $	2016 Total $	2015 Total $
Revenues:											
Taxation	469,375	-	-	-	-	-	-	1,266	-	470,641	446,625
User charges	4,931	26,669	116,447	39,714	191	181	51,928	5,121	-	245,182	191,970
Recoveries from third parties	41	-	1,147	2,114	-	-	1,035	-	-	4,337	21,098
Funding transfers from other governments	413	-	80	-	-	53	3,216	125	-	3,887	2,458
Development and other contributions applied	-	-	-	-	-	-	-	-	69,138	69,138	228,687
Investment income	14,473	-	-	-	19	-	16	-	20,395	34,903	33,082
Penalties and interest on taxes	8,444	-	-	-	-	-	-	-	-	8,444	8,848
Contributed assets	-	-	-	-	-	-	-	-	18,595	18,595	34,266
Other	2,062	180	1,689	59	-	43	1,389	6	(1,519)	3,909	7,852
Equity in income of Enersource Corporation	-	-	-	-	-	-	-	-	26,855	26,855	18,226
Total Revenues	**499,739**	**26,849**	**119,363**	**41,887**	**210**	**277**	**57,584**	**6,518**	**133,464**	**885,891**	**993,112**
Expenses:											
Salaries, wages and employee benefits	102,931	116,660	160,770	4,325	484	317	84,885	15,325	-	485,697	459,483
Long-term debt interest	2,610	-	-	141	-	-	-	-	-	2,751	2,077
Materials and supplies	4,560	3,036	33,570	353	54	55	13,010	592	-	55,230	51,528
Contracted services	27,732	1,452	32,568	2,364	46	4	9,963	2,255	-	76,384	67,200
Rents and financial expenses	29,790	2,829	15,512	222	3	2	19,740	630	-	68,728	61,860
External transfers to others	858	-	-	-	-	19	3,185	2,559	-	6,621	5,763
Loss on disposal of tangible capital assets	-	-	-	-	-	-	-	-	1,074	1,074	505
Amortization	16,149	4,143	69,724	10,485	-	82	29,330	200	-	130,113	125,144
Total Expenses	**184,630**	**128,120**	**312,144**	**17,890**	**587**	**479**	**160,113**	**21,561**	**1,074**	**826,598**	**773,560**
Annual Surplus (Deficit)	**315,109**	**(101,271)**	**(192,781)**	**23,997**	**(377)**	**(202)**	**(102,529)**	**(15,043)**	**132,390**	**59,293**	**219,552**

The Corporation of the City of Mississauga
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2016
(All dollar amounts are in $000)

15. Expenses by Object

The consolidated statement of operations represents the expenses by function; the following classifies those same expenses by object:

	Budget 2016 $	Actual 2016 $	Actual 2015 $
Salaries, wages and employee benefits	477,520	485,697	459,483
Long-term debt interest and fees	4,119	2,751	2,077
Materials and supplies	56,293	55,230	51,528
Contracted services	53,863	76,384	67,200
Rents and financial expenses	66,326	68,728	61,860
External transfers to others	6,456	6,621	5,763
Loss on disposal of tangible capital assets	-	1,074	505
Amortization	131,673	130,113	125,144
Total	**796,250**	**826,598**	**773,560**

16. Provincial Offences Administration

The Ministry of the Attorney General in the Province of Ontario requires all municipal partners administering Provincial Offences Administration to disclose the year-end audited financial statements the gross and net provincial offence revenues earned. The following table provides condensed financial information required by the terms in the Memorandum of Understanding for the City's 2016 fiscal year with comparative figures for 2015:

	2016 $	2015 $
Revenues		
Gross revenues	10,486	10,098
Less refunds	109	82
Net Revenues	**10,377**	**10,016**
Expenses		
Provincial charges	967	668
City's operating expenses	3,720	3,495
Total Expenses	**4,687**	**4,163**
Net Revenue	**5,690**	**5,853**
Net Contribution	**5,690**	**5,853**

The Corporation of the City of Mississauga
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2016
(All dollar amounts are in $000)

17. Budget Data

Budget data presented in these consolidated financial statements are based upon the 2016 operating and capital budgets as approved by Council and adopted by the City on December 09, 2015. Adjustments to budgeted values were required to provide comparative budget values based on the full accrual basis of accounting. The chart below reconciles the approved budget with the budget figures as presented in these consolidated financial statements.

Revenue	**Budget Amount $**
Approved Operating Budget	**755,626**
Adjustments:	
Budget adjustments	(1,259)
Contributions from reserve funds	(27,113)
Budget accrual	7,254
BIAs	1,804
BIAs contributions from reserve funds	(116)
City budgeted levy for BIAs	(1,226)
Enersource dividend	(12,750)
Adjusted Operating Budget	**722,220**
Approved Capital Budget	**233,378**
Adjustments for transfers from reserve funds	(172,999)
Adjustments for debt proceeds	(36,937)
Adjusted Capital Budget	**23,442**
Reserve funds interest and other revenue	11,918
Total Revenue	**757,580**
Expenses	
Approved Operating Budget	755,626
Adjustments:	
Budget adjustments	(1,259)
BIA transfers to own	(23)
Transfers to Own	(76,423)
BIA budgeted expenses	1,804
BIA budget on City's books	(1,226)
Amortization	131,673
Debt principal repayments	(13,922)
Adjusted Operating Budget	**796,250**
Approved Capital Budget	214,991
Adjustments:	
Eliminate capital expense budget	(214,991)
Adjusted Capital Budget	**-**
Total Expenses	**796,250**
Annual Deficit	**(38,670)**

The Corporation of the City of Mississauga
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2016
(All dollar amounts are in $000)

18. Funding Transfers from Other Governments

	2016 $	2015 $
General government services	413	184
Protection services	-	-
Transportation services	80	-
Environmental services	-	-
Health services	-	-
Social and family services	53	54
Recreation and cultural services	3,216	2,193
Planning and development services	125	27
Total Funding	**3,887**	**2,458**

19. Commitments

The City of Mississauga has entered into various operating leases for premises. Anticipated payments under such leases during the next five years are approximately as follows:

2017	$	3,220
2018		1,860
2019		1,213
2020		702
2021		741
Total	**$**	**7,736**

20. Comparative figures

Certain comparative information has been reclassified to the financial presentation adopted in the current year.

21. Subsequent Event

On February 1, 2017, through a series of transactions, Enersource Corporation became owner of 31% of Alectra Inc. ("Alectra"), an entity created through the merger of certain hydro holding companies. The transactions included Enersource Corporation exchanging all of its ownership in its operating companies for this ownership in the newly created merged entity of Alectra.

Included in these transactions and as of the same date, the City entered into an arrangement to provide $70M of loan guarantees to Enersource Corporation.

Financial Statements of

CITY OF MISSISSAUGA

Trust Funds

Year Ended December 31, 2016

KPMG LLP
Vaughan Metropolitan Centre
100 New Park Place, Suite 1400
Vaughan ON L4K 0J3
Canada
Tel 905-265-5900
Fax 905-265-6390

INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of
The Corporation of the City of Mississauga

We have audited the accompanying financial statements of the trust funds of The Corporation of the City of Mississauga, which comprise the statement of financial position as at December 31, 2016, the statement of operations for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the trust funds of The Corporation of the City of Mississauga as at December 31, 2016, and its results of operations for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

April 7, 2017
Vaughan, Canada

City of Mississauga – Trust Funds
Statement of Financial Position

as at December 31, 2016 with comparatives for 2015
(All dollar amounts are in $000)

	2016			2015
	Perpetual Care $	Election Surplus $	Total $	Total $
Financial Assets				
Cash	57	-	**57**	**26**
Accounts Receivable	3	-	**3**	**2**
Due from City of Mississauga (Note 2)	-	-	**-**	**62**
Investments (Note 3)	671	-	**671**	**574**
Net financial assets	**731**	**-**	**731**	**664**
Accumulated surplus	**731**	**-**	**731**	**664**

City of Mississauga – Trust Funds
Statement of Operations

For the year ended December 31, 2016 with comparatives for 2015
(All dollar amounts are in $000)

	2016			2015
	Perpetual Care $	Election Surplus $	Total $	Total $
Revenues				
Interest	20	-	**20**	**17**
Perpetual Care receipts	67	-	**67**	**79**
Surplus election proceeds	-	-	**-**	**7**
Total Revenues	**87**	**-**	**87**	**103**
Expenses				
Surplus forfeited to City	-	-	**-**	**7**
Cemetery maintenance	20	-	**20**	**17**
Total Expenses	**20**	**-**	**20**	**24**
Annual surplus	**67**	**-**	**67**	**79**
Accumulated surplus, beginning of year	664	-	**664**	**585**
Accumulated surplus, end of year	**731**	**-**	**731**	**664**

The accompanying notes are an integral part of these financial statements.

City of Mississauga – Trust Funds
Notes to the Financial Statements

for the year ended December 31, 2016 with comparatives for 2015

(All dollar amounts are in $000)

1. Significant Accounting Policies

The financial statements of the City of Mississauga trust funds are prepared by management in accordance with general accepted accounting principles (GAAP) for local governments as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA Canada). One significant aspect of the accounting policies adopted by the City is as follows:

a) Basis of Accounting

Perpetual Care revenue is reported on receipt and interest income is reported on the accrual basis of accounting.

Expenditures are reported on the cash basis of accounting with the exception of administrative expenses which are reported on the accrual basis of accounting, which recognizes expenditures as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

2. Due from the City of Mississauga

This represents money collected by the City during the year and transferred to the Trust Fund after the fiscal year-end. The balance due from the City of Mississauga is non-interest bearing and due on demand.

3. Investments

The total investments by the Trust Funds of $671 (2015 $574) reported on the Statement of Financial Position at cost, have a market value of $705 (2015 $616) at the end of the year.

4. Perpetual Care Fund

The Perpetual Care Fund administered by the City is funded by the sale of cemetery plots. These funds are invested and earnings derived therefrom are used to perform perpetual care maintenance to the municipality’s cemeteries. The operations and investments of the Funds are undertaken by the City in accordance with the regulations of the Funeral, Burial and Cremations Services Act.

5. Election Trust Fund

The Election Surplus Fund, as per S.79(7) of the 1996 Municipal Elections Act states that if in the next regular election or in an earlier by-election, the candidate is nominated for an office on the same council, the Clerk shall pay the amount in trust to the candidate, with interest. As per S79(8), if subsection (7) does not apply, the amount becomes the property of the municipality.

Financial Statements of

City of Mississauga

Public Library Board

Year Ended December 31, 2016

KPMG LLP
Vaughan Metropolitan Centre
100 New Park Place, Suite 1400
Vaughan ON L4K 0J3
Canada
Tel 905-265-5900
Fax 905-265-6390

INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of
The Corporation of the City of Mississauga

We have audited the accompanying financial statements of The Mississauga Public Library Board, which comprise the statement of financial position as at December 31, 2016, the statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Mississauga Public Library Board as at December 31, 2016, and its results of operations and accumulated surplus, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

April 7, 2017
Vaughan, Canada

City of Mississauga - Public Library Board

Statement of Financial Position

as at December 31, 2016 with comparatives for 2015
(All dollar amounts are in $000)

	2016 $	2015 $
Financial Assets		
Due from the City of Mississauga (Note 2)	1,995	1,564
Total Financial Assets	**1,995**	**1,564**
Financial Liabilities		
Accounts payable and accrued liabilities	702	552
Deferred revenue	-	76
Employee benefits and other liabilities (Note 4)	2,421	2,292
Total Financial Liabilities	**3,123**	**2,920**
Net Debt	**(1,128)**	**(1,356)**
Non-financial Assets		
Tangible capital assets (Note 7)	77,248	78,766
Accumulated Surplus	**76,120**	**77,410**

The accompanying notes are an integral part of these financial statements.

City of Mississauga - Public Library Board
Statement of Operations

for the year ended December 31, 2016 with comparatives for 2015
(All dollar amounts are in $000)

	2016 Budget $ Note 6	2016 Actual $	2015 Actual $
Revenues			
City of Mississauga	25,883	25,252	24,729
Province of Ontario grants	715	791	806
Contributed assets by the City of Mississauga	-	654	2,961
Fines, service charges and rents	1,234	1,120	1,216
Total Revenues	**27,832**	**27,817**	**29,712**
Expenses			
Salaries, wages and employee benefits	21,557	20,086	20,533
Equipment	67	131	108
Materials and supplies	298	278	283
Communication	9	8	4
Staff development	86	100	86
Transportation	48	50	49
Professional services	10	68	10
Advertising and promotions	48	93	57
Occupancy	2,093	2,092	2,193
Collection fees	50	52	54
Amortization	-	5,727	5,627
Administrative support charged by the City	414	422	433
Total Expenses	24,680	29,107	29,437
Annual surplus/(deficit)	**3,152**	**(1,290)**	**275**
Accumulated surplus, beginning of year		77,410	77,135
Accumulated surplus, end of year		**76,120**	**77,410**

The accompanying notes are an integral part of these financial statements.

City of Mississauga - Public Library Board
Statement of Change in Net Debt

for the year ended December 31, 2016 with comparatives for 2015
(All dollar amounts are in $000)

	2016 Actual $	2015 Actual $
Annual surplus/(deficit)	(1,290)	275
Acquisition of tangible capital assets	(4,209)	(5,627)
Amortization of tangible capital assets	5,727	5,627
Decrease in net debt	**228**	**275**
Net debt, beginning of year	(1,356)	(1,631)
Net debt, end of year	**(1,128)**	**(1,356)**

City of Mississauga - Public Library Board
Statement of Cash Flows

for the year ended December 31, 2016 with comparatives for 2015
(All dollar amounts are in $000)

	2016 $	2015 $
Cash provided by (used in):		
Operating activities:		
Annual surplus	**(1,290)**	**275**
Items not involving cash:		
Amortization	5,727	5,627
Change in employee benefits and other liabilities	129	115
Change in non-cash working capital:		
Due from the City of Mississauga	(431)	(518)
Deferred revenue	(76)	76
Accounts payable and accrued liabilities	150	52
Net change in cash from operating activities	**4,209**	**5,627**
Capital Activities:		
Tangible capital asset additions	(4,209)	(5,627)
Net change in cash	**-**	**-**
Cash, beginning and end of year	-	-

The accompanying notes are an integral part of these financial statements.

City of Mississauga - Public Library Board
Notes to the Financial Statements

for the year ended December 31, 2016 with comparatives for 2015
(All dollar amounts are in $000)

1. Significant accounting policies

The financial statements of the City of Mississauga Public Library Board (the "Board") are prepared by management in accordance with generally accepted accounting principles for governments as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada ("CPA Canada"). Significant aspects of the accounting policies adopted by the Board are as follows:

a) Basis of accounting

Sources of financing and expenses are reported on the accrual basis of accounting except for fines, service charges and rents which are reported upon receipt. The accrual basis of accounting recognizes revenues as they become measurable; expenses are the cost of goods and services acquired in the period whether or not payment has been made on invoices received.

b) Government transfers

Government transfers are recognized in the financial statements in the period in which the events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made. The Corporation of the City of Mississauga's (the "City") contribution consists of the current year's requisition as approved by Council.

c) Pensions and employee benefits

The Board accounts for its participation in the Ontario Municipal Employee Retirement System ("OMERS"), a multi-employer public sector pension fund, as a defined contribution plan.

Vacation entitlements are accrued for as entitlements are earned. Sick leave benefits are accrued where they are vested and subject to pay out when an employee leaves the Board's employment. Other post-employment benefits and compensated absences are accrued in accordance with the projected benefit method prorated on service and management's best estimate of salary escalation and retirement ages of employees. Actuarial valuations, where necessary for accounting purposes, are performed triennially. The discount rate used to determine the accrued benefit obligation was determined by reference to market interest rates at the measurement date on high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments. Unamortized actuarial gains or losses are amortized on a straight line basis over the expected average remaining service life of the related employee groups. Unamortized gains / losses for event-triggered liabilities, such as those determined as claims related to the Workplace Safety Insurance Board ("WSIB") are amortized over the average expected period during which the benefits will be paid.

Costs related to prior period employee services arising out of plan amendments are recognized in the period in which the plan is amended. For the purposes of these financial statements, the plans are considered unfunded.

d) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible capital assets

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, are amortized on a straight line basis over their estimated useful lives as follows:

Asset	Useful Life (Years)
Land	Unlimited
Land improvements	15 - 20
Buildings	40 - 50
Equipment, Books and Other	5 - 40
Vehicles	10 – 20

A full year of the annual amortization is charged in the year of acquisition. Assets under construction are not amortized until the asset is available for productive use.

(ii) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair market value at the date of receipt. The contributions are recorded as contributed assets in the statement of operations.

(iii) Leased assets

Leases are classified as either operating or capital leases. Lease agreements which substantially transfer all the risks and rewards of ownership to the City are accounted for as a capital lease. All other leases are considered operating leases and the related payments are charged to operating expense as incurred.

(iv) Works of art and historical treasures

The Board does not own any notable works of art and historical treasures at their branches. Typically these assets are deemed worthy of preservation because of the social rather than financial benefits they provide to the community. The historic cost of art and treasures are not determinable or relevant to their significance hence a valuation is not assigned to these assets nor would they be disclosed of in the financial statements.

e) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant estimates include assumptions used in estimating provisions for accrued liabilities and in performing actuarial valuations of employee future benefits and determining useful lives of tangible capital assets.

Actual amounts could differ from these estimates.

f) Future accounting pronouncements

These standards and amendments were not effective for the year ended December 31, 2016, and have therefore not been applied in preparing these financial statements. Management is currently assessing the impact of the following accounting standards updates on the future financial statements.

(i) PS 3210, Assets, provides a definition of assets and further expands that definition as it relates to control. 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. This standard is effective for fiscal periods beginning on or after April 12, 2017 (the City's December 31, 2018 year-end).

(ii) PS 3320, Contingent Assets, defines contingent assets and outlines two basic characteristics of contingent assets: (a) an existing condition or situation that is unresolved at the financial statement date, (b) 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).

(iii) PS 3380, Contractual Rights, defines contractual rights to future assets and revenue. The standard requires that a public sector entity's contractual rights to certain types of revenue for a considerable period into the future or revenue that are abnormal in relation to the financial position or usual business operations should be disclosed in notes or schedules to the financial statements and should include descriptions about their nature and extent and timing. This standard is effective for fiscal periods beginning on or after April 1, 2017 (the City's December 31, 2018 year-end).

(iv) PS 2200, Related Party Disclosures, establishes related party disclosure requirements and defines related parties. 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 have been recognized. This standard is effective for fiscal periods beginning on or after April 1, 2017 (the City's December 31, 2018 year-end).

(v) PS 3430, Restructuring Transactions, requires that assets and liabilities in restructuring transactions 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).

(vi) PS 3420, Inter-Entity Transactions, relates to the measurement of related party transactions and includes a decision tree to support the standard. Transactions are recorded at carrying amounts other than certain exceptions. This standard is effective for fiscal periods beginning on or after April 1, 2017 (the City's December 31, 2018 year-end).

(vii) PS 1201, Financial Statement Presentation, was issued in June, 2011. This standard requires entities to present a new statement of remeasurement gains and losses separate from the consolidated statement of operations and accumulated surplus. This new statement includes unrealized gains and losses arising from remeasurement of financial instruments and items denominated in foreign currencies and any other comprehensive income that arises when a government includes the results of government business enterprises and partnerships. This section is effective for fiscal years beginning on or after April 1, 2019 and applies when PS 3450, Financial Instruments, and PS 2601, Foreign Currency Translation, are adopted.

(viii) PS 3450, Financial Instruments, establishes the standards on accounting for and reporting all types of financial instruments including derivatives. The effective date of this standard has recently been deferred and is now effective for fiscal periods beginning on or after April 1, 2019 (the City's December 31, 2020 year-end).

(ix) PS 2601, Foreign Currency Translation, establishes the 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 now effective for fiscal periods beginning on or after April 1, 2019 (the City's December 31, 2020 year-end). Earlier adoption is permitted. A public sector entity adopting this standard must also adopt the new financial instruments standard.

2. Due from the City of Mississauga

There are no specific terms of repayment and the amounts do not bear any interest due to/from the City.

3. Pension agreements

The Board makes contributions to OMERS, a multi-employer defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay on behalf of all permanent, full-time members of its staff. The plan is accounted for as a defined contribution plan. During the year, the Board contributed $1,356 (2015 $1,380) on behalf of these eligible employees and the employees contributed $1,414 (2015 $1,383).

4. Employee benefits and other liabilities

(i) Accumulated sick leave benefits accrue to certain employees of the Board and are paid out either on approved retirement, or upon termination or death. The accrued benefit obligation and the net periodic benefit cost were determined by a full actuarial valuation completed in December, 2016, in accordance with the financial reporting guidelines established by PSAB.

(ii) Early retirement benefits are representative of the Board's share of the cost to provide certain employees with extended benefits upon early retirement. The accrued benefit obligation and the net periodic benefit cost were determined by a full actuarial valuation completed in December, 2016, in accordance with the financial reporting guidelines established by PSAB.

(iii) Post-employment benefits are paid on behalf of any employee on long-term disability. The accrued benefit obligation and the net periodic cost were determined by a full actuarial valuation completed in December 2016, in accordance with the financial reporting guidelines established by PSAB.

Information about the Board's defined benefit plans is as follows:

	2016				**2015**
	Sick Leave $	**Early Retirement $**	**Post-Employment $**	**Total $**	**Total** $
Accrued benefit obligation, beginning of year	**307**	**1,038**	**1,143**	**2,292**	**2,176**
Service cost	8	30	180	**218**	**210**
Interest cost	11	38	51	**100**	**95**
Amortization of actuarial (gain)/loss	(11)	(68)	60	**(19)**	**(19)**
Benefit payments	(42)	(33)	(95)	**(170)**	**(170)**
Accrued benefit obligation, end of year	**273**	**1,005**	**1,143**	**2,421**	**2,292**
Unamortized actuarial (gain)/loss	(66)	(107)	(400)	**(573)**	**(6)**
Actuarial valuation update, end of year	206	898	743	1,848	2,286
Expected average remaining service life	5 years	10 years	8 years		

The actuarial valuations of the plans were based upon a number of assumptions about future events, which reflect management's best estimates. The following represents the more significant assumptions made:

	Sick Leave	**Early Retirement**	**Post-Employment**
Expected inflation rate	1.75%	1.75%	1.75%
Expected level of salary increases	2.75%	2.75%	2.75%
Interest discount rate	4.00%	4.00%	3.50%
Expected health care increases	n/a	4.75%	5.00%

5. Commitments

The Board has entered into various operating leases for premises. Anticipated payments under such leases during the next five years are approximately as follows:

2017	144
2018	146
2019	37
2020	-
2021	-
Total	327

6. Budget adoption

The 2016 budget, as approved by Council, was adopted by the Board at the December 16, 2015 meeting.

7. Tangible capital assets

Tangible capital assets are non-financial assets that are generally not available to the Library for use in discharging its existing liabilities and are held for use in the provision of services. These assets are significant economic resources that are not intended for sale in the ordinary course of business and have an estimated useful life that extends beyond the current year. Examples include buildings, books, furniture, land, etc.

Library Tangible Capital Assets

Cost	December 31, 2015	Additions	Disposals	December 31, 2016
	$	$	$	$
Land	1,247	-	-	1,247
Land Improvements	404	-	-	404
Buildings	98,720	-	824	97,896
Equipment, Books and Other	54,094	4,209	-	58,303
Vehicles	145	-	-	145
Total	**154,610**	**4,209**	**824**	**157,995**

Accumulated amortization	December 31, 2015	Amortization Expense	Disposals	December 31, 2016
	$	$	$	$
Land	-	-	-	-
Land Improvements	305	11	-	316
Buildings	36,332	2,537	824	38,045
Equipment, Books and Other	39,092	3,169	-	42,261
Vehicles	115	10	-	125
Total	**75,844**	**5,727**	**824**	**80,747**

Net Book Value	December 31, 2015	December 31, 2016
	$	$
Land	1,247	1,247
Land Improvements	99	88
Buildings	62,388	59,851
Equipment, Books and Other	15,002	16,042
Vehicles	30	20
Total	**78,766**	**77,248**

Financial Statements of

CITY OF MISSISSAUGA CLARKSON VILLAGE BUSINESS IMPROVEMENT ASSOCIATION

Year ended December 31, 2016

KPMG LLP
Vaughan Metropolitan Centre
100 New Park Place, Suite 1400
Vaughan ON L4K 0J3
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INDEPENDENT AUDITORS' REPORT

To the Members of City of Mississauga Clarkson Village Business Improvement Association, Council, Inhabitants and Ratepayers of The Corporation of City of Mississauga

We have audited the accompanying financial statements of City of Mississauga Clarkson Village Business Improvement Association, which comprise the statement of financial position as at December 31, 2016, the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of City of Mississauga Clarkson Village Business Improvement Association as at December 31, 2016, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

March 9, 2017

Vaughan, Canada

CITY OF MISSISSAUGA CLARKSON VILLAGE BUSINESS IMPROVEMENT ASSOCIATION

Statement of Financial Position

December 31, 2016, with comparative information for 2015

	2016	2015
Financial assets:		
Cash	$ 67,087	$ 52,623
Accounts receivable and other assets	4,826	8,459
	71,913	61,082
Financial liabilities:		
Accounts payable and accrued liabilities	$ 1,865	$ 2,071
Due to The Corporation of the City of Mississauga (note 2)	2,717	1,537
	4,582	3,608
Net financial assets	67,331	57,474
Tangible capital assets (note 3)	13,414	16,767
Accumulated surplus (note 4)	$ 80,745	$ 74,241

See accompanying notes to financial statements.

On behalf of the Board:

______________________________ Director

______________________________ Director

CITY OF MISSISSAUGA CLARKSON VILLAGE BUSINESS IMPROVEMENT ASSOCIATION

Statement of Operations and Accumulated Surplus

Year ended December 31, 2016, with comparative information for 2015

	2016 Budget	2016	2015
Revenue:			
Special levy on business assessment	$ 73,000	$ 70,283	$ 71,478
Other	5,000	604	1,332
	78,000	70,887	72,810
Expenses:			
Beautification and maintenance	48,250	33,059	41,443
Advertising and promotion	29,600	21,854	20,811
Professional fees	3,500	3,036	2,879
Amortization	-	3,353	3,818
Insurance	1,850	2,036	1,844
Office and general	21,150	920	2,612
Sponsorship	500	125	125
	104,850	64,383	73,532
Annual surplus (deficit)	(26,850)	6,504	(722)
Accumulated surplus, beginning of year	-	74,241	74,963
Accumulated surplus, end of year (note 4)	$ -	$ 80,745	$ 74,241

See accompanying notes to financial statements.

CITY OF MISSISSAUGA CLARKSON VILLAGE BUSINESS IMPROVEMENT ASSOCIATION

Statement of Change in Net Financial Assets

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Annual surplus (deficit)	$ 6,504	$ (722)
Additions to tangible capital assets	-	(3,580)
Amortization of tangible capital assets	3,353	3,818
Change in net financial assets	9,857	(484)
Net financial assets, beginning of year	57,474	57,958
Net financial assets, end of year	$ 67,331	$ 57,474

See accompanying notes to financial statements.

CITY OF MISSISSAUGA CLARKSON VILLAGE BUSINESS IMPROVEMENT ASSOCIATION

Statement of Cash Flows

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operating activities:		
Annual surplus (deficit)	$ 6,504	$ (722)
Items not involving cash:		
Amortization of tangible capital assets	3,353	3,818
Changes in non-cash operating working capital:		
Accounts receivable and other assets	3,633	(74)
Accounts payable and accrued liabilities	(206)	(1,325)
	13,284	1,697
Investing:		
Additions to tangible capital assets	-	(3,580)
Financing:		
Due to the Corporation of the City of Mississauga	1,180	(426)
Increase (decrease) in cash	14,464	(2,309)
Cash, beginning of year	52,623	54,932
Cash, end of year	$ 67,087	$ 52,623

See accompanying notes to financial statements.

CITY OF MISSISSAUGA CLARKSON VILLAGE BUSINESS IMPROVEMENT ASSOCIATION

Notes to Financial Statements

Year ended December 31, 2016

Nature of operations:

On August 8, 1983, the Council of the Corporation of the City of Mississauga (the "City") passed a by-law pursuant to the Municipal Act to designate an area as a improvement area to be known as the Clarkson Business Improvement District. In 2012, the Clarkson Business Improvement District changed its name to Clarkson Village Business Improvement Association (the "Association"). The Association was entrusted with the improvement, beautification and maintenance of municipally owned lands, buildings and structures in the area, beyond such improvement, beautification and maintenance as are provided at the expense of the municipality at large, and with the promotion of the district as a business or shopping area.

1. Significant accounting policies:

The financial statements of the Business Improvement District are the representation of management prepared in accordance with generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

(a) Basis of accounting:

Revenue and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it becomes available and measurable; expenses are the cost of goods or service acquired in the period whether or not payment has been made or invoices received.

(b) Revenue:

The special levy on business assessment represents the amounts levied by the City on behalf of the Association.

(c) Tangible capital assets:

Tangible capital assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Amortization for furniture and fixtures is provided on a declining balance at 20% each year.

CITY OF MISSISSAUGA CLARKSON VILLAGE BUSINESS IMPROVEMENT ASSOCIATION

Notes to Financial Statements (continued)

Year ended December 31, 2016

1. Significant accounting policies (continued):

(d) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

2. Due to/from the Corporation of the City of Mississauga:

The amount due to/from the Corporation of the City of Mississauga includes the cumulative underlevy/overlevy as at December 31, 2016. The amount is non-interest bearing and payable/receivable on demand.

3. Tangible capital assets:

	Cost	Accumulated amortization	2016 Net book value	2015 Net book value
Furniture and fixtures	$ 23,167	$ 9,753	$ 13,414	$ 16,767

4. Accumulated surplus:

Accumulated surplus at December 31 comprised the following:

	2016	2015
Reserve for working capital needs	$ 67,331	$ 57,474
Invested in tangible capital assets	13,414	16,767
Total	$ 80,745	$ 74,241

Financial Statements of

CITY OF MISSISSAUGA PORT CREDIT BUSINESS IMPROVEMENT AREA

Year ended December 31, 2016

KPMG LLP
Vaughan Metropolitan Centre
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INDEPENDENT AUDITORS' REPORT

To the Members of the City of Mississauga Port Credit Business Improvement Area, Council, Inhabitants and the Ratepayers of the Corporation of the City of Mississauga

We have audited the accompanying financial statements of the City of Mississauga Port Credit Business Improvement Area, which comprise the statement of financial position as at December 31, 2016, the statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

KPMG

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the City of Mississauga Port Credit Business Improvement Area as at December 31, 2016, and the results of it operations and accumulated surplus, its changes in net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

February 22, 2017

Vaughan, Canada

CITY OF MISSISSAUGA PORT CREDIT BUSINESS IMPROVEMENT AREA

Statement of Financial Position

December 31, 2016, with comparative information for 2015

		2016		2015
Financial Assets:				
Cash	$	91,949	$	142,929
Accounts receivable		39,811		33,511
Prepaids		18,443		12,581
		150,203		189,021
Financial Liabilities:				
Accounts payable and accrued liabilities	$	25,695	$	42,812
Deferred revenue		-		6,969
Due to The Corporation of the City of Mississauga (note 2)		37,151		75,791
		62,846		125,572
Net financial assets	$	87,357	$	63,449
Tangible capital assets (note 3)	$	68,191	$	89,124
Accumulated surplus (note 4)	$	155,548	$	152,574

Commitments (note 5)

See accompanying notes to financial statements.

On behalf of the Board:

____________________ Director ____________________ Director

CITY OF MISSISSAUGA PORT CREDIT BUSINESS IMPROVEMENT AREA

Statement of Operations and Accumulated Surplus

Year ended December 31, 2016, with comparative information for 2015

	2016 Budget	2016	2015
Revenue:			
Special levy on business assessment	$ 792,266	$ 774,540	$ 715,358
Fundraising	174,725	190,247	264,619
	966,991	964,787	979,977
Expenses:			
Office and general	251,950	262,233	231,107
Project expenses	238,000	247,510	265,704
Beautification and maintenance	223,500	219,405	153,600
Advertising and promotion	114,800	116,940	109,169
Sponsorships	66,000	64,410	65,836
Amortization of capital assets	-	28,125	26,705
Business development	19,200	17,612	19,537
Information technology	2,000	2,605	1,095
Repairs and maintenance	8,600	2,973	5,477
	924,050	961,813	878,230
Annual surplus	42,941	2,974	101,747
Accumulated surplus, beginning of year	-	152,574	50,827
Accumulated surplus, end of year (note 4)	$ 42,941	$ 155,548	$ 152,574

See accompanying notes to financial statements.

CITY OF MISSISSAUGA PORT CREDIT BUSINESS IMPROVEMENT AREA

Statement of Change in Net Financial Assets

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Annual surplus	$ 2,974	$ 101,747
Additions to tangible capital assets	(7,192)	(93,457)
Amortization of tangible capital assets	28,125	26,705
Change in net financial assets	23,907	34,995
Net financial assets, beginning of year	63,450	28,455
Net financial assets, end of year	$ 87,357	$ 63,450

See accompanying notes to financial statements.

CITY OF MISSISSAUGA PORT CREDIT BUSINESS IMPROVEMENT AREA

Statement of Changes in Cash Flows

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operations:		
Annual surplus	$ 2,974	$ 101,747
Item not involving cash:		
Amortization of tangible capital assets	28,125	26,705
Changes in non-cash operating working capital:		
(Increase) decrease in accounts receivable	(6,300)	(9,659)
(Increase) decrease in prepaids	(5,861)	35,336
(Decrease) increase in accounts payable and accrued liabilities	(17,117)	21,828
Decrease in deferred revenue	(6,969)	(11,717)
Decrease in due to The Corporation of the City of Mississauga	(38,640)	(24,238)
	(43,788)	140,002
Investments:		
Additions to tangible capital assets	(7,192)	(93,457)
(Decrease) increase in cash	(50,980)	46,545
Cash, beginning of year	142,929	96,384
Cash, end of year	$ 91,949	$ 142,929

See accompanying notes to financial statements.

CITY OF MISSISSAUGA PORT CREDIT BUSINESS IMPROVEMENT AREA

Notes to Financial Statements

Year ended December 31, 2016

On December 20, 1984, the Council of the Corporation of the City of Mississauga passed a by-law pursuant to the Municipal Act, to designate an area as an improvement area to be known as the Port Credit Business Improvement Area (the "Organization"). The Business Improvement Area was entrusted with the improvement, beautification and maintenance of municipally owned lands, buildings and structures in the area, beyond such improvement, beautification and maintenance is provided at the expense of the municipality at large, and with the promotion of the area as a business or shopping area.

1. Significant accounting policies:

The financial statements of the Port Credit Business Improvement Area are the representation of management prepared in accordance with generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board of The Canadian Institute of Chartered Professional Accountants.

(a) Basis of accounting:

Revenue and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenses are the cost of goods or services acquired in the period whether or not payment has been made or invoices received.

(b) Revenue:

The special levy on business assessment represents the amounts levied by the City of Mississauga on behalf of the Organization.

(c) Tangible capital assets:

Tangible capital assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

CITY OF MISSISSAUGA PORT CREDIT BUSINESS IMPROVEMENT AREA

Notes to Financial Statements (continued)

Year ended December 31, 2016

1. Significant accounting policies (continued):

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Amortization of tangible capital assets is provided on a straight-line basis as follows:

Asset	Basis	Rate
Machinery and equipment	Straight-line	4 years
Furniture and fixtures	Straight-line	4 years
Leasehold improvements	Straight-line	5 years

(d) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

2. Due to The Corporation of the City of Mississauga:

The amount due to The Corporation of the City of Mississauga includes the cumulative underlevy as at December 31, 2016. The amount is non-interest bearing and payable on demand.

3. Tangible capital assets:

			2016	2015
	Cost	Accumulated amortization	Net book value	Net book value
Machinery and equipment	$ 58,665	$ 56,362	$ 2,303	$ 9,458
Furniture and fixtures	13,973	6,341	7,632	8,542
Leasehold improvements	86,675	28,419	58,256	71,124
	$ 159,313	$ 91,122	$ 68,191	$ 89,124

CITY OF MISSISSAUGA PORT CREDIT BUSINESS IMPROVEMENT AREA

Notes to Financial Statements (continued)

Year ended December 31, 2016

4. Accumulated surplus:

The accumulated surplus at December 31 comprised the following:

	2016	2015
Invested in tangible capital assets	$ 68,191	$ 89,124
Reserves for working capital needs	87,357	48,780
Internally restricted	-	14,670
Total	$ 155,548	$ 152,574

5. Commitments:

In 2015, the Organization entered into an operating lease arrangement with the City for its office premises, expiring in April 30, 2020. The Organization also entered into a landscaping agreement in 2015 expiring in 2017.

Amounts payable under these agreements are approximately as follows:

2017	$ 20,180
2018	13,890
2019	14,170
2020	4,760
	$ 53,000

6. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.

Financial Statements of

CITY OF MISSISSAUGA STREETSVILLE BUSINESS IMPROVEMENT DISTRICT ASSOCIATION

Year ended December 31, 2016

KPMG LLP
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INDEPENDENT AUDITORS' REPORT

To the Members of the City of Mississauga Streetsville Business Improvement District Association, Council, Inhabitants and Ratepayers of The Corporation of the City of Mississauga.

We have audited the accompanying financial statements of the City of Mississauga Streetsville Business Improvement District Association, which comprise the statement of financial position as at December 31, 2016, the statements of operations and accumulated surplus, changes in net financial assets, and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the City of Mississauga Streetsville Business Improvement District Association as at December 31, 2016, and the results of its operations and accumulated surplus, its changes in net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

March 9, 2017

Vaughan, Canada

CITY OF MISSISSAUGA STREETSVILLE BUSINESS IMPROVEMENT DISTRICT ASSOCIATION

Statement of Financial Position

December 31, 2016, with comparative information for 2015

	2016	2015
Financial assets:		
Cash	$ 6,640	$ -
Investments (note 2)	-	32,097
Accounts receivable	33,202	36,297
Due from The Corporation of the City of Mississauga (note 3)	2,144	-
	$ 41,986	$ 68,394
Financial liabilities:		
Bank indebtedness	$ -	$ 3,977
Accounts payable and accrued liabilities	9,759	16,355
Due to The Corporation of the City of Mississauga (note 3)	-	4,099
	9,759	24,431
Net financial assets	32,227	43,963
Tangible capital assets (note 4)	98,093	80,804
Commitment (note 6)		
Accumulated surplus (note 5)	$ 130,320	$ 124,767

See accompanying notes to financial statements.

On behalf of the Board:

____________________ Director ____________________ Director

CITY OF MISSISSAUGA STREETSVILLE BUSINESS IMPROVEMENT DISTRICT ASSOCIATION

Statement of Operations and Accumulated Surplus

Year ended December 31, 2016, with comparative information for 2015

	2016 Budget	2016	2015
Revenue:			
Special levy on business assessment	$ 293,424	$ 295,568	$ 283,854
Fundraising	102,800	102,188	101,207
Other income	3,000	93	3,023
	399,224	397,849	388,084
Expenses:			
Office and administration	135,939	131,821	136,176
Advertising and promotion	138,850	127,694	138,817
Beautification and maintenance	111,935	112,461	102,704
Amortization of capital assets	-	20,320	18,336
	386,724	392,296	396,033
Annual surplus (deficit)	12,500	5,553	(7,949)
Accumulated surplus, beginning of year	-	124,767	132,716
Accumulated surplus, end of year (note 5)	$ 12,500	$ 130,320	$ 124,767

See accompanying notes to financial statements.

CITY OF MISSISSAUGA STREETSVILLE BUSINESS IMPROVEMENT DISTRICT ASSOCIATION

Statement of Change in Net Financial Assets

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Annual surplus (deficit)	$ 5,553	$ (7,949)
Additions to tangible capital assets	(37,609)	(58,270)
Amortization of tangible capital assets	20,320	18,336
Change in net financial assets	(11,736)	(47,883)
Net financial assets, beginning of year	43,963	91,846
Net financial assets, end of year	$ 32,227	$ 43,963

See accompanying notes to financial statements.

CITY OF MISSISSAUGA STREETSVILLE BUSINESS IMPROVEMENT DISTRICT ASSOCIATION

Statement of Cash Flows

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operations:		
Annual surplus (deficit)	$ 5,553	$ (7,949)
Item not involving cash:		
Amortization of tangible capital assets	20,320	18,336
Changes in non-cash operating working capital:		
Decrease (increase) in investments	32,097	(233)
Decrease (increase) in other assets	3,095	(1,680)
(Decrease) increase in accounts payable and accrued liabilities	(6,596)	14,190
(Decrease) increase in due to The Corporation of the City of Mississauga	(6,243)	3,024
	48,226	25,688
Investments:		
Additions to tangible capital assets	(37,609)	(58,270)
Increase (decrease) in cash	10,617	(32,582)
Cash (bank indebtedness), beginning of year	(3,977)	28,605
Cash (bank indebtedness), end of year	$ 6,640	$ (3,977)

See accompanying notes to financial statements.

CITY OF MISSISSAUGA STREETSVILLE BUSINESS IMPROVEMENT DISTRICT ASSOCIATION

Notes to Financial Statements

Year ended December 31, 2016

On November 5, 1979, the Council of The Corporation of the City of Mississauga passed a by-law pursuant to The Municipal Act, to designate an area as an improvement area to be known as the Streetsville Business Improvement District Association (the "Association"). The Association was entrusted with the improvement, beautification and maintenance of municipally owned lands, buildings and structures in the area, beyond such improvement, beautification and maintenance as is provided at the expense of the municipality at large, and with the promotion of the district as a business or shopping area.

1. Significant accounting policies:

The financial statements of the Association have been prepared in accordance with generally accepted accounting principles for local governments as recommended by the Public Sector Standards Board of the Chartered Professional Accountants of Canada.

(a) Basis of accounting:

Revenue and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it becomes available and measurable; expenses are the cost of goods or services acquired in the period whether or not payment has been made or invoices received.

(b) Revenue:

The special levy on business assessment represents the amounts levied by The Corporation of the City of Mississauga on behalf of the Association.

(c) Tangible capital assets:

Tangible capital assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Amortization for furniture and fixtures is provided on a straight-line basis for a term of five to ten years.

CITY OF MISSISSAUGA STREETSVILLE BUSINESS IMPROVEMENT DISTRICT ASSOCIATION

Notes to Financial Statements (continued)

Year ended December 31, 2016

1. Significant accounting policies (continued):

(d) Investments:

Investments consist of guaranteed investment certificates and are recorded at amortized cost. The recorded amount approximates fair value.

(e) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

2. Investments:

Investments consisted of various GIC's, bearing interest rates at 0.7 to 0.8% per annum with maturity dates ranging from January 2016 to June 2016.

3. Due to The Corporation of the City of Mississauga:

The amount due to The Corporation of the City of Mississauga includes the cumulative underlevy as at December 31, 2016. The amount is non-interest bearing and payable on demand.

4. Tangible capital assets:

			2016	2015
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and fixtures	$ 172,332	$ 74,239	$ 98,093	$ 80,804

CITY OF MISSISSAUGA STREETSVILLE BUSINESS IMPROVEMENT DISTRICT ASSOCIATION

Notes to Financial Statements (continued)

Year ended December 31, 2016

5. Accumulated surplus:

The accumulated surplus as at December 31 comprises the following:

	2016	2015
Reserve for working capital needs	$ 32,227	$ 43,963
Invested in tangible capital assets	98,093	80,804
	$ 130,320	$ 124,767

6. Commitment:

The Association has entered into operating lease commitment for premises as follows:

2017	$ 16,500
2018	16,500
2019	16,500
2020	15,125
	$ 64,625

Financial Statements of

CITY OF MISSISSAUGA MALTON BUSINESS IMPROVEMENT AREA

Year ended December 31, 2016

KPMG LLP
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100 New Park Place, Suite 1400
Vaughan ON L4K 0J3
Canada
Tel 905-265-5900
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INDEPENDENT AUDITORS' REPORT

To the Members of the City of Mississauga Malton Business Improvement Area, Council, Inhabitants and Ratepayers of The Corporation of the City of Mississauga.

We have audited the accompanying financial statements of the City of Mississauga Malton Business Improvement Area, which comprise the statement of financial position as at December 31, 2016, the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the City of Mississauga Malton Business Improvement Area as at December 31, 2016, and the results of its operations and accumulated surplus, its changes in net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

March 7, 2017

Toronto, Canada

CITY OF MISSISSAUGA MALTON BUSINESS IMPROVEMENT AREA

Statement of Financial Position

December 31, 2016, with comparative information for 2015

	2016	2015
Financial Assets:		
Cash	$ 68,266	$ 102,853
Accounts receivable and other assets	46,128	20,866
Due from The Corporation of the City of Mississauga (note 2)	11,353	-
	$ 125,747	$ 123,719
Financial Liabilities:		
Accounts payable and accrued liabilities	$ 3,030	$ 1,830
Due to The Corporation of the City of Mississauga (note 2)	-	5,502
	3,030	7,332
Net financial assets	122,717	116,387
Tangible capital assets (note 3)	36,802	23,860
Commitment (note 5)		
Accumulated surplus (note 4)	$ 159,519	$ 140,247

See accompanying notes to financial statements.

On behalf of the Board:

_______________ Director _______________ Director

CITY OF MISSISSAUGA MALTON BUSINESS IMPROVEMENT AREA

Statement of Operations and Accumulated Surplus

Year ended December 31, 2016, with comparative information for 2015

	2016 Budget	2016	2015
Revenue:			
Special levy on business assessment	$ 114,002	$ 125,355	$ 106,998
Special event - Paul Coffey sponsorship revenue	-	23,000	-
Interest income	-	5	-
Other grants revenue	40,000	30,565	-
Special event - Canada Day sponsorship revenue	90,000	55,450	85,750
	244,002	234,375	192,748
Expenses:			
Office and administration	50,800	51,208	42,803
Advertising and promotion	23,000	16,179	16,908
Amortization	-	23,182	22,992
Beautification and maintenance	12,200	14,728	7,843
Special event - Canada Day expenses	123,500	73,824	83,221
Special event - Paul Coffey expenses		32,130	-
Sponsorship expense	14,000	3,852	6,123
	223,500	215,103	179,890
Annual surplus (deficit)	20,502	19,272	12,858
Accumulated surplus, beginning of year	-	140,247	127,389
Accumulated surplus, end of year (note 4)	$ -	$ 159,519	$ 140,247

See accompanying notes to financial statements.

CITY OF MISSISSAUGA MALTON BUSINESS IMPROVEMENT AREA

Statement of Change in Net Financial Assets

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Annual surplus	$ 19,272	$ 12,858
Additions to tangible capital assets	(36,124)	(2,600)
Amortization of tangible capital assets	23,182	22,992
Change in net financial assets	6,330	33,250
Net financial assets, beginning of year	116,387	83,137
Net financial assets, end of year	$ 122,717	$ 116,387

See accompanying notes to financial statements.

CITY OF MISSISSAUGA MALTON BUSINESS IMPROVEMENT AREA

Statement of Cash Flows

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operations:		
Annual surplus	$ 19,272	$ 12,858
Item not involving cash:		
Amortization of tangible capital assets	23,182	22,992
Changes in non-cash operating working capital:		
Decrease (increase) in accounts receivable and other assets	(25,262)	(14,863)
Increase in accounts payable and accrued liabilities	1,200	700
Increase (decrease) in due to the Corporation of the City of Mississauga	(16,855)	434
	1,537	22,121
Investments:		
Additions to tangible capital assets	(36,124)	(2,600)
Increase in cash	(34,587)	19,521
Cash, beginning of year	102,853	83,332
Cash, end of year	$ 68,266	$ 102,853

See accompanying notes to financial statements.

CITY OF MISSISSAUGA MALTON BUSINESS IMPROVEMENT AREA

Notes to Financial Statements

Year ended December 31, 2016

On December 12, 2012, the Council of The Corporation of the City of Mississauga passed a by-law pursuant to the Municipal Act to designate an area as an improvement area to be known as the Malton Business Improvement Area. The Malton Business Improvement Area (the "Association") was entrusted with the improvement, beautification and maintenance of municipally owned lands, buildings and structures in the area, beyond such improvement, beautification and maintenance as provided at the expense of the municipality at large, and with the promotion of the district as a business or shopping area.

1. Significant accounting policies:

The financial statements of the Association have been prepared in accordance with generally accepted accounting principles for local governments as recommended by the Public Sector Standards Board of the Chartered Professional Accountants of Canada.

(a) Basis of accounting:

Revenue and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it becomes available and measurable; expenses are the cost of goods or services acquired in the period whether or not payment has been made or invoices received.

(b) Revenue:

The special levy on business assessment represents the amounts levied by The Corporation of the City of Mississauga on behalf of the Association.

(c) Tangible capital assets:

Tangible capital assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Amortization for fixtures and decorations is provided on a straight-line basis for a term of three to five years.

CITY OF MISSISSAUGA MALTON BUSINESS IMPROVEMENT AREA

Notes to Financial Statements (continued)

Year ended December 31, 2016

1. Significant accounting policies (continued):

(d) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

2. Due to The Corporation of the City of Mississauga:

The amount due to/from the Corporation of the City of Mississauga includes the cumulative underlevy/overlevy as at December 31, 2016. The amount is non-interest bearing and payable/receivable on demand.

3. Tangible capital assets:

			2016	2015
	Cost	Accumulated amortization	Net book value	Net book value
Fixtures and decorations	$ 105,162	$ 68,360	$ 36,802	$ 23,860

4. Accumulated surplus:

The accumulated surplus as at December 31 comprises the following:

	2016	2015
Reserve for working capital needs	$ 117,717	$ 116,387
Invested in tangible capital assets	36,802	23,860
	$ 154,519	$ 140,247

CITY OF MISSISSAUGA MALTON BUSINESS IMPROVEMENT AREA

Notes to Financial Statements (continued)

Year ended December 31, 2016

5. Commitment:

The Association has entered into an operating agreement for utilities that expires in 2021.

2017	$	1,354
2018		1,354
2019		1,354
2020		1,354
2021		1,015

Consolidated Financial Statements of

ENERSOURCE CORPORATION

Years ended December 31, 2016 and 2015

KPMG LLP
Chartered Accountants
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Toronto ON
M5H 2S5

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Enersource Corporation

We have audited the accompanying consolidated financial statements of Enersource Corporation, which comprise the consolidated statement of financial position as at December 31, 2016, the consolidated statement of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

KPMG

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Enersource Corporation as at December 31, 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants
March 2, 2017
Toronto, Canada

ENERSOURCE CORPORATION

Consolidated Statement of Financial Position
(In thousands of Canadian dollars)
As at December 31, 2016 and 2015

	Notes	December 31, 2016	December 31, 2015
Assets			
Current assets:			
Accounts receivable	5	$ 93,851	$ 66,878
Unbilled revenue		90,742	78,055
Income taxes receivable		2,638	1,504
Inventories	6	5,254	5,120
Prepaid expenses		2,892	2,714
Customer deposits	7	24,538	25,297
Total current assets		219,915	179,568
Non-current assets:			
Property, plant and equipment	8	645,575	606,876
Intangible assets	9	54,079	57,348
Promissory note	10	1,675	2,068
Deferred tax assets	12	377	10,232
Total non-current assets		701,706	676,524
Total assets		**$ 921,621**	**$ 856,092**
Liabilities and Shareholders' Equity			
Current liabilities:			
Bank overdraft	13	$ 50,158	$ 3,898
Accounts payable and accrued liabilities	14	120,124	117,408
Income taxes payable		39	-
Current portion of loans and borrowings	15	59,968	-
Advance payments		3,821	4,362
Customer deposits	7	24,538	25,297
Environmental provision	21	566	1,843
Total current liabilities		259,214	152,808
Non-current liabilities:			
Loans and borrowings	15	318,341	378,129
Deferred contributions	16	24,729	21,069
Post-employment benefits	17	6,715	7,465
Deferred tax liabilities	12	386	-
Total non-current liabilities		350,171	406,663
Total liabilities		609,385	559,471
Shareholders' equity:			
Share capital	18	175,691	175,691
Accumulated other comprehensive income		1,118	442
Retained earnings		135,427	120,488
Total shareholders' equity		312,236	296,621
Total liabilities and shareholders' equity		**$ 921,621**	**$ 856,092**

The accompanying notes are an integral part of the consolidated financial statements.

On behalf of the Board of Directors:

____________________ Director ____________________ Director

ENERSOURCE CORPORATION

Consolidated Statement of Comprehensive Income
(In thousands of Canadian dollars)
Years ended December 31, 2016 and 2015

	Notes	December 31, 2016	December 31, 2015
Revenue:			
Energy sales	23	$ 938,145	$ 848,230
Distribution	23	140,144	123,334
Services		16,491	14,744
Other revenue	24	22,090	28,193
		1,116,870	1,014,501
Operating expenses:			
Energy purchases	23	$ 932,308	$ 844,300
Employee salaries and benefits		39,593	35,367
Materials and transportation		7,920	9,977
Contract labour		12,981	10,740
Other expenses		16,429	17,480
Conservation and demand management	24	16,467	21,311
Depreciation of property, plant and equipment	8	29,070	27,387
Amortization of intangible assets	9	4,925	4,301
		1,059,693	970,863
Results from operating activities		57,177	43,638
Non-operating revenue (expense):			
Financial income		288	810
Financial expense		(17,089)	(16,691)
Interest expense on post-employment benefits	17	(298)	(281)
		(17,099)	(16,162)
Profit before income tax expense		40,078	27,476
Income tax expense	11	(10,915)	(7,221)
Profit for the year		29,163	20,255
Other comprehensive income/(loss), net of income tax:			
Remeasurements of the defined benefit obligation	17	920	(5)
Income tax (expense)/recovery		(244)	1
		676	(4)
Total comprehensive income for the period		**$ 29,839**	**$ 20,251**

The accompanying notes are an integral part of the consolidated financial statements.

ENERSOURCE CORPORATION

Consolidated Statement of Cash Flows
(In thousands of Canadian dollars)
Years ended December 31, 2016 and 2015

	Notes	December 31, 2016	December 31, 2015
Cash flows from operating activities:			
Comprehensive income for the year		$ 29,839	$ 20,251
Adjustments for:			
Depreciation of property, plant and equipment		29,070	27,387
Amortization of intangible assets		4,925	4,301
Amortization of deferred contributions	16	(575)	(442)
Gain on disposals of property, plant and equipment		(104)	(122)
Post-employment benefits		(750)	430
Environmental provision	21	1,711	1,235
Income tax expense		11,159	7,220
Interest income		(288)	(810)
Interest expense		17,089	16,691
Promissory note		393	-
Environmental expenditures	21	(2,988)	(2,259)
Income tax paid		(2,012)	(1,499)
Change in working capital	19	(32,446)	(6,697)
Net cash from operating activities		55,023	65,686
Cash flows from investing activities:			
Customer deposits		759	(1,930)
Interest received		367	686
Additions to property, plant and equipment		(72,436)	(73,959)
Additions to intangible assets		(2,012)	(45,037)
Additions to deferred contributions	16	4,235	6,358
Proceeds from sales of property, plant and equipment		110	183
Cash used in investing activities		(68,977)	(113,699)
Cash flows from financing activities:			
Customer deposits		(759)	1,930
Proceeds from bank loan		-	60,000
Debt issuance costs paid		-	(140)
Dividends paid	18	(14,224)	(16,028)
Interest paid		(17,323)	(16,969)
Cash from/(used in) financing activities		(32,306)	28,793
Decrease in cash and cash equivalents during the year		(46,260)	(19,220)
Cash and cash equivalents, beginning of the year		(3,898)	15,322
Cash and cash equivalents, end of the year		$ (50,158)	$ (3,898)

The accompanying notes are an integral part of the consolidated financial statements.

ENERSOURCE CORPORATION

Consolidated Statement of Changes in Equity
(In thousands of Canadian dollars)
Years ended December 31, 2016 and 2015

	Share Capital	Accumulated Other Comprehensive Income	Retained Earnings	Total Equity
Balance at January 1, 2016	$ 175,691	$ 442	$ 120,488	$ 296,621
Profit for the year	-	-	29,163	29,163
Other comprehensive income, net of tax	-	676	-	676
Dividends paid	-	-	(14,224)	(14,224)
Balance at December 31, 2016	$ 175,691	$ 1,118	$ 135,427	$ 312,236

Balance at January 1, 2015	$ 175,691	$ 446	$ 116,261	$ 292,398
Profit for the year			20,255	20,255
Other comprehensive loss, net of tax		(4)		(4)
Dividends paid	-	-	(16,028)	(16,028)
Balance at December 31, 2015	$ 175,691	$ 442	$ 120,488	$ 296,621

The accompanying notes are an integral part of the consolidated financial statements.

1. General Information

a) Corporate Information

Enersource Corporation (the "Corporation"), incorporated under the Ontario Business Corporations Act, was formed to conduct electricity distribution and non-regulated utility service ventures. The Corporation is owned 90% by the City of Mississauga (the "City") and 10% by BPC Energy Corporation ("Borealis"), a wholly owned subsidiary of the Ontario Municipal Employees Retirement System ("OMERS").

The Corporation's equity is not traded in a public market. The Corporation's registered office is located at 2185 Derry Road West in Mississauga, Ontario, L5N 7A6.

The accompanying audited consolidated financial statements include the accounts of the Corporation's wholly owned subsidiaries: Enersource Hydro Mississauga Inc. ("Enersource Hydro"), Enersource Services Inc., Enersource Technologies Inc. ("Technologies"), Enersource Power Services Inc. ("Power Services") and Enersource Holdings Inc. Enersource Holdings Inc. ("EHI") was incorporated on October 10, 2016 and became the holding company for Enersource Hydro and Enersource Services Inc., effective January 31, 2017. EHI remained dormant on and prior to December 31, 2016.

The Corporation's audited consolidated financial statements are presented in thousands of Canadian dollars, which is the Corporation's functional currency.

b) Nature of operations

The Corporation provides electricity distribution services to businesses and residences in the City of Mississauga, Ontario through its subsidiary, Enersource Hydro.

Power Services provides utility services, including electricity distribution infrastructure design, construction and operations and streetlight construction and maintenance services to customers in Ontario.

Enersource Services Inc. is the parent company of Power Services, the Corporation's non-regulated businesses, which also owns 100% of Technologies.

c) Subsequent events

On January 31, 2017, the Corporation transferred substantially all of its assets and liabilities and $50,000 cash through Enersource Holdings Inc. to Alectra Inc. ("Alectra") for an equity interest of approximately 31% in Alectra. Alectra was formed through the amalgamation of Enersource Holdings Inc., PowerStream Holdings Inc. and Horizon Holdings Inc. The Corporation borrowed $70,000 to fund their cash contribution. This borrowing facility is guaranteed by the City of Mississauga and is composed of two $35,000 tranches maturing in ten years. The first tranche bears an annual fixed interest rate of 1.814% through a swap arrangement and the second one bears a variable interest rate based on the Canadian Dollar Offered Rate ("CDOR") plus a margin. Enersource Corporation invested $15,000 of the remaining borrowing in short term investments. Enersource Corporation will record the fair value of their investment in the equity interest in Alectra, which will be finalized once a valuation is completed and post-closing adjustments have been determined. The resulting gain will be recorded in the Statement of Comprehensive Income.

1. General Information (continued)

Alectra will serve almost one million customers in Peel Region, Hamilton, St. Catharines, York Region and Simcoe County. The transaction will enable a larger utility to use its collective resources to reduce upward pressure on distribution rates and deliver more efficient services and innovative technologies for customers, while providing significant benefits for communities and shareholders.

2. Basis of Preparation

a) Statement of compliance

The accompanying annual consolidated financial statements have been prepared in accordance with *International Financial Reporting Standards ("IFRS")* as issued by the *International Accounting Standards Board ("IASB").*

These financial statements have been approved by the Corporation's Board of Directors on March 2, 2017.

b) Basis of measurement

These financial statements have been prepared on a historical cost basis, with the exception of post-employment benefits, which are measured at fair value.

c) Rate setting

Enersource Hydro, as an electricity distributor, is both licensed and regulated by the Ontario Energy Board ("OEB"), which has a legislative mandate to oversee various aspects of the electricity industry as set out by the OEB Act, 1998. The OEB's mission is to promote a viable, sustainable and efficient energy sector that serves the public interest and assists consumers to obtain reliable energy services that are cost effective.

The OEB exercises statutory authority through setting or approving all rates charged by Enersource Hydro and establishing standards of service for Enersource Hydro's customers.

The OEB's regulatory framework for electricity distributors is designed to support the cost-effective planning and operation of the electricity distribution network and to provide an appropriate alignment between a sustainable, financially viable electricity sector and the expectations of customers for reliable service at a reasonable price.

The OEB typically regulates the electricity rates for distributors using a combination of cost-based and formula-based rate setting mechanisms. Currently there are three specific rate-setting methods available to electricity distributors: Price Cap Incentive Rate-setting, Custom Incentive Rate-setting, and the Annual Incentive Rate-setting Index.

2. Basis of Preparation (continued)

The Price Cap Incentive Rate-setting method establishes rates on a single forward test-year cost of service basis and indexed for four subsequent years through a formulaic adjustment. Under this method, the Incremental Capital Module ("ICM") is available to address any incremental capital investment needs that may arise during the term.

The Custom Incentive Rate-setting method establishes rates for a period of five years, typically on a forward test-year cost of service basis with subsequent annual adjustments determined by the OEB on a case-by-case basis.

The Annual Incentive Rate-setting Index method sets a distributor's rates through an annual adjustment mechanism.

Under each method, actual operating conditions may vary from forecasts and therefore actual returns achieved can differ from approved returns.

On August 17, 2015, Enersource Hydro submitted an annual Price Cap Incentive Rate application for distribution rates effective January 1, 2016 to December 31, 2016. The application was approved by the OEB on March 3, 2016 for rates effective as of April 1, 2016 and retroactive to January 1, 2016. Enersource Hydro also submitted an ICM application for incremental capital funding as part of the Price Cap Incentive Rate application. The ICM rates relating to a capital contribution payment to Hydro One were approved by the OEB on April 7, 2016 with an effective and implementation date of May 1, 2016.

On August 13, 2014, Enersource Hydro submitted an annual Price Cap Incentive Rate application for distribution rates effective January 1, 2015 to December 31, 2015. The application was approved by the OEB on December 4, 2014.

3. Key Accounting Judgements, Estimates and Assumptions

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and amounts reported and disclosed in the financial statements. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Key sources of estimation uncertainty and judgements at the end of the reporting period that could have a significant impact on the consolidated financial statements, relate to the following:

a) Useful lives of depreciable assets

The Corporation relies on a third party independent study to componentize and determine the estimated useful lives of its distribution system assets. The useful life values from the study were derived from industrial statistics, research studies, reports and past utility experience. Actual lives of assets may vary from estimated useful lives.

3. Key Accounting Judgements, Estimates and Assumptions (continued)

b) Post-employment benefits other than pensions

The cost of post-employment benefits is determined using actuarial valuations. The actuarial valuation incorporates estimates about discount rates; any expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

c) Accounts receivable impairment

In determining the allowance for doubtful accounts, the Corporation considers historical loss experience of account balances based on the aging and arrears status of accounts receivable balances.

d) Unbilled revenue

Unbilled revenue is based on either the actual usage at the end of the period or an estimate of unbilled electricity distribution services supplied to customers between the date of the last meter reading and the period ending date. The Corporation applies judgement to the measurement of the estimated consumption and to the valuation of that consumption.

e) Connection and cost recovery agreements

The Corporation is party to connection and cost recovery agreements ("CCRA") with Hydro One Networks Inc. ("Hydro One") as regulated by the OEB under the Transmission System Code ("TSC"). The economic evaluation methodology, as described within the TSC, determines the capital contribution amount which represents the difference between the total capital cost of constructing and operating the transmission facility and the future revenues earned by Hydro One through such facility. Management estimates the future electricity consumption through the facility, which in turn impacts the economic evaluation and the resulting capital contribution. Periodic true-up calculations are carried at the end of each of the fifth, tenth and possibly the fifteenth year of operation of the facility. Actual electricity consumption could significantly impact the outcome of these true-ups.

4. Significant Accounting Policies

a) Financial instruments

All financial assets of the Corporation are classified as loans and receivables and all financial liabilities are classified as other financial liabilities. These financial instruments are recognized initially at fair value plus any directly attributable transaction costs. Subsequently they are accounted for based on their classification as following:

4. Significant Accounting Policies (continued)

i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less any provision for impairment.

Financial assets are assessed at each reporting period to determine whether there is any objective evidence that they are impaired. Impairment provisions are recognized when there is objective evidence that the Corporation will be unable to collect all of the amounts due under the terms receivable. The impairment loss is calculated as the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. All impairment losses are recognized in net income.

Loans and receivables are comprised of cash and cash equivalents, accounts receivable, promissory note, unbilled revenue, and customer deposits.

ii) Other financial liabilities

Financial liabilities are classified as other liabilities. They are initially recognized at fair value plus transaction costs that are directly attributable to their issue, and are subsequently carried at amortised cost using the effective interest rate method. Financial liabilities are further classified as current or non-current depending on whether they are due within twelve months of the reporting date.

Other financial liabilities are comprised of accounts payable and accrued liabilities, loans and borrowings and deposits payable.

b) Inventories

Inventories consist of parts and supplies acquired for internal construction, consumption or recoverable work. The Corporation accounts for major spare parts and standby equipment as property, plant and equipment.

Inventory is carried at the lower of cost and net realizable value, with cost determined on a weighted average cost basis net of a provision for obsolescence. Cost is comprised of the purchase price and other directly attributable expenditures to bring the inventories to their present condition and location.

c) Customer deposits

Customers may be required to post security to obtain electricity or other services, which are interest bearing and refundable on demand. Where the security posted is in the form of cash or cash equivalents, these amounts are recorded as customer deposits and are reported separately from the Corporation's own cash and cash equivalents.

4. Significant Accounting Policies (continued)

d) Property, plant and equipment (“PP&E”)

PP&E is measured at cost less accumulated depreciation and impairment losses. Cost includes all directly attributable expenditures to acquire and bring the asset into operation including labour, employee benefits, materials and transportation costs, contracted services and borrowing costs where applicable. Subsequent expenditures are included in an asset’s carrying amount or recognized as a separate asset, where appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost can be reliably measured. All other subsequent expenditures, including the costs of day-to-day servicing, repairs and maintenance, are expensed as incurred. Major spare parts and standby equipment are accounted for as PP&E since they support the Corporation’s distribution system reliability.

An asset is derecognized at its carrying value when it is disposed of or when no future economic benefits are expected from its use. The gain or loss arising on the disposal or retirement of an item of PP&E is determined as the difference between the proceeds from sale and the carrying amount of the asset, and is recognized in the statement of comprehensive income.

Depreciation of PP&E is recorded in the statement of comprehensive income on a straight-line basis over the estimated useful life of each component of PP&E. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Estimated useful lives for the main categories of PP&E are shown in the table below:

Distribution system	10 - 55 years
Distribution station equipment	40 years
Other PP&E	3 - 25 years
Buildings and fixtures	20 - 60 years
Land	Indefinite life

Assets under construction and spare parts accounted as PP&E, which are not available for use, are not depreciated.

During the construction period of qualifying assets, borrowing costs are capitalized as a component of the cost of self-constructed assets. The capitalization rate used is the Corporation’s weighted average cost of borrowings.

e) Intangible assets

Intangible assets include easements, capital contributions and computer software.

4. Significant Accounting Policies (continued)

Easements are measured at cost and are held in perpetuity. Since there is no foreseeable limit to the period over which these easements are expected to provide benefit to the Corporation, they have been assessed as having indefinite useful lives and are not amortized.

Capital contributions represent payments made to Hydro One Networks Inc. ("Hydro One") for building dedicated infrastructure to accommodate the Corporation's distribution system requirements. The contributions are measured at cost less accumulated amortization.

Computer software is measured at cost less accumulated amortization and impairment losses. Cost includes expenditures associated with the initial acquisition or development and other directly attributable expenditures to prepare the asset for its intended use.

Computer software and capital contributions are amortized on a straight line basis over the estimated useful life of the related asset from the date that they are available for use. The estimated useful lives and amortization methods are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Software in development and contributions for work in progress are not amortized.

Estimated useful lives for intangible assets are shown in the table below:

Easements	Indefinite
Capital contributions	45 years
Computer software	2 - 10 years

f) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is tested and assessed.

PP&E and intangible assets with finite lives are tested for recoverability at the cash-generating unit ("CGU") level (or groups of CGUs), which is the smallest identifiable group of assets that generates independent cash inflows. An impairment of PP&E and intangible assets with finite lives is recognized in the statement of comprehensive income when the asset's carrying value exceeds its estimated recoverable amount. The recoverable amount is the higher of its value in use and fair value less costs to sell. Where fair value less costs to sell is not reliably available, value in use is used as the recoverable amount. Value in use is calculated as the present value of the estimated future cash flows expected to be derived from an asset, CGU or group of CGUs.

The Corporation evaluates intangible assets with indefinite life for impairment annually or whenever events or changes in circumstances indicate the carrying amount may not be recoverable. For purposes of such an evaluation, the fair value estimate is compared to the carrying amount of the asset to determine if a

4. Significant Accounting Policies (continued)

write-down is required. The impairment loss is measured as the amount by which the carrying amount of the asset exceeds its fair value.

An impairment charge may be reversed only if there is objective evidence that a change in the estimate used to determine the asset's recoverable amount since the last impairment was recognized is warranted. A reversal of an impairment charge is recognized immediately in the statement of comprehensive income.

g) Regulatory accounting

On January 30, 2014, the IASB issued interim standard *IFRS 14, Regulatory Deferral Accounts*. This standard allows first-time adopters of IFRS to apply previous Generally Accepted Accounting Principles to account for rate-regulated assets and liabilities. As the Corporation is not a first-time adopter, it does not recognize assets and liabilities arising from rate regulated activities. Instead, the Corporation records revenues in accordance with its revenue recognition policy and expenses as operating costs when incurred. Regulatory balances that have an effect on comprehensive income under IFRS are disclosed in Note 23.

h) Revenue recognition

The Corporation's principal sources of revenue are:

i) Energy sales and distribution revenue

Energy sales and distribution revenue are recorded on the basis of cyclical billings based on electricity usage and include unbilled revenue for electricity consumed but not yet billed. The unbilled revenue accrual for the period is based on actual usage or an estimate of energy consumption. Energy sales are recognized based on OEB and Independent Electricity System Operator's ("IESO") prevailing energy rates and electricity consumed by customers. Distribution revenue attributable to the delivery of electricity is recognized based upon OEB-approved distribution rates and estimated electricity consumed by the customers.

ii) Services revenue

Services revenue, related to the non-regulated operations, is recognized as services are rendered or contract milestones are achieved. Amounts received in advance of these milestones are presented as advance payments.

iii) Other revenue

Other revenue includes government grants under Conservation and Demand Management ("CDM") programs, amortization of customer contributions and other general revenue.

Government grants under CDM programs are recognized when there is reasonable assurance that the grant will be received and all related conditions will be met. Local distribution companies ("LDC") can receive full cost recovery and pay-for-performance grants for CDM programs. Grants under full cost

4. Significant Accounting Policies (continued)

recovery funding are recognized as income on a systematic basis over the period to match to the costs they are intended to compensate. CDM performance incentives under full cost recovery funding are recognized when it is probable that future economic benefits will flow to the Corporation, and the amount can be measured reliably. Grants under pay-for-performance funding are recognized as income on a systematic basis over the period to match the costs they are intended to compensate and provide the LDC with a maximum internal rate of return, as prescribed by IESO.

The Corporation receives customer contributions to construct certain items of PP&E. These customer contributions are recorded as deferred contributions and amortized into income over the life of the related asset.

Other general revenues are recognized as the services are rendered.

i) Deferred debt issue costs

Deferred debt issue costs represent the cost of the issuance of the loans and borrowings. The Corporation's deferred debt issuance costs, net of accumulated amortization, are included in the carrying amount of the loans and borrowings. All the loans and borrowings are accreted back to their face amount using the effective interest rate method over the remaining period to maturity.

j) Employee benefits

i) Short-term employee benefits

The Corporation provides short-term employee benefits such as salaries, employment insurance, short-term compensated absences, health and dental care. Short-term employee benefit obligations are measured on an undiscounted basis and are recognized as the related service is provided. Short-term employee benefits are recognized as an expense unless they qualify for capitalization as part of an item of PP&E or intangible asset.

ii) Defined benefit pension plan

The Corporation's current pension plan is administered by OMERS and is a multi-employer public sector defined benefit pension plan funded by equal contributions from participating employers and employees as well as by investment earnings of the plan. Pension contributions received from all OMERS employers and members are combined and used jointly to purchase investments. Under OMERS' funding and investment structure, investment and actuarial evaluations are determined on a commingled basis across all employers and as a result, information for individual employers is unavailable.

As the Corporation does not have the information to account for its proportionate share of the defined benefit obligation and plan assets, the Corporation accounts for its participation in OMERS as a defined contribution plan, and all contributions to the plan are recognized as an expense. The Corporation is not responsible for any other contractual obligations other than the contributions.

4. Significant Accounting Policies (continued)

iii) Post-employment benefits

The Corporation provides post-employment life, health, and dental benefits to its employees. An actuary determines the cost of these benefits as well as measures the plan obligation. The actuary uses the projected unit credit method, prorated on service and based on management's best estimate and assumptions. Under this method, the projected post-employment benefit is deemed to be earned on a pro rata basis over the years of service in the attribution period, and ends at the earliest age the employee could retire and qualify for benefits.

Remeasurements of the net defined benefit liability, which are comprised of actuarial gains and losses, are recognized immediately in the statement of financial position with a charge or credit to other comprehensive income. Current service costs are recognized in the statement of comprehensive income under employee salaries and benefits and net interest expense on accrued post-employment benefits are presented as a separate line in the statement of comprehensive income. The Corporation accumulates remeasurements of the defined benefit obligation and transfers them to retained earnings upon OEB's review and approval.

k) Deferred customer contributions

Certain assets may be acquired or constructed with financial assistance in the form of contributions from customers when the estimated revenue is less than the cost of providing service or where special equipment is needed to supply the customers' specific requirements.

Since the contributions will provide customers with ongoing access to the supply of electricity, these contributions from customers are classified as deferred contributions and are amortized as revenue on a straight-line basis over the useful life of the constructed or contributed asset.

l) Income taxes

Under the Electricity Act, 1998, the Corporation is required to make payments in lieu of corporate income taxes ("PILs") to the Ontario Electricity Financial Corporation. These payments are calculated in accordance with the rules for computing income and taxable capital and other relevant amounts contained in the Income Tax Act (Canada), the Taxation Act, 2007 (Ontario), as modified by the Electricity Act, 1998, and related regulations. References in these financial statements to income taxes are with respect to PILs.

The Corporation recognizes deferred tax using the balance sheet method. Under this method, deferred income taxes reflect the net tax effects of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes, as well as for tax losses available to be carried forward to future years that are probable. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates, at the reporting date, expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the year that includes the date of enactment or substantive enactment.

4. Significant Accounting Policies (continued)

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax liabilities are generally recognized on all taxable temporary differences.

Current taxes are based on taxable profit or loss for the year, which differ from profit or loss as reported in the consolidated statement of comprehensive income because it excludes items that are taxable or deductible in other years and items that are neither taxable nor deductible. The Corporation's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Both current and deferred taxes are included as part of income tax expense in the statement of comprehensive income.

m) Foreign currency translation

Transactions in foreign currencies are translated to Canadian dollars at the prevailing rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the prevailing period-end rates. Exchange gains or losses are recognized as income in the period in which they arise.

n) Leases

Leases are classified as finance leases, whenever terms of the lease transfer substantially all the risks and rewards of the ownership to the lessee. All other leases are classified as operating leases.

Operating leases payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

o) Provisions and contingencies

The Corporation recognizes provisions if, as a result of a past event, there is a present legal or constructive obligation that can be measured reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

The evaluation of the likelihood of the contingent events requires judgement by management as to the probability of exposure to potential gain or loss. Actual results could differ from these estimates.

A contingent asset is not recognized in the consolidated financial statements. However, a contingent asset is disclosed where an inflow of economic benefits is probable.

4. Significant Accounting Policies (continued)

p) Consolidation

The Corporation prepares consolidated financial statements. All intercompany balances and transactions are eliminated in preparing the consolidated financial statements.

q) New standards and interpretations not yet adopted

The Corporation did not adopt any new standards, interpretations and amendments, effective for the first time on or after January 1, 2016, that had a material effect on the interim financial statements. The standards that the Corporation anticipates might have an impact on its consolidated financial statements or note disclosures are described below.

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* (“IFRS 15”), which clarifies the principles for recognizing revenue and cash flows arising from contracts with customers. The standard is effective for annual periods beginning on or after January 1, 2018, and is to be applied retrospectively. IFRS 15 is available for early adoption. The purpose of this standard is to remove inconsistencies and weaknesses in previous revenue requirements, improve comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets, and to simplify the preparation of financial statements by reducing the number of requirements to which an entity must refer. The Corporation has determined that current accounting judgements, estimates and assumptions are acceptable under the revenue recognition criteria outlined under IFRS 15. The Corporation does not anticipate any significant changes to its revenue recognition policy; however the Corporation would be required to provide additional information to meet the new disclosure requirements.

In July 2014, the IASB issued IFRS 9 *Financial Instruments* (“IFRS 9”) which replaces IAS 39 *Financial Instruments: Recognition and Measurement.* The new standard provides revised guidance on the classification and measurement of financial assets, including impairment, and supplements the new hedge accounting principles published in 2013 as part of IFRS 9. The standard is effective for annual periods beginning on or after January 1, 2018, and is to be applied retrospectively. IFRS 9 is available for early adoption. The Corporation is currently evaluating the impact of the new standard.

In January 2016, the IASB issued IFRS 16 *Leases* (“IFRS 16”)*,* which replaces the IAS 17 *Leases* and related interpretations. IFRS 16 establishes the principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. The new standard brings most leases on-balance sheet for leases under a single model, eliminating the distinction between operating and finance leases. IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. Earlier application is permitted if IFRS 15 has also been applied. The Corporation is currently evaluating the impact of the new standard.

(In thousands of Canadian dollars)

4. Significant Accounting Policies (continued)

In January 2016, the IASB issued Amendments to IAS 7 *Statement of Cash Flows* as part of their Disclosure Initiative. These amendments are intended to clarify IAS 7 to improve information provided to users of the financial statements about an entity's financing activities. These amendments are effective for annual periods beginning on or after January 1, 2017. The Corporation has determined that these amendments will not have a significant impact on the cash flow statement presentation and disclosure requirements.

In January 2016, the IASB issued Amendments to IAS 12 *Income Taxes* in regards to the recognition of deferred tax assets for unrealised losses. These amendments are intended to clarify the requirements on the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value. These amendments are effective for annual periods beginning on or after January 1, 2017 and are available for earlier application. The Corporation has determined that these changes will not have any impact on the recognition of deferred tax asset balances and their financial statement disclosures.

5. Accounts Receivable

The components of accounts receivable are as follows:

	December 31, 2016	December 31, 2015
Trade receivables	$ 73,862	$ 53,014
Less: allowance for doubtful accounts	(2,231)	(1,791)
Trade receivables, net	$ 71,631	$ 51,223
Receivables due from related parties (Note 20)	5,367	4,330
Other receivables	16,853	11,325
Total accounts receivable, net	$ 93,851	$ 66,878
Of which:		
Not yet due (less than 16 days)	$ 66,250	$ 49,934
Past due 1 day but not more than 14	18,854	9,183
Past due 15 days but not more than 44	7,784	6,540
Past due 45 days but not more than 74	1,594	1,314
Past due 75 days but not more than 104	865	686
Past due more than 104 days	735	1,012
Less: allowance for doubtful accounts	(2,231)	(1,791)
Total accounts receivable, net	$ 93,851	$ 66,878

The allowance for doubtful accounts as at December 31, 2016 was 2.3% (December 31, 2015 – 2.6%) of the total accounts receivable which includes accounts receivable that are not yet due or past due, that the Corporation has deemed to be impaired.

(In thousands of Canadian dollars)

6. Inventories

The amount of inventory consumed by the Corporation and recognized as an expense during 2016 was $2,786 (2015 – $2,086). The amount of inventory that was written down due to obsolescence in 2016 was $nil (2015 – $1).

7. Deposits and Guarantees

The following outlines the deposits and letters of credit/guarantees of the Corporation posted as security. The amounts are comprised of cash and cash equivalents in the form of deposits and letters of credit/ guarantees, under which the Corporation is contingently liable.

	December 31,2016	December 31, 2015
Customer deposits (a)	$ 24,538	$ 25,297
Security with the IESO (b)	11,450	11,450
Security with the City of Brampton	-	35
Security with the City of Mississauga (c)	350	350
	$ 36,338	$ 37,132

(a) Customer deposits

The Corporation collects cash and cash equivalents as deposits from certain customers to reduce credit risk.

(b) Security with the IESO

Entities that purchase electricity in Ontario through the IESO are required to post security to mitigate the risk of their default on their expected activity in the market. The IESO could draw on this security if the Corporation fails to make the payment required by a default notice issued by the IESO. The Corporation has posted a letter of credit as security in the amount of $11,450 as at December 31, 2016 (December 31, 2015 – $11,450).

(c) Security with the City of Mississauga

The Corporation has posted a letter of credit in the amount of $350 as at December 31, 2016 (December 31, 2015 – $350) relating to a contract with the City of Mississauga for the installation of Light-Emitting Diode streetlight luminaires and monitoring system components. The City of Mississauga could draw on this security by issuing a certificate demonstrating that the Corporation has failed to fulfill its obligations related to this contract.

(In thousands of Canadian dollars)

8. Property, Plant and Equipment ("PP&E")

PP&E consists of the following as at December 31, 2016:

	December 31, 2015	Additions/ Transfers	Disposals/ Retirements	December 31, 2016
Cost				
Distribution system	$ 509,483	$ 53,485	$ (1,714)	$ 561,254
Distribution station equipment	67,352	8,299	-	75,651
Other PP&E	81,252	5,361	(3,148)	83,465
Buildings and fixtures	40,750	1,823	-	42,573
Land	9,853	9	-	9,862
Construction in progress	8,756	(1,202)	-	7,554
Subtotal	$ 717,446	$ 67,775	$ (4,862)	$ 780,359
Accumulated depreciation				
Distribution system	$ (67,998)	$ (16,357)	$ 507	$ (83,848)
Distribution station equipment	(9,127)	(2,183)	-	(11,310)
Other PP&E	(28,266)	(7,329)	2,633	(32,962)
Buildings and fixtures	(5,179)	(1,485)	-	(6,664)
Land	-	-	-	-
Subtotal	$ (110,570)	$ (27,354)	$ 3,140	$ (134,784)
Carrying amount	$ 606,876	$ 40,421	$ (1,722)	$ 645,575

PP&E consists of the following as at December 31, 2015:

	December 31, 2014	Additions/ Transfers	Disposals/ Retirements	December 31, 2015
Cost				
Distribution system	$ 453,324	$ 57,633	$ (1,474)	$ 509,483
Distribution station equipment	62,575	5,029	(252)	67,352
Other PP&E	74,262	9,271	(2,281)	81,252
Buildings and fixtures	38,228	2,522	-	40,750
Land	9,879	-	(26)	9,853
Construction in progress	5,504	3,252	-	8,756
Subtotal	$ 643,772	$ 77,707	$ (4,033)	$ 717,446
Accumulated depreciation				
Distribution system	$ (53,081)	$ (15,242)	$ 325	$ (67,998)
Distribution station equipment	(7,130)	(2,030)	33	(9,127)
Other PP&E	(23,165)	(7,228)	2,127	(28,266)
Buildings and fixtures	(3,779)	(1,400)	-	(5,179)
Land	-	-	-	-
Subtotal	$ (87,155)	$ (25,900)	$ 2,485	$ (110,570)
Carrying amount	$ 556,617	$ 51,807	$ (1,548)	$ 606,876

(In thousands of Canadian dollars)

8. PP&E (continued)

The carrying amounts of PP&E, that have been derecognized before the end of their estimated useful lives and have been recorded as depreciation expense in the statement of comprehensive income, was $1,716 in 2016 (2015 – $1,487).

As at December 31, 2016, major spare parts included as PP&E were $8,905 (December 31, 2015 – $8,754).

During the year, borrowing costs of $414 (2015 – $329) were capitalized to PP&E and recorded as an offset to financial expense, with an average capitalization rate of 4.490% (2015 – 4.465%). During the year, the additions to PP&E included a decrease in accrued liabilities of $5,075 (December 31, 2015 – increase: $3,419).

PP&E purchase commitments outstanding as at December 31, 2016 were $9,588 (December 31, 2015 – $9,628).

9. Intangible Assets

Intangible assets consist of the following as at December 31, 2016:

	December 31, 2015	Additions/ Transfers	Disposals/ Retirements	December 31, 2016
Cost				
Computer software	$ 31,028	$ 1,394	$ (3,403)	$ 29,019
Easements	741	18	-	759
Capital contributions	40,479	-	-	40,479
Software in development	620	244	-	864
Subtotal	$ 72,868	$ 1,656	$ (3,403)	$ 71,121
Accumulated amortization				
Computer software	$ (15,014)	$ (3,913)	$ 3,403	$ (15,524)
Easements	-	-	-	-
Capital contributions	(506)	(1,012)	-	(1,518)
Software in development	-	-	-	-
Subtotal	$ (15,520)	$ (4,925)	$ 3,403	$ (17,042)
Carrying amount	$ 57,348	$ (3,269)	$ -	$ 54,079

(In thousands of Canadian dollars)

9. Intangible Assets (continued)

Intangible assets consist of the following as at December 31, 2015:

	December 31, 2014	Additions/ Transfers	Disposals/ Retirements	December 31, 2015
Cost				
Computer software	$ 25,785	$ 5,699	$ (456)	$ 31,028
Easements	583	158	-	741
Capital contributions	-	40,479	-	40,479
Software in development	1,616	(996)	-	620
Subtotal	$ 27,984	$ 45,340	$ (456)	$ 72,868
Accumulated amortization				
Computer software	$ (11,675)	$ (3,795)	$ 456	$ (15,014)
Easements	-	-	-	-
Capital contributions	-	(506)	-	(506)
Software in development	-	-	-	-
Subtotal	$ (11,675)	$ (4,301)	$ 456	$ (15,520)
Carrying amount	$ 16,309	$ 41,039	$ -	$ 57,348

During the year, borrowing costs of $2 (2015 – $82) were capitalized to intangible assets and recorded as an offset to financial expense, with an average capitalization rate of 4.468% (2015 – 4.465%). During the year the Corporation has included a decrease of $358 of accrued liabilities in the additions to intangible assets (2015 – increase: $221).

Intangible asset purchase commitments outstanding as at December 31, 2016 were $273 (December 31, 2015 - $547).

10. Promissory Note Receivable

The Corporation holds a promissory note of $1,675 (December 31, 2015 – $2,068) from Trans Power Holding Inc. relating to the sale of its investment in Enerpower Utility Inc. The promissory note, which matures on February 15, 2020, bears a fixed annual interest rate of 6.25%, with payments due annually. The promissory note is open for repayment at any time without notice, bonus or penalty. The current portion of the promissory note, received on February 15, 2017 was $305. Interest income included in current period’s revenue and presented as interest income is $108 (2015 – $129).

(In thousands of Canadian dollars)

11. Income Taxes

The components of income tax expense for the years ended December 31, 2016 and 2015 were as follows:

	December 31, 2016	December 31, 2015
Current income tax expense (recovery):		
Expense for the year	$ 1,380	$ 1,394
Utilization of future timing differences in the current year	(463)	(689)
Total current Income tax expense (recovery)	917	705
Deferred income tax expense (recovery):		
Reversal of temporary differences	9,416	5,874
Change in future timing differences	582	642
Total deferred Income tax expense (recovery)	9,998	6,516
Total income tax expense	$ 10,915	$ 7,221

The provision for income taxes differs from the amount that would have been recorded using the combined federal and Ontario statutory income tax rate. Reconciliation between the statutory and effective tax rates is provided as follows:

	December 31, 2016	December 31, 2015
Federal and Ontario statutory income tax rate	26.50%	26.50%
Profit before provision for income taxes	$ 40,078	$ 27,476
Provision for income taxes at statutory rate:	10,621	7,281
Increase/(decrease) resulting from:		
Differences between accounting net income and net income for tax purposes	294	(60)
Provision for income taxes	$ 10,915	$ 7,221
Effective income tax rate	27.23%	26.28%

12. Deferred Tax Assets / Liabilities

Deferred income taxes reflect the net effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The net deferred tax assets and liabilities consist of the following:

(In thousands of Canadian dollars)

12. Deferred Tax Assets / Liabilities (continued)

Deferred Tax Assets	December 31, 2016	December 31, 2015
PP&E and intangible assets	$ 147	$ 7,025
Energy variances	-	1,021
Post-employment benefits	201	1,978
Unutilized tax loss	-	113
Other temporary differences	29	95
Net deferred income tax assets	$ 377	$ 10,232

Deferred Tax Liabilities	December 31, 2016	December 31, 2015
PP&E and intangible assets	$ (2,609)	$ -
Energy variances	4,343	-
Post-employment benefits	(1,578)	-
Other temporary differences	230	-
Net deferred income tax liabilities	$ 386	$ -

At December 31, 2016, the Corporation has non-capital loss carry forwards totalling $nil (2015 – $429).

Deferred tax assets have been recognized to the extent that it is probable that taxable income will be available against which the deductible temporary difference can be utilized. The Corporation has recognized deferred tax assets in the amount of $308 (2015 – $275), the utilization of which is dependent on expected future taxable profits.

13. Bank Overdraft

Cash and cash equivalents include cash at the bank, cash on hand and short term investments with a maturity of 90 days or less from the date of purchase. In addition, to manage its short-term working capital requirements, the Corporation has established a $90,000 prime-based line of credit.

There are no restrictions, pledges or limitations to the use of the cash and cash equivalents, except for $350 (December 31, 2015 – $385) posted as letters of credit.

As at December 31, 2016, the Corporation had a bank overdraft of $50,158 (December 31, 2015 – $3,898).

(In thousands of Canadian dollars)

14. Accounts Payable and Accrued Liabilities

The components of accounts payable and accrued liabilities are as follows:

	December 31, 2016	December 31, 2015
Amounts due to the IESO for energy purchases	$ 83,840	$ 76,672
Trade payables due to related parties (Note 20)	289	61
Other trade payables	2,548	8,414
Accrued expenses	20,411	17,706
Other non-trade payables	13,036	14,555
Total accounts payable and accrued liabilities	$ 120,124	$ 117,408

15. Loans and Borrowings

a) Debentures Payable

	December 31, 2016	December 31, 2015
4.52% Series A Debentures due April 29, 2021	$ 110,000	$ 110,000
Deferred debt issue cost (net of accumulated amortization of $405) (December 31, 2015 - $326)	(386)	(465)
5.30% Series B Debentures due April 29, 2041	210,000	210,000
Deferred debt issue cost (net of accumulated amortization of $129) (December 31, 2015 - $103)	(1,273)	(1,299)
Net debentures payable	$ 318,341	$ 318,236

Interest expenses, relating to the debentures, during the year were $16,097 (2015 – $16,097). During the year, the amortization of the debt issue cost was $105 (2015 – $100).

At any time prior to the respective maturity dates set out in the table, the debentures are redeemable at the Corporation's option, on not fewer than 30 and not more than 60 days' prior notice. The redemption price is equal to the greater of par and the Canada Yield Price (as determined by the terms of the debenture), plus all accrued and unpaid interest up to but excluding the redemption date.

The debentures contain customary covenants and events of default that restrict the ability of the Corporation to create security interests, limit additional indebtedness or dispose of all or substantially all of their assets. The Corporation is limited to not issue, incur or become liable for obligations that exceed 75% of the total consolidated capitalization. As at December 31, 2016, the Corporation is in compliance with all debenture agreement covenants and limitations.

(In thousands of Canadian dollars)

15. Loans and Borrowings (continued)

b) Bank Loan

	December 31, 2016	December 31, 2015
Current	$ 59,968	$ -
Non-current	-	59,893
Net bank loan	$ 59,968	$ 59,893

On June 16, 2015, the Corporation entered into a credit facility agreement with a Canadian chartered bank and utilized the full amount of $60,000 in the third quarter of 2015. This credit facility bears a variable interest rate based on the CDOR plus a margin. The weighted average interest rate for the year was 1.28% (2015 – 1.01%). The credit facility agreement provided an option to convert to a fixed rate term loan, with a maturity date no earlier than April 29, 2017. The Corporation has decided not to exercise this option and to continue with the current facility, utilizing a renewable period of three months bearing an interest rate based on the CDOR plus a margin. The credit facility was classified from a non-current to a current liability.

Interest expenses, relating to this loan, during the year were $693 (2015 – $226). The amortization of the loan issue cost during the year was $100 (2015 – $33).

The credit facility contains customary representations, warranties and covenants, including maintaining at all times a ratio of consolidated debt to total capital of not greater than 0.75:1, calculated at the end of each financial quarter on a rolling four quarter basis. As at December 31, 2016, the Corporation is in compliance with all credit agreement covenants and limitations.

16. Deferred Contributions

The continuity of deferred contributions is as follows:

	December 31, 2016	December 31, 2015
Deferred contributions, net, beginning of period	$ 21,069	$ 15,153
Additions to deferred contributions	4,235	6,358
Contributions recognized as revenue	(575)	(442)
Deferred contributions, net, end of period	$ 24,729	$ 21,069

(In thousands of Canadian dollars)

17. Post-employment Benefits

The Corporation's retirement plan is comprised of a defined contribution plan. In addition, the Corporation provides other post-employment benefits such as primarily life insurance, health and dental coverage, on a shared basis.

a) OMERS pension plan

The most recently available OMERS annual report is for the year ended December 31, 2015 which reported that the plan was 91.5% (December 31, 2014 – 90.8%) funded, with a fund deficit of $6,977,000 and on track to be fully funded by 2025. This fund deficit is likely to result in future payments by the participating employers. The Corporation shares in the actuarial risks of other participants in the plan and therefore its future contributions could increase due to their actuarial losses. In addition, the Corporation's contributions may also increase if other entities withdraw from the plan. The Corporation's contributions to OMERS were $4,398 for the year (2015 – $4,328).

b) Post-employment benefits other than pension

Post-employment benefits other than pension are subject to annual actuarial valuations. A valuation of the post-employment benefits was performed as of December 31, 2016.

A reconciliation of the defined benefit obligation is as follows:

	December 31, 2016	December 31, 2015
Accrued benefit obligation, beginning of year	$ 7,465	$ 7,035
Current service cost	125	379
Interest on accrued benefit obligation	298	281
Benefits paid	(253)	(235)
Re-measurements recognized in other comprehensive income	(920)	5
Accrued benefit obligation, end of year	$ 6,715	$ 7,465

Total expense recognized in profit or loss	December 31,2016	December 31,2015
Current service costs	$ 125	$ 379
Interest on obligation	298	281
Total expense for the year	$ 423	$ 660

(In thousands of Canadian dollars)

17. Post-employment Benefits (continued)

The significant actuarial assumptions used to determine the present value of the obligation are as follows:

Actuarial assumptions	December 31, 2016	December 31, 2015
Discount rate (beginning of year)	4.00%	4.00%
Discount rate (end of year)	3.75%	4.00%
Health care cost increases	7.50%	8.75%
Dental cost increases	3.00%	4.00%
Rate of compensation increase	3.00%	3.00%

Based on the actuarial valuation, the Corporation is expected to contribute $358 towards post-employment benefits in 2017.

A one percentage point change in the assumed discount rate would have the following effects at December 31, 2016:

	1% higher	1% lower
Increase/(Decrease) on the defined benefit obligation (at 3.75%)	$ (869)	$ 1,105

A one percentage point change in the assumed health and dental cost trend rates would have the following effects at December 31, 2016:

	1% higher	1% lower
Increase/(Decrease) on the total service and interest cost (at 4.00%)	$ 117	$ (97)
Increase/(Decrease) on the defined benefit obligation (at 3.75%)	$ 417	$ (355)

18. Share Capital

	December 31, 2016	December 31, 2015
Authorized:		
Unlimited, Class A shares, voting		
1,000 Class B shares, non-voting		
100 Class C shares, voting		
Issued:		
180,555,562 Class A shares	$ 155,628	$ 155,628
1,000 Class B shares	1	1
100 Class C shares	20,062	20,062
	$ 175,691	$ 175,691

The holders of Class A shares and Class C shares are entitled to receive notice of, to attend, and to vote at all general and special meetings of the Corporation's shareholders. The holders of Class B shares are not entitled to vote at any meeting of the Corporation's shareholders (except as required by law) and are only entitled to receive notice of special meetings called to consider certain fundamental changes.

(In thousands of Canadian dollars)

18. Share Capital (continued)

Holders of Class A shares are entitled to one vote per share. Holders of Class C shares are entitled to such number of votes in respect of each Class C share as will entitle the holders of the Class C shares, as a class, to the proportion of the total number of votes of all shareholders entitled to vote at any such meeting that the Class C total base equity is of the aggregate regulated rate base equity of the Corporation's and its subsidiaries.

The holders of the Class A shares and holders of the Class C shares, in priority to the holders of the Class B shares, are entitled to receive, if, as and when declared by the Corporation's Board of Directors, concurrent preferential dividends at a rate per annum equal to the regulated rate of return on the rate base equity represented by each such class of shares. The cumulative portion of such preferential dividend is the amount by which the preferential dividend for each class of shares exceeds the amount of regulated capital expenditures represented by each class of shares. The remaining portion is non-cumulative. As at December 31, 2016, there were no cumulative preferential dividends outstanding (December 31, 2015 – $nil). Once these preferential dividend entitlements have been satisfied, holders of each class of shares are entitled to receive, on a concurrent basis with each other class of shares, additional dividends if, as and when declared by the Corporation's Board of Directors and in such amounts and payable in such manner as may be determined from time to time by the Corporation's Board of Directors. Holders of the Class A shares and the Class C shares are together entitled to 60% of any such additional dividends, which are to be allocated between the holders of each such class of shares in proportion to the rate base equity represented by each such class. Holders of the Class B shares are entitled to 40% of any such additional dividends. Class A, B and C shares have no par value.

Dividends may be declared by the Board of Directors through a resolution. In 2016, a dividend of $14,224 (2015 - $16,028) was declared and paid to the Shareholders of the Corporation. In 2017, a dividend of $1,153 was declared and paid to the Shareholders of the Corporation.

19. Change in Working Capital

	December 31, 2016	December 31, 2015
Accounts receivable	$ (27,054)	$ (7,340)
Unbilled revenue	(12,687)	(5,010)
Inventories	(134)	(1,047)
Prepaid and deposits	(178)	(533)
Accounts payable	2,716	11,550
Advance payments	(526)	(673)
Deferred revenue	(16)	(4)
Accrued PP&E and intangible assets	5,433	(3,640)
Decrease in working capital	$ (32,446)	$ (6,697)

(In thousands of Canadian dollars)

20. Related Party Transactions

The Corporation's operations include the provision of electricity and services to its principal shareholder, the City. Electricity is billed to the City at the prices and terms as any other Enersource Hydro customer not with an electricity retailer. Street lighting maintenance and construction services are provided at an exchange amount, as agreed to by the parties. A summary of amounts charged by the Corporation to the City is as follows:

	December 31, 2016	December 31, 2015
Electrical energy	$ 13,524	$ 11,863
Street lighting maintenance and construction	6,858	7,172
Street lighting energy	4,106	5,064

As at December 31, 2016, accounts payable and accrued liabilities include $289 (December 31, 2015 - $61) due to the City. Accounts receivable include $5,367 (December 31, 2015 - $4,330) due from the City.

During the year, the Corporation incurred $1,263 (2015 – $1,200) for property taxes to the City.

The Corporation charged Borealis $9 in 2016 (2015 – $9) for an access agreement. These transactions were recorded at the exchange amount, agreed to by the parties.

In 2016, a dividend of $12,802 (2015 - $14,425) was declared and paid to the City and a dividend of $1,422 (2015 – $1,603) was declared and paid to Borealis. In 2017, a dividend of $1,038 was declared and paid to the City and a dividend of $115 was declared and paid to Borealis

No Director had, during or at the end of the period, any material interest in any contract of significance in relation to the Corporation’s business.

The following compensation has been provided to the key management personnel of the Corporation and members of the Board of Directors (Directors Honorarium), who have the authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

	December 31, 2016	December 31, 2015
Salaries and short term employee benefits	$ 2,718	$ 2,426
Retirement OMERS contributions	281	264
Other compensation	50	56
Directors honorarium	321	304
	$ 3,370	$ 3,050

(In thousands of Canadian dollars)

21. Contingencies, Provisions, Commitments and Guarantees

a) Contingencies

The Corporation is a member of the Municipal Electric Association Reciprocal Insurance Exchange ("MEARIE"). A reciprocal insurance exchange may be defined as a group of persons formed for the purpose of exchanging reciprocal contracts of indemnity or inter-insurance with each other. MEARIE is licensed to provide general liability insurance to its members. Insurance premiums charged to each member consist of a levy per thousand dollars of service revenue subject to a credit or surcharge based on each member's claims experience. Current liability coverage is provided to a level of $24,000 per occurrence. The Corporation has also obtained additional general liability insurance of $10,000 per occurrence through Mearie Insurance Services Inc.

The Corporation has been jointly named as a defendant in several actions. No provision has been made for these potential liabilities as the Corporation expects that these claims are adequately covered by its insurance.

b) Environmental provision

The Corporation is subject to Canadian federal, provincial and municipal environmental regulations. As part of the Corporation's risk mitigation strategy, environmental assessments and remediations are underway at various sites. The Corporation records a liability for the estimated future expenditures associated with testing and remediation of contaminated lands. Actual environmental expenditures may vary from these estimates. These estimates are reviewed at the end of each reporting period and adjusted to reflect the current best estimate at that point of time. As at December 31, 2016, the Corporation provided $566 (December 31, 2015 - $1,843) for testing and future site remediation. Based on the latest estimates and the remediation work plan, the entire provision is expected to be settled within twelve months of the reporting date.

	December 31, 2016	December 31, 2015
Environmental provision, beginning of period	$ 1,905	$ 3,042
Addition	1,649	1,060
Disbursed in the period	(2,988)	(2,259)
Environmental provision, end of period	$ 566	$ 1,843

c) Commitments

(i) The Corporation has entered into two commercial lease arrangements which are recognized and reported as part of other costs in the statement of comprehensive income. During the year, the Corporation recognized minimum lease payments of $156 (2015 – $164) in the statement of comprehensive income.

21. Contingencies, Provisions, Commitments and Guarantees (continued)

The first lease has a life of one year with yearly renewal options. There are no restrictions placed upon the Corporation by entering into this lease. As at December 31, 2016, the Corporation's committed future minimum annual lease payments under this operating lease are $156 for 2017. The future minimum lease commitments would change depending on the decision to renew the agreement.

The second lease has a life of ten years and shall be automatically extended on an annual basis. As at December 31, 2016, the Corporation's committed future minimum annual lease payments under this operating lease are $24 for 2017.

(ii) The Corporation has numerous cancellable operating leases which are predominantly in the form of encroachment permits required to place distribution infrastructure assets on a rights-of-way or private property. The lease terms are between one and twenty years, and the amounts of these leases are immaterial and have been included in other costs in the statement of comprehensive income.

d) Guarantees

In the normal course of operations, the Corporation executes agreements that provide for indemnification to third parties in transactions such as service agreements, leases and purchases of goods. Under these agreements, the Corporation agrees to indemnify the counterparty against loss or liability arising from the acts or omissions of the Corporation in relation to the agreement.

22. Financial Instruments and Risk Management

Financial instruments which are disclosed at fair value are to be classified using a three-level hierarchy. Each level reflects the inputs used to measure the fair values disclosed of the financial liabilities, and are as follows:

Level 1 – inputs are unadjusted quoted prices for identical instruments in active markets,

Level 2 – inputs other than quoted market prices included within Level 1 that are observable for the instrument, either directly or indirectly, and

Level 3 – inputs that are not based on observable market data.

The fair values of cash and cash equivalents, accounts receivable, unbilled revenue, accounts payable and accrued liabilities approximate their carrying values due to the immediate or short maturity of these financial instruments. The fair values of promissory note, bank loan, customer deposits and deposits payable approximate their carrying values taking into account interest accrued on the outstanding balance.

22. Financial Instruments and Risk Management (continued)

The Corporation's debentures have a principal amount of $320,000 as at December 31, 2016 (December 31, 2015 - $320,000) and have a fair value of $379,793 (December 31, 2015 - $377,791). The fair value has been calculated using level 3 inputs. The valuation techniques used took into consideration accrued interest, Government of Canada benchmark yields and statistical data.

Exposure to market risk, credit risk, and liquidity risk arises in the normal course of the Corporation's business.

a) Market Risk

Market risk refers primarily to risk of loss that results from changes in commodity prices, foreign exchange rates and interest rates.

The Corporation does not have a commodity risk as a result of changes in the market price of electricity, due to the flow through nature of the electricity purchases.

The Corporation's foreign exchange risk is not considered material since the exposure is limited to U.S. dollar cash and cash equivalents holdings of $195 as at December 31, 2016 (December 31, 2015 - $25).

The Corporation is exposed to short-term interest rate risk on its bank loan and its net cash and cash equivalent balances. The Corporation is also exposed to fluctuations in interest rates for the valuation of its post-retirement benefit obligations. The Corporation manages interest rate risk by monitoring its mix of fixed and floating rate instruments, and taking action as necessary to maintain an appropriate balance.

b) Credit Risk

The Corporation is exposed to credit risk as a result of counterparties failing to discharge an obligation.

The Corporation manages counterparties credit risk through various techniques including, limiting total exposure levels with individual counterparties consistent with the Corporation's policies, assessing and monitoring the credit exposures of counterparties. Short-term investments held as at December 31, 2016, met the credit exposure limits specified under the Corporation's Investment Policy.

The Corporation's distribution revenue is earned on a broad base of customers principally located in Mississauga. As a result, the Corporation did not earn a significant amount of revenue from any individual customer. As at December 31, 2016, there were no significant balances of accounts receivable due from any single customer.

Management believes that the credit risk of accounts receivable is not significant due to the following reasons:

(i) There is a broad base of customers with no single customer that accounts for revenue or an accounts receivable balance in excess of 10% of the respective balance in either year.

(In thousands of Canadian dollars)

22. Financial Instruments and Risk Management (continued)

(ii) Enersource Hydro, as permitted by the OEB's Retail Settlement and Distribution System Code, may obtain a security deposit or letter of credit from customers to mitigate risk of payment default.

(iii) The percentage of accounts receivable that is past due for more than 75 days is approximately 1.7% (2015 – 2.5%) of the total gross accounts receivable (See note 5).

(iv) Enersource Hydro included an amount for accounts receivable write-offs within operating expense for rate setting purposes.

(c) Liquidity Risk:

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they come due. Short-term liquidity is provided through cash and cash equivalents on hand, funds from operations, as well as an established $90,000 banking line of credit, if required. Short-term liquidity is expected to be sufficient to fund normal operating requirements.

The Corporation has contractual obligations in the normal course of business; future minimum undiscounted contractual maturities are as follows:

Financial Liabilities	Due within 1 year	Due between 1 and 5 years	Due past 5 years
Bank overdraft	$ 50,158	$ -	$ -
Accounts payable and accrued liabilities	120,124	-	-
Debentures payable (interest and principal)	16,097	185,511	421,350
Bank loan (interest and principal)	60,197	-	-
Total	$ 246,576	$ 185,511	$ 421,350

23. Divisional Information

The Corporation consists primarily of two operating divisions, regulated and non-regulated operations. Non-regulated operations are primarily comprised of engineering design, construction, street lighting design and maintenance services. The regulated operation provides electricity distribution services to businesses and residences in the City of Mississauga.

The designation of activities to the two operating divisions is based on a combination of regulatory status and the nature of the products and services provided. The accounting policies followed by the divisions are the same as those described in the summary of significant accounting policies.

Financial information that adjusts IFRS results to show the effect of rate regulation is used by the Corporation's Board of Directors, as well as members of key management having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly. This group is determined to be the Chief Operating Decision Maker ("CODM") and it assesses operating

(In thousands of Canadian dollars)

23. Divisional Information (continued)

performance principally on the basis of earnings adjusted for regulatory items as shown in the divisional information disclosed below.

2016	Enersource Hydro regulated	Regulatory adjustments	Non-regulated	Consolidating eliminations	Total
Energy sales	$ 938,145	$ -	$ -	$ -	$ 938,145
Distribution	130,281	9,863	-	-	140,144
Other revenue	22,671	-	16,493	(583)	38,581
	1,091,097	9,863	16,493	(583)	1,116,870
Energy purchases	(938,145)	5,837	-	-	(932,308)
Operating expenses	(78,957)	(158)	(14,858)	583	(93,390)
Depreciation and amortization	(33,363)	(445)	(187)	-	(33,995)
Financial income	414	(290)	645	(481)	288
Financial expense	(18,077)	260	(51)	481	(17,387)
Profit before income tax expense	22,969	15,067	2,042	-	40,078
Income tax expense	(1,298)	(8,930)	(687)	-	(10,915)
Other comprehensive income, net of tax	-	642	34	-	676
Comprehensive income for year ended December 31, 2016	$ 21,671	$ 6,779	$ 1,389	$ -	$ 29,839

(In thousands of Canadian dollars)

23. Divisional Information (continued)

2015	Enersource Hydro regulated	Regulatory adjustments	Non-regulated	Consolidating eliminations	Total
Energy sales	$ 848,230	$ -	$ -	$ -	$ 848,230
Distribution	125,605	(2,271)	-	-	123,334
Other revenue	28,790	-	14,746	(599)	42,937
	1,002,625	(2,271)	14,746	(599)	1,014,501
Energy purchases	(848,230)	3,930	-	-	(844,300)
Operating expenses	(81,334)	4	(14,144)	599	(94,875)
Depreciation and amortization	(31,346)	(155)	(187)	-	(31,688)
Financial income	754	(366)	572	(150)	810
Financial expense	(17,226)	178	(74)	150	(16,972)
Profit before income tax expense	25,243	1,320	913	-	27,476
Income tax expense	(2,204)	(4,772)	(245)	-	(7,221)
Other comprehensive loss, net of tax	-	(4)	-	-	(4)
Comprehensive income for year ended December 31, 2015	$ 23,039	$ (3,456)	$ 668	$ -	$ 20,251

Total assets for the Corporation's two operating divisions are as follows:

	December 31, 2016	December 31, 2015
Enersource Hydro regulated	$ 908,572	$ 846,286
Non-regulated	34,564	32,957
Consolidating elimination	(21,515)	(23,151)
	$ 921,621	$ 856,092

Total liabilities for the Corporation's two operating divisions are as follows:

	December 31, 2016	December 31, 2015
Enersource Hydro regulated	$ 624,179	$ 576,520
Non-regulated	6,721	6,102
Consolidating elimination	(21,515)	(23,151)
	$ 609,385	$ 559,471

(In thousands of Canadian dollars)

23. Divisional Information (continued)

Total regulatory balances that have been derecognized under IFRS that will be recovered or refunded through future distribution rates are as follows:

	December 31, 2015	2016 activity	December 31, 2016
Net regulatory assets, excluding other comprehensive (income)/loss	$ 3,789	$ (15,067)	$ (11,278)
Other comprehensive loss	(568)	(873)	(1,441)
Net regulatory assets/(liabilities)	$ 3,221	$ (15,940)	$ (12,719)

IFRS 14 *Regulatory Deferral Accounts* was issued by the IASB on January 30, 2014 and permits first time adopters of IFRS to use previous Generally Accepted Accounting Principles to account for regulatory deferral account balances. As the Corporation is not a first time adopter, the Corporation does not recognize assets and liabilities arising from rate regulated activities. Since the economics of rate regulation have not changed from the adoption of IFRS, the CODM will continue to assess operating performance principally on the basis of earnings adjusted for the following significant regulatory activities:

(i) Retail settlement variances are caused by the difference between the actual price of the electricity commodity throughput and the prices set by the OEB. Specifically, these amounts include variances between the amounts charged by Hydro One and the IESO for the operation of the electricity markets and grid, as well as various wholesale market settlement charges and transmission charges as compared to the amount billed to consumers based on the OEB-approved rates. Under regulatory accounting, the Corporation would have adjusted energy purchases for these variances. Under IFRS, the Corporation recognizes these differences in future periods as an increase or decrease to distribution revenue.

(ii) The OEB approved a variance account to record lost revenues associated with the delivery of Conservation and Demand Management ("CDM") programs. The variance account tracks the difference between the results of actual, verified impacts of CDM activities and the level of CDM program activities included in the distributor's load forecast. The Corporation may recover or refund this revenue through future distribution rates.

(iii) The OEB requires Enersource Hydro to track the difference between revenue and costs associated with providing retailers with customer settlement services as retail cost variance account deferrals. Under IFRS, the Corporation recognizes these differences as an increase or decrease to distribution revenue when incurred and will recover or refund these differences through future distribution rates.

(iv) The OEB approved four deferral accounts to record qualifying incremental capital investments, operating, maintenance and administration expenses and funding adders approved by the OEB related to the connection of renewable generation or the development of smart grid. Under IFRS, the Corporation capitalizes or expenses these items as incurred and recognizes revenue in accordance with the Corporation's revenue recognition policy.

23. Divisional Information (continued)

(v) The OEB approved a deferral account to record costs associated with replacing interval meters for its large commercial customers in order to meet amendments made to its Distribution System Code. Under IFRS, the Corporation capitalizes or expenses the amounts in the period they were incurred.

(vi) The OEB requires the Corporation to accrue interest on regulatory assets and liabilities balances. Under IFRS, the Corporation recognizes the net interest on these balances in future periods as an increase or decrease to distribution revenue once approved for recovery or refund by the OEB.

(vii) The OEB approved a deferral account to record any re-measurements of the post-employment net defined liability including actuarial gains or losses. Under IFRS, the Corporation recognizes any re-measurements of the post-employment net defined liability in other comprehensive income.

(viii) The OEB established a variance account for electricity distributors to record any material differences between OEB cost assessments currently built into rates and cost assessments that will result from the application of a new cost assessment model effective April 1, 2016. Under IFRS, the Corporation recognizes these costs under operating expenses in the period they were incurred.

(ix) The OEB established a deferral account to record the Energy East Pipeline Project consultation costs allocated by the OEB to rate-regulated electricity distributors. Under IFRS, the Corporation recognizes these costs under operating expenses in the period they were incurred.

To the extent that the OEB's future actions are different from the Corporation’s expectations, the timing and amount of recovery or settlement of amounts included in the adjustment for regulatory activities could be significantly different from the amounts that are eventually recovered or settled through distribution rates in the future.

24. Conservation and Demand Management

During the year, the Corporation recognized $17,790 (2015 - $23,985) of IESO funding in other revenue, $16,492 (2015 - $21,311) of IESO costs of which $16,467 are recorded as operating expenses and $25 as amortization of intangible assets. The Corporation currently has no unfilled obligations relating to the government grants received by the IESO.

2016 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 CPA Canada.

There are four required consolidated financial statements: the consolidated statement of financial position, the consolidated statement of operations, the consolidated statement of change in net financial assets, and the 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 2016 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) the cash resources of the government; (b) the net financial asset position, calculated as the difference between financial assets and financial liabilities; (c) the non-financial assets that are normally held for service provision such as tangible capital assets; and, (d) the accumulated surplus/deficit (or in private sector terms, retained earnings: not termed so by governments 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 individually 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 all tangible capital assets and financial resources of the City.

Accumulated Surplus

The City's accumulated surplus for fiscal year 2016 is $8.528 billion (2015 $8.469 billion). The City's 2016 accumulated surplus (Note 10) comprises of the following balances:

- Investment in tangible capital assets of $8.020 billion;
- Unexpended capital of $178.0 million;
- Investment in Enersource Corporation of $281.0 million;
- Reserves of $66.2 million;
- Reserve Funds of $327.3 million;
- Unfunded employee benefits and other liabilities of ($210.3 million);
- Long-term debt of ($134.4 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). Enersource adopted IFRS beginning in 2011.

The City's 2016 Investment in Enersource Corporation is $281.0 million (2015 $267.0 million), an increase of $14.0 million from the prior year. Refer to breakdown in Note 5. This increase is attributed to the City's $26.9 million share of Enersource's net income less a $12.8 million dividend payment received from Enersource in 2016.

Net Financial Assets

In 2016, the City's net financial assets were $498.5 million (2015 $491.9 million), an increase of $6.6 million from the prior year.

Financial Assets

Financial assets in 2016 were $1.353 billion (2015 $1.288 billion), an increase of $65.0 million from the prior year.

- Cash, short-term investments, and long-term investments at yearend were $960.7 million (2015 $921.8 million), an increase of $38.9 million.
  - The timing of payments at year end impacted the cash/investment and liability positions.

- Taxes receivable at yearend were $36.6 million (2015 $41.5 million), a decrease of $4.9 million.

- Accounts receivable in 2016 were $74.1 million (2015 $55.2 million), an increase of $18.9 million.
  - The increase primarily relates to higher school board receivables for property tax settlements ($5.3 million) and the 2016 fourth quarter storm water accrual ($10.7 million) versus the prior year.
  - Other receivable increases and decreases accounted for the net balance of the increase.

- Loans and other receivables in 2016 were $0.6 million (2015 $2.4 million), a decrease of $1.8 million.
  - The decrease relates to the cancellation of the Heart Hospice development agreement ($1.8 million).

- Inventories for resale in 2016 were $0.3 million (2015 $0.3 million).

- Investment in Enersource Corporation in 2016 was $281.0 million (2015 $267.0 million), an increase of $14.0 million from the prior year.

Financial Liabilities

Financial liabilities in 2016 were $854.9 million (2015 $796.4 million) an increase of $58.5 million from the prior year.

- Accounts Payable liabilities at yearend were $175.9 million (2015 $173.5 million), an increase of $2.4 million representing various liability accounts.

- The timing of payments at year end and yearend accruals impacted the cash/investment and liability positions.

- Deferred revenue-general at yearend was $9.0 million (2015 $7.7 million), an increase of $1.3 million.
  - The increase was primarily due to general fluctuations in various departmental deferred revenue accounts, with Transit and Recreation being the major portions.

- Deferred revenue-obligatory reserve funds at yearend were $325.3 million (2015 $306.5 million), an increase of $18.8 million.
  - Development Charge funds in 2016 were $147.8 million (2015 $153.8 million), a decrease of $6.0 million.
  - Parkland funds in 2016 were $65.9 million (2015 $58.4 million), an increase of $7.5 million.
  - Cash in Lieu of Parking were $6.1 million (2015 $0 million), an increase of $6.1 million.
  - Bonus Zoning funds in 2016 were $1.2 million (2015 $0.6 million), an increase of $0.6 million.
  - Provincial public transit funds in 2016 were $11.7 million (2015 $14.4million), a decrease of $2.7 million.
  - Federal public transit funds in 2016 were $1.4 million (2015 $1.8 million), a decrease of $0.4 million.
  - Provincial gas tax funds in 2016 were $18.7 million (2015 $17.9 million), an increase of $0.8 million.
  - Federal gas tax funds in 2016 were $72.5 million (2015 $59.5 million), an increase of $13.0 million.

- Employee benefits and other liabilities at yearend were $210.3 million (2015 $198.0 million), an increase of $12.3 million.
  - Other liabilities in 2016 were $40.8 million (2015 $38.3 million), an increase of $2.5 million primarily because of insurance assessment changes due to changing insurance legislation and legal assessments.
  - Section 14 development charge credit liabilities in 2016 were $60.0 million (2015 $59.1 million), an increase of $0.9 million as a result of the bi-annual indexing.
  - Early retirement liabilities at yearend were $38.0 million (2015 $37.3 million), and increase of $0.7 million due to changes in actuarial assessments.
  - Post employments liabilities at yearend were $11.3 million (2015 $10.1 million), an increase of $1.2 million due to changes in actuarial assessments.
  - WSIB liabilities at yearend were $23.5 million (2015 $18.3 million), an increase of $5.2 million primarily due to changes in actuarial assessments relating to Fire projected claim increases.
  - Sick leave liabilities at yearend were $12.4 million (2015 $11.8 million), an increase of $0.6 million primarily due to changes in actuarial assessments.
  - Vacation pay liabilities at yearend were $24.1 million (2015 $22.7 million), an increase of $1.4 million.
  - Other liability assessments accounted for the balance of the change.

- Long-term debt at yearend was $134.4 million (2015 $110.8 million), an increase of $23.6 million.
  - $37.6 million of new debt was added in 2016 (2015 $40.0 million).

Non-Financial Assets

Non-financial assets in 2016 were $8.030 billion (2015 $7.977 billion). Non-financial assets are comprised primarily of tangible capital assets, as well as inventories of supplies, and prepaid expenses.

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 2016 were $885.9 million (2015 $993.1 million), a decrease of $107.2 million.

- Taxation revenues (property taxes and taxation from other governments) in 2016 were $470.6 million (2015 $446.6 million), an increase of $24.0 million.
  - The City had an assessment growth of 0.339 per cent in 2016.
  - City Council approved the 2016 budget which provided for a 4.9 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 1.6 per cent increase on the total residential tax bill.

- User charges in 2016 were $245.2 million (2015 $192.0 million), an increase of $53.2 million from the prior year.

  - Fees and user charge revenues in 2016 were $92.9 million (2015 $52.7 million), an increase of $40.2 million over the prior year.
    - Storm water fees in 2016 were $40.6 million; this was a new charge in 2016 separated from the property tax base.
    - Other departmental miscellaneous user fees increases and decreases accounted for the balance of the change.

  - Transit fares in 2016 were $77.6 million (2015 $75.2 million), an increase of $2.4 million from the prior year.
    - Total 2016 revenue riders were 39.02 million versus 2015 totals of 37.46 million.
    - Total 2016 boardings were 55,440,087 (2015 53,252,716).
    - The mix of the fare media can be different every year. For example, Presto migration and the senior fares are some of the factors affecting fare media.
    - The 4 per cent increase in riders and a fare increase resulted in a revenue increase of $2.4 million over 2015.

  - Golf green fees in 2016 were $3.1 million (2015 $2.9 million), an increase of $0.2 million from the prior year.

  - License and permit revenues in 2016 were $15.0 million (2015 $15.7 million), a decrease of $0.7 million over the prior year.
    - Building permit revenues in 2016 were $9.8 million (2015 $10.3 million), a decrease of $0.5 million over the prior year.

  - Other departmental license and fee increases and decreases accounted for the balance of net change.

- Rents and concession fees in 2016 were $22.8 million (2015 $22.2 million), an increase of $0.6 million from the prior year.

- Fine revenues in 2016 were $20.7 million (2015 $19.8 million), an increase of $0.9 million from the prior year.
  - Bylaw and enforcement fines in 2016 were $10.6 million (2015 $10.1 million), an increase of $0.5 million.
  - Provincial offences fines in 2016 were $10.1 million (2015 $9.8 million), an increase of $0.3 million.

- Recovery charges in 2016 were $4.3 million (2015 $21.1 million), a decrease of $16.8 million from the prior year.
  - Operating related recoveries decreased by $3.4 million from the prior year.
  - Capital project related recoveries decreased by $13.4 million from the prior year. Theses recoveries are project specific and will result in variations from year to year.

- Funding transfers from other governments in 2016 were $3.9 million (2015 $2.4 million), an increase of $1.5 million from the prior year.

- Development and other government contributions applied in 2016 were $69.1 million (2015 $228.7 million), a decrease of $159.6 million from the prior year.
  - Development and government contributions applied were less than the prior year due to the timing of cash flow and expenses of related capital projects.
  - Unallocated deferred revenues continue to be held in the deferred revenue - obligatory funds. These deferred funds will be matched with future related capital expenditures and brought into revenue at that time.

- Investment income in 2016 was $34.9 million (2015 $33.1 million), an increase of $1.8 million.

- Penalties and interest earnings from overdue tax accounts in 2016 were $8.5 million (2015 $8.8 million), a decrease of $0.3 million from the prior year.

- Contributed Assets in 2016 were $18.6 million (2015 $34.3 million), a decrease of $15.7 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 2016 were $3.9 million (2015 $7.9 million), a decrease of $4.0 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 2016 was $26.9 million (2015 $18.2 million), an increase of $8.7 million from the prior year.
  - From this net income amount, the City was paid a dividend of $12.8 million in 2016 (2015 $14.4 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 2016 were $826.6 million (2015 $773.6 million), an increase of $53.0 million.

- Labour costs (salaries, wages and benefits) in 2016 were $485.7 million (2015 $459.5 million), an increase of $26.2 million from the prior year.
  - Salary and wage costs in 2016 were $388.5 million (2015 $374.0), an increase of $14.5 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 2016 were $93.2 million (2015 $89.3 million), an increase of $3.9 million.
  - WSIB related costs in 2016 were $3.7 million (2015 $2.7 million), an increase of $1.0 million.
  - Labour related recoveries in 2016 were -$15.5 million (2015 -$14.3 million), an increase of -$1.2 million.
  - Other labour related adjustments in 2016 were $5.2 million (2015 $3.0 million), an increase of $2.2 million.
    - This increase was primarily due to Fire collective agreement labour accrual for 2015 and 2016.
  - Employee benefits and other liabilities in 2016 were $9.1 million (2015 $3.3 million), an increase of $5.8 million.
    - These expenses are based on the changes in employee benefits and other liabilities in the Consolidated Statement of Financial Position resulting from 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 2016 were $1.5 million (2015 $1.4 million), an increase of $0.1 million.
- Long–term debt interest and fees in 2016 were $2.8 million (2015 $2.1 million), an increase of $0.7 million.
- Materials and supplies in 2016 were $55.2 million (2015 $51.5 million), an increase of $3.7 million from the prior year.
  - Transportation related costs in 2016 were $28.1 million (2015 $28.0 million), an increase of $0.1 million from the prior year.
    - Diesel fuel accounted for a $1.7 million decrease in 2016.
    - Vehicle maintenance increased by $1.2 million which offset the overall decrease.
    - Other transportation related cost increases accounted for the balance of the net change.

  - ➢ Materials and supplies operating expenses in 2016 were $21.1 million (2015 $18.2 million), an increase of $2.9 million from the prior year.
    - o Windrow salt spreading in 2016 was $5.3 million (2015 $2.9 million), an increase of $2.4 million from the prior year.
    - o General citywide departmental operating materials and supplies expenses accounted for the balance of the increase.

  - ➢ Materials and supplies operating expenses transferred from capital projects in 2016 were -$3.5 million (2015 $1.4 million), a decrease of $4.9 million from the prior year. The decrease in expenses represents the capitalization of library books paid by the operating budget.
  - ➢ Transportation costs transferred from capital projects in 2016 were $5.9 million (2015 $0.0 million), an increase of $5.9 million from the prior year. These expenses represent capital project expenses that could not be capitalized.

  - ➢ Other citywide materials and supplies cost increases offset the overall increase.

- Contracted services in 2016 were $76.4 million (2015 $67.2 million), an increase of $9.2 million from the prior year.
  - ➢ Contracted services in 2016 were $53.4 million (2015 $49.2 million), an increase of $4.2 million from the prior year.
    - o Contracted services for standby winter control in 2016 were $1.0 million higher than the previous year due to increased snowfall and events.
    - o General maintenance contracts in 2016 were $2.1 million higher than the previous year.
    - o Other citywide contracted services increases and decreases account for the balance of this net change.
  - ➢ Contracted service operating expenses transferred from capital projects in 2016 were $23.0 million (2015 $18.0 million), an increase of $5.0 million. These expenses represent capital project expenses that could not be capitalized or were recoverable from a 3rd party agreement.

- Rents and financial expenses in 2016 were $68.7 million (2015 $61.9 million), an increase of $6.8 million from the prior year.
  - ➢ Insurance related expenses in 2016 were $6.3 million (2015 $8.2 million), a decrease of $1.9 million from the prior year.
    - o The decrease was primarily due to a decrease in claim settlements in 2016.
  - ➢ Property tax adjustments in 2016 were $6.3 million (2015 $4.2 million), an increase of $2.1 million.
  - ➢ Other actuarial liability assessments were $3.2 million in 2016 (2015 -$4.1 million), representing an increase of $7.3 million.
  - ➢ Other citywide financial expense increases and decreases accounted for the balance of the net change.

- External transfers to others in 2016 were $6.6 million (2015 $5.8 million), an increase of $0.8 million from the prior year.

- Loss on disposal of assets in 2016 was $1.1 million (2015 $0.5 million), an increase of $0.6 million.

- Amortization of tangible capital assets in 2016 was $130.1 million (2015 $125.1 million), an increase of $5.0 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 2016 have been inventoried, valued and recorded in an Asset Registry for accounting and reporting purposes.
The City's net book value of tangible capital assets at the end of 2016 was $8.0 billion (2015 $8.0 billion). Refer to Note #9 in the financial statements for a detailed breakdown of tangible capital asset activity.

Annual amortization expense in 2016 was $130.1 million (2015 $125.1 million).

Reserves and Reserve Funds Overview

Although Reserves and Reserve Funds are not formally reported directly in the financial statements, they are key 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 #10 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 2016 totalled $393.5 million (2015 $354.2 million), an increase of $39.3 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 2016 were $66.2 million (2015 $62.1 million), a decrease of $4.1 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 $327.3 million (2014 $292.1 million), an increase of $35.2 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.

City of Mississauga
Corporate Report

Date: 2017/04/18 To: Chair and Members of Audit Committee From: Gary Kent, Commissioner of Corporate Services and Chief Financial Officer	Originator's files: Meeting date: 2017/05/15

Subject
2016 External Audit Findings Report

Recommendation
That the 2016 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 2016 for the City of Mississauga (City), be received for information**.**

Report Highlights
- The 2016 External Audit Findings Report provides an overview of the 2016 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 2016, 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 on tracking WIP additions more accurately and maintaining the land inventory database on a timelier basis to minimize or eliminate future TCA adjustments. This recommendation is a similar observation recommendation to the 2015 Audit Findings Report to encourage the City to continue to improve systems and processes related to TCA.

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 2016, 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 2016 and have issued an Audit Findings Report for information.

The 2016 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

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 2016, KPMG carried forward the 2015 process observation relating to tangible capital assets asset accounting and reporting.

- KPMG recommends that management continue to work with and educate the affected departments on tracking WIP additions more accurately and maintaining the land inventory database on a timelier basis to minimize or eliminate future TCA adjustments.

  Management Response:

  City Finance staff agree with KPMG's recommendations.

  Finance staff will continue to reinforce the requirements for tangible capital asset (TCA) inventorying, accounting and reporting with all City staff through support and/or training.

Finance, Geomatics, Realty Services and Legal Services will continue to work collaboratively to ensure efficient and timely reporting of land and other asset acquisitions, disposals, and adjustments. Finance staff have been working with the Geomatics Section over the past few years refining the City's complex land inventory and valuations. We believe that the majority of the land cleanup and adjustments have now been completed. We are not aware of any outstanding items at this time.

Tangible capital asset accounting and reporting is a manual complex process that is non-integrated with the City's SAP ERP system. City staff will continue to investigate and assess new technologies and processes that will make tangible capital asset accounting and reporting more efficient, integrated, and automated.

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

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 Report for more detailed information on this observation.

KPMG confirmed their independence in the Audit Planning Report. As there is no change at year end, they did not make a note related to independence in the Audit Findings Report. The independence disclosure 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.

Financial Impact

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

Conclusion

The 2016 External Audit Findings Report is a by-product of the financial statement audit.

The 2016 External Audit Findings Report provides an overview of the 2016 audit process. The report highlights any audit findings and/or audit observations and recommendations for the Audit Committee's review and consideration.

Attachments

Appendix 1: 2016 External Audit Findings Report

G. Kent.

Gary Kent, Commissioner of Corporate Services and Chief Financial Officer

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

APPENDIX 1

7.2

KPMG

The Corporation of the City of Mississauga

Audit Findings Report

For the year ended December 31, 2016

KPMG LLP

March 2017

kpmg.ca/audit

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7.2

Executive summary

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, 2016.

This Audit Findings Report builds on the Audit Plan we presented to the Audit Committee on November 14, 2016,

Changes from the Audit Plan

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

Other matters

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

See pages 4 and 5

Finalizing the audit

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

Our audit report is dated the date of approval of the financial statements by the Treasurer, April 7, 2017.

Adjustments and differences

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

Significant accounting estimates

Overall, we are satisfied with the reasonability of significant 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.

Other matters

Professional standards require us to communicate to the Audit Committee Other Matters, such as material inconsistencies or material misstatements between MD&A and the audited financial statements, identified fraud or non-compliance with laws and regulations, consultations with other accountants, significant matters relating to the Company's related parties, significant difficulties encountered during the audit, and disagreements with management.

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

Matter	KPMG comment
Debenture Debt	• During 2016, the City, through the Regional Municipality of Peel ("the Region"), issued $37.5 million of debenture debt. • The interest rate, principal repayment requirements and other related terms and conditions of the debenture debt, along with the debenture debt issued from 2013 to 2015 are detailed in Note 8 to the financial statements. • KPMG obtained and reviewed the by-laws both from the City and the Region in the issuance of the debenture debt. • KPMG performed audit work over total debenture debt to confirm existence and accuracy.
Enersource Corporation	• As noted in our Audit Planning Report, we assessed Enersource Corporation ("Enersource") as a significant component to the City's financial statements. • In 2016, the City's share of Enersource's net income and dividends paid out totalled $26.9M and $12.8M, respectively (2015 - $18.6M and $14.4M respectively). • These transactions are described in Note 5 to the 2016 financial statements.
Alectra Inc.	• Subsequent to year end on February 1, 2017, through a series of transactions, Enersource's wholly owned operating company, was merged with certain utility holding companies in Ontario to form a new entity, known as Alectra Inc. • A new legal entity, Enersource Holdings Inc., was created as a wholly-owned subsidiary of Enersource to hold the City's interest in Alectra Inc. • The subsequent event is described in Note 21 to the 2016 financial statements. • Effective February 1, 2017, the City entered into an arrangement to provide $70M of loan guarantees to Enersource, as outlined in the financial statement Note 21. • KPMG reviewed the transactions and the disclosures in Enersource's 2016 financial statements and is satisfied that the subsequent events described above have been appropriately disclosed within the City's 2016 financial statements.

Tangible capital assets ("TCA")	• Consistent with previous year, amongst other audit procedures over TCA, we performed audit procedures surrounding management's control process over initiation, approval, recording and reviewing Work-in-progress ("WIP") balances. We also vouched selected samples of WIP additions, cutoff and transfer to active TCA. • Based on the audit procedures performed and samples tested, we did not identify any audit misstatement. • However, we noted a process improvement observation that would be of interest to the Audit Committee. Refer to the process improvement observation section for details.
Contingent Liabilities	• 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." • 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. • 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. • 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.

7.2

Adjustments and differences

Based on both qualitative and quantitative considerations, management have decided not to correct certain differences, and represented to us that the uncorrected differences—individually and in the aggregate—are, in their judgment, not material to the financial statements.

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.

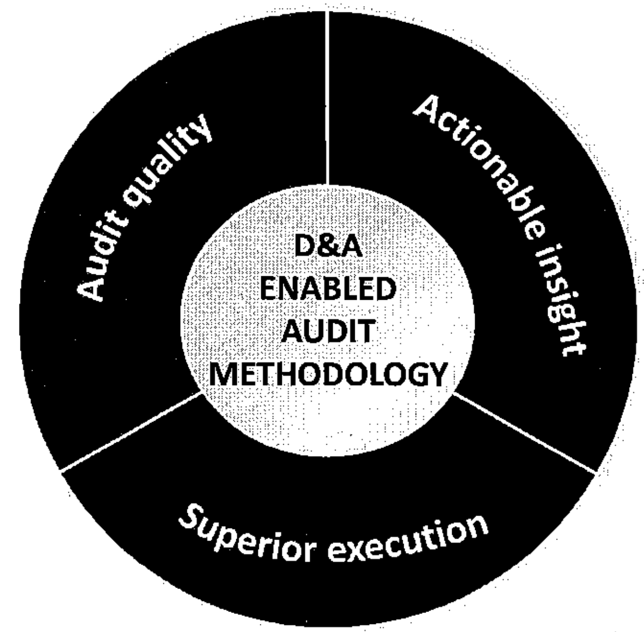
Data & Analytics in Audit

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	• We utilized data analytics in the audit to evaluate the completeness of the journal entry population through a roll-forward the entire general ledger. 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, 2016 as reported by management. • The results of data analytics did not identify any significant audit adjustments.
Manual Journal Entries	• We utilized computer-assisted audit techniques (CAATs) to perform audit procedures surrounding manual journal entries as follows: a) We analyzed the frequency and amount of manual journal entries made throughout the year b) We analyzed the frequency of low value journal entries (low dollar amounts) • We shared the findings with management to enable to identify certain trends and efficiencies in their accounting processes with regards to manual journal entries.

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 observation

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 matter	Potential effect and recommendation	Management Comments
– As we noted in the Audit Findings report in previous years, the process of reporting TCA assets remains reliant on significant manual intervention. This is not uncommon in the municipality sector across the country.	We recommend that management continue to work with and educate the affected departments on tracking WIP additions more accurately and maintaining the land inventory database on a more timely basis to minimize or eliminate future TCA adjustments.	City Finance staff agree with KPMG's recommendations. Finance staff will continue to reinforce the requirements for tangible capital asset (TCA) inventorying, accounting and reporting with all City staff through support and/or training. Finance, Geomatics, Realty Services and Legal Services will continue to work collaboratively to ensure efficient and timely reporting of land and other asset acquisitions, disposals, and adjustments. Finance staff have been working with the Geomatics Section over the past few years refining the City's complex land inventory and valuations. We believe that the majority of the land cleanup and adjustments have now been completed. We are not aware of any outstanding items at this time. Tangible capital asset accounting and reporting is a manual complex process that is non-integrated with the City's SAP ERP system. City staff will continue to investigate and assess new technologies and processes that will make tangible capital asset accounting and reporting more efficient, integrated, and automated.

Appendices

Appendix 1: Required communications

Appendix 2: Audit Quality and Risk Management

Appendix 3: Background and professional standards

Appendix 4: Lean in Audit™

Appendix 5: Management Representation Letter

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.
- **Management representation letter** –In accordance with professional standards, copies of the management representation letter are provided to the Audit Committee. Management have provided you with a copy of the representation letter for the audit of the financial statements

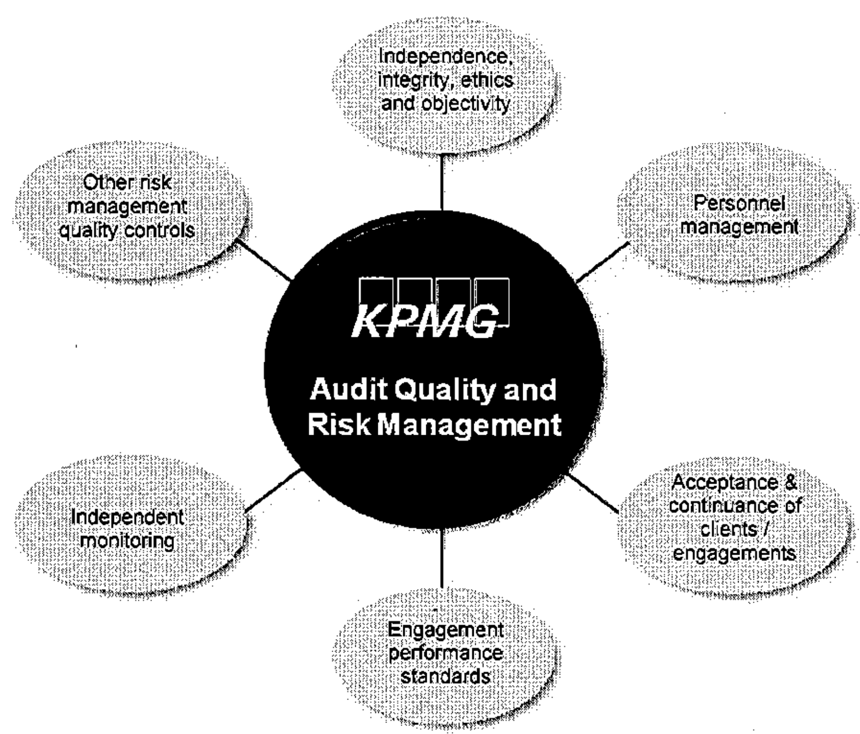
Appendix 2: Audit Quality and Risk Management

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 Reviewer 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.

7.2

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: Lean in Audit™

An innovative approach leading to enhanced value and quality

Our new innovative audit approach, Lean in Audit, further improves audit value and productivity to help deliver real insight to you. Lean in Audit is process-oriented, directly engaging organizational stakeholders and employing hands-on tools, such as walkthroughs and flowcharts of actual financial processes.

By embedding Lean techniques into our core audit delivery process, our teams are able to enhance their understanding of the business processes and control environment within your organization – allowing us to provide actionable quality and productivity improvement observations.

Any insights gathered through the course of the audit will be available to both engagement teams and yourselves. For example, we may identify control gaps and potential process improvement areas, while companies have the opportunity to apply such insights to streamline processes, inform business decisions, improve compliance, lower costs, increase productivity, strengthen customer service and satisfaction and drive overall performance.

How it works

1. Lean training

- Provide basic Lean training and equip our teams with a new Lean mind-set to improve quality, value and productivity.

2. Interactive workshops

- Perform interactive workshops to conduct walkthroughs of selected financial processes providing end to end transparency and understanding of process and control quality and effectiveness.

3. Insight reporting

- Quick and pragmatic insight report including your teams immediate quick win actions and prioritized opportunities to realize benefit.

Appendix 5: Management representation letter

MISSISSAUGA

April 7, 2017

KPMG LLP
Vaughan Metropolitan Centre
100 New Park Place, Suite 1400
Vaughan, ON L4K 0J3

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, 2016.

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:

Responsibilities:

1) We have fulfilled our responsibilities, as set out in the terms of the 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, including the names of all related parties and information regarding all relationships and transactions with related parties, and complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of City Council and committees of the City 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. Management also acknowledges and understands that they are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.

   d) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements.

Internal control over financial reporting:

2) 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:

3) 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, 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

Subsequent events:

4) 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:

5) We have disclosed to you the identity of the Entity's related parties.

6) We have disclosed to you all the related party relationships and transactions/balances of which we are aware.

7) All related party relationships and transactions/balances have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.

Estimates:

8) Measurement methods and significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

Non-SEC registrants or non-reporting issuers:

9) 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.

Other:

10) 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.

Yours truly,

THE CORPORATION OF THE CITY OF MISSISSAUGA

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

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

By: Mr. Jeff 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.

MISSISSAUGA

April 7, 2017

KPMG LLP
Vaughan Metropolitan Centre
100 New Park Place, Suite 1400
Vaughan, ON L4K 0J3

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 financial statements (hereinafter referred to as "financial statements") of the City of Mississauga - Trust Funds ("the Entity") as at and for the period ended December 31, 2016.

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:

Responsibilities:

1) We have fulfilled our responsibilities, as set out in the terms of the 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, including the names of all related parties and information regarding all relationships and transactions with related parties, and complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of City Council and committees of the City 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. Management also acknowledges and understands that they are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.

   d) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements.

Internal control over financial reporting:

2) 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:

3) 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, 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

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Subsequent events:

4) 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.

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5) We have disclosed to you the identity of the Entity's related parties.

6) We have disclosed to you all the related party relationships and transactions/balances of which we are aware.

7) All related party relationships and transactions/balances have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.

Estimates:

8) Measurement methods and significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

Non-SEC registrants or non-reporting issuers:

9) 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.

Other:

10) 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.

Yours very truly,

CITY OF MISSISSAUGA - TRUST FUNDS

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

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

By: Mr. Jeff 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

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

MISSISSAUGA

April 7, 2017

KPMG LLP
Vaughan Metropolitan Centre
100 New Park Place, Suite 1400
Vaughan, ON L4K 0J3

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 financial statements (hereinafter referred to as "financial statements") of Mississauga Public Library Board ("the Entity") as at and for the period ended December 31, 2016.

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:

Responsibilities:

1) We have fulfilled our responsibilities, as set out in the terms of the 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, including the names of all related parties and information regarding all relationships and transactions with related parties, and complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of City Council and committees of the City 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. Management also acknowledges and understands that they are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.

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Internal control over financial reporting:

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Fraud & non-compliance with laws and regulations:

3) We have disclosed to you:

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   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

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4) 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.

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7) All related party relationships and transactions/balances have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.

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8) Measurement methods and significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

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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.

Yours truly,

MISSISSAUGA PUBLIC LIBRARY BOARD

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

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

By: Mr. Jeff 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

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kpmg.ca/audit

City of Mississauga

Corporate Report

Date: 2017/05/03 To: Chair and Members of Audit Committee From: Al Steinbach, CPA, CMA, CRMA Director, Internal Audit	Originator's files: Meeting date: 2017/05/15

Subject

Final Audit Reports

1. **Community Services Department, Fire and Emergency Services Division – Building and Fleet Maintenance Audit; and,**
2. **Corporate Services Department, Finance Division, Investments Section – 2016 Investment Audit**

Recommendation

That the report dated May 3, 2017 from the Director of Internal Audit with respect to final audit reports:

1. Community Services Department, Fire and Emergency Services Division – Building and Fleet Maintenance Audit; and,
2. Corporate Services Department, Finance Division, Investments Section – 2016 Investment 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, Fire and Emergency Services Division – Building and Fleet Maintenance Audit; and,
2. Corporate Services Department, Finance Division, Investments Section – 2016 Investment Audit.

The report for the Building and Fleet Maintenance Audit is separately bound and is hereby submitted to the Audit Committee for consideration.

Internal Audit has also completed the 2016 Investment Audit. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

Investment audits are performed annually and transactions are tested over the course of the year. The 2016 Investment Audit covered activities from January 1st to December 31st, 2016. The objectives of the audit were:

A. Investments are in compliance with legislation, Council By-laws and Corporate Policy and Procedures 04-06-02;
B. Return on investment is reasonable, having regard to constraints imposed by legislation, Council By-laws and City policy;
C. There are proper controls over the investment process;
D. Investment commitments do not interfere with the required cash flow and that sufficient working funds are maintained;
E. Audit recommendations from the previous investment audit report, if any, were implemented or the issues identified were resolved.

Based on the audit work performed, we found that the objectives stated above were met and there were no concerns or recommendations resulting from the 2016 Investment Audit.

Financial Impact

Not applicable.

Conclusion

The final reports for Community Services Department, Fire and Emergency Services Division – Building and Fleet Maintenance Audit, and Corporate Services Department, Finance Division, Investments Section – 2016 Investment Audit are now complete and are submitted for consideration by the Audit Committee.

Originators files:

Attachments

Appendix 1: Community Services Department, Fire and Emergency Services Division – Building and Fleet Maintenance Audit

Al Steinbach, CPA, CMA, CRMA
Director, Internal Audit

Prepared by: Karen Hobbs, Administrative Coordinator

City of Mississauga
Corporate Report

MISSISSAUGA

Date: 2017/04/27 To: Chair and Members of Audit Committee From: Janice Baker, FCPA, FCA City Manager and Chief Administrative Officer	Originator's files: Meeting date: 2017/05/15

Subject
Status of Outstanding Audit Recommendations as of March 31, 2017

Recommendation
That the report dated April 27, 2017 from the City Manager & Chief Administrative Officer regarding the status of outstanding audit recommendations as of March 31, 2017 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, 2017.

Comments
A summary of recommendations which were outstanding as of September 30, 2016 (the effective date of the previous status report to the Audit Committee) and new recommendations which were scheduled for completion from October 1, 2016 to March 31, 2017 is attached as Appendix 1.

Twenty-five (25) of the forty-two (42) recommendations which were previously outstanding as at September 30, 2016 have since been completed, and implementation of these recommendations has been verified by Internal Audit. Detailed comments and status for the seventeen (17) recommendations that are still outstanding are attached in Appendix 2. Of the seventeen (17) recommendations, four (4) require enhancement of computer systems, which is underway; four (4) entail documentation of business process; and two (2) relate to business continuity and recovery. The remainder of the outstanding recommendations, seven (7), involve review and updating of business processes which are in progress.

Fifty (50) new recommendations that were due between October 1, 2016 and March 31, 2017 were added to the list. Thirty-eight (38) 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. In addition, five (5) recommendations that are due after March 31, 2017 have been completed ahead of their scheduled due dates.

Financial Impact

None.

Conclusion

In summary, ninety-two (92) recommendations were scheduled for implementation prior to March 31, 2017 (effective date of this report). Twenty-five (25) of the recommendations that were outstanding from the previous status report of September 30, 2016 and twenty-nine (29) with due dates between October 1, 2016 and March 31, 2017 were done. Work continues with implementation of the thirty-eight (38) recommendations that were outstanding as at March 31, 2017 and will be closely monitored to ensure timely implementation.

Attachments

Appendix 1: Status of Outstanding Audit Recommendations as at March 31, 2017

Appendix 2: Status of Audit Recommendations Outstanding as of September 30, 2016 and Still in Progress as of March 31, 2017

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

Prepared by: Barb Webster, Senior Internal Auditor

Appendix 1

STATUS OF OUTSTANDING AUDIT RECOMMENDATIONS
AS AT MARCH 31, 2017

Audit	Date Issued (MM/YY)	Outstanding September 30, 2016 *	New **	Implemented/ Resolved	In Progress March 31, 2017	Due After March 31, 2017 and completed ***
Compliance & Licensing Revenue	09/11	1		1		
Medium Value Acquisition	02/13	1			1	
Accounts Receivable Collections	04/14	9		8	1	
Notice of Contravention Process	08/14	4		3	1	
Mississauga Transit Union Payroll	08/14	4			4	
Animal Services E3 Review	12/14	1			1	
Current Winter Maintenance Contracts	02/15	2		2		
Business Continuity and Disaster Recovery Plan Review	02/15	2			2	
Overtime/Lieu Time (Non-Union)	08/15	1	5	1	5	
Current Maintenance F&PM Contracts	10/15	1	1		2	
Rental and Lease Agreements	10/15	3			3	
Mississauga Sport Zone Cash Handling	01/16		1		1	
Capital Works Maintenance Contracts	02/16		3	2	1	
Urban Forestry Capital Contracts	04/16	4	2	5	1	
Corporate Fleet	04/16	4	5	8	1	
POA Revenue and Cash Handling	08/16	2	3	2	3	
Mississauga Spectator Arena Complex Management Agreement	09/16	3	1	3	1	
Administrative Penalty System	11/16		13	4	9	
Meadowvale Theatre	11/16		15	14	1	5
F&PM Capital Maintenance Contracts	02/17		1	1		
TOTAL		42	50	54	38	5

* This column includes recommendations which were originally scheduled for implementation on or prior to September 30, 2016 (effective date of the previous status report to Audit Committee).

** This column includes recommendations which were originally scheduled for implementation between October 1, 2016 and March 31, 2017 (effective date of the current status report to Audit Committee).

*** This column indicates recommendations which were originally scheduled to be implemented after March 31, 2017 but have already been completed.

STATUS OF AUDIT RECOMMENDATIONS OUTSTANDING AS OF SEPTEMBER 30, 2016 AND STILL IN PROGRESS AS OF MARCH 31, 2017

Audit	No. of Recommendations	Comments/Status
Enhancement of Computer System		
2014 Notices of Contravention	1	GIS mapping will not be possible; however, geographical distribution reports are being generated by Ward distribution. The Business Unit will decide over the next couple of months if the textual reports are sufficient or if they need to be visual. Due date is June 30, 2017.
2014 Animal Services e3 Review	1	Inventory process of animal licenses (tags) requires system development to the Chameleon system. Information Technology has confirmed that this will be developed for December 2017.
2015 Rental and Lease Agreements	1	Realty had engaged IT CPS/CMO Services in the early spring of 2016. IT identified a resource who was working on a more robust agreement database to allow better tracking and management reports. It has been identified that the current solution cannot be updated to meet the audit concerns. F&PM has initiated a budget request for a new system in the 2018 budget and IT is advising on solutions and budgetary numbers.
2015 Current Maintenance F&PM Contracts	1	An automated solution was identified through the F&PM Information Technology (IT) Road Map. The 2017 approved budget included the implementation of an electronic solution for contractors to perform and record inspections directly into asset management. This recommendation is targeted for completion by April 30, 2018.
Business Process Documentation		
2013 Medium Value Acquisition	1	"The Procurement Centre," Materiel Management's automated workflow system, is now in use. Development of procedures and guidelines is ongoing and added under the appropriate heading on the website as they are reviewed and updated. Completion date is expected by end of 2017.
2014 Accounts Receivable – Collections	1	New operational procedures for use of SAP have been developed for the collections staff. Although SAP is a very stable platform, a new contingency plan will need to be developed for collections moving forward. This is expected to be completed by June 30, 2017.
2015 Rental and Lease Agreements	1	Preparation of the procedural manual is continuing. Manual is expected to be completed by late spring 2017.
2016 Urban Forestry Capital Contracts	1	Development of standard operating procedures is in progress and is being reviewed/developed as part of the Community Services Compliance Project. Completion date is June 30, 2017.

STATUS OF AUDIT RECOMMENDATIONS
OUTSTANDING AS OF SEPTEMBER 30, 2016 AND
STILL IN PROGRESS AS OF MARCH 31, 2017

Audit	No. of Recommendations	Comments/Status
Business Continuity and Recovery		
2015 Business Continuity and Disaster Recovery Plan Review	2	The Emergency Management team has a Business Continuity Specialist who is assisting in the development of the City Business Continuity Plans. The IT Disaster Recovery Plan will be updated and modified to meet the service requirements. IT continues to update and test the IT Disaster Recovery plans on an annual basis. The results of these exercises are presented to EMPC annually. To be completed by the end of 2017.
Review and Update of Business Processes		
2014 Mississauga Transit Payroll	4	The project manual will be completed after the Hastus Payroll changes are implemented. There is a delay with the Hastus Payroll project due to a staff shortage. Automation of allowance calculation will be addressed once the upgrade to Hastus is completed. All outstanding recommendations are to be completed by year-end.
2015 Rental and Lease Agreements	1	Business process is being examined to coordinate the chargebacks for work performed by different divisions or where there is cost sharing between the City and other parties. New process expected to be complete by September 30, 2017.
2016 Corporate Fleet	1	Contracts with the auctioneers are to be developed to protect the City against liability for the transportation and storage of vehicles and equipment. A draft contract has been developed by Legal Services. The document is being reviewed by Materiel Management. December 31, 2017 is the targeted completion date.
2016 POA Revenue and Cash Handling	1	The Court Administration Manager is discussing with Security Services the authorization process with granting alarm code and swipe card access to the Court Administration office, obtaining updated user lists, and deleting users who no longer need access. Expected completion date is June 30, 2017.
Total	**17**	