City of Mississauga

# Agenda

## Audit Committee

**Date**
2018/05/07

**Time**
9:00 AM

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

**Members**

| | |
|---|---|
| Mayor Bonnie Crombie | |
| Councillor Dave Cook | Ward 1 |
| Councillor Karen Ras | Ward 2 |
| Councillor Ron Starr | Ward 6 |
| Councillor Matt Mahoney | Ward 8 |

**Contact**
Allyson D'Ovidio, Legislative Coordinator, Legislative Services
905-615-3200 ext. 5411
allyson.dovidio@mississauga.ca

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1. **CALL TO ORDER**

2. **APPROVAL OF AGENDA**

3. **DECLARATION OF CONFLICT OF INTEREST**

4. **MINUTES OF PREVIOUS MEETING**

4.1. Audit Committee Meeting Minutes of March 5, 2018

5. **DEPUTATIONS**

5.1. Item 7.1. Anthony Hamer, Partner and Mike Varey, Partner, KPMG Canada with respect to the Proposed Performance Measures System.

5.2. Item 7.2. Jeff Jackson, Director, Finance with respect to the 2017 Audited Financial Statements.

6. **PUBLIC QUESTION PERIOD - 15 Minute Limit (5 Minutes per Speaker)**

Pursuant to Section 42 of the Council Procedure By-law 0139-2013, as amended:
The Audit Committee may grant permission to a member of the public to ask a question of Audit Committee, with the following provisions:

1. The question must pertain to a specific item on the current agenda and the speaker will state which item the question is related to.
2. A person asking a question shall limit any background explanation to two (2) statements, followed by the question.
3. The total speaking time shall be five (5) minutes maximum, per speaker.

7. **MATTERS TO BE CONSIDERED**

7.1. Report dated April 16, 2018 from the Commissioner of Corporate Services and Chief Financial Officer re: **Proposed Performance Measures Program.**

Recommendation

That the report titled “Proposed Performance Measures Program” dated April 16, 2018 from the Commissioner of Corporate Services and Chief Financial Officer be received for information.

Recommend Receipt

7.2. Report dated March 29, 2018 from the Commissioner of Corporate Services and Chief Financial Officer re: **2017 Audited Financial Statements.**

Recommendation

That the 2017 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.

Recommend Receipt

7.3. Report dated April 19, 2018 from the Commissioner of Corporate Services and Chief Financial Officer re: **2017 External Audit Findings Report.**

Recommendation

That the 2017 External Audit Findings Report dated April 19, 2018 from the Commissioner of Corporate Services and Chief Financial Officer, which includes the Audit Findings Report from KPMG for the fiscal year 2017 for the City of Mississauga (City), be received for information.

Recommend Receipt

7.4. Report dated April 23, 2018 from the Director of Internal Audit re: **Final Audit Reports: 1. Corporate Services Department, Finance Division, Investments Section – 2017 Investment Audit; and, 2. Corporate Services Department, Facilities and Property Management Division – Capital Projects Contracts Audit.**

Recommendation

That the report dated April 23, 2018 from the Director of Internal Audit with respect to final audit reports:

1. Corporate Services Department, Finance Division, Investments Section – 2017 Investment Audit, and,
2. Corporate Services Department, Facilities and Property Management Division – Capital Projects Contracts Audit

be received for information.

Recommend Receipt

7.5. Report dated April 23, 2018 from the Director of Internal Audit re: **Status of Recommendations from the External Quality Assurance Review of the Internal Audit Function.**

Recommendation

That the report dated April 23, 2018 from the Director, Internal Audit with respect to the Status of Recommendations from the External Quality Assurance Review of the Internal Audit Function be received for information.

Recommend Receipt

7.6. Report dated April 18, 2018 from the City Manager and Chief Administrative Officer re: **Status of Outstanding Audit Recommendations as of March 31, 2018.**

Recommendation

That the report dated April 18, 2018 from the City Manager & Chief Administrative Officer regarding the status of outstanding audit recommendations as of March 31, 2018 be received for information.

Recommend Receipt

8. **ENQUIRIES**

9. **CLOSED SESSION** - Nil

10. **ADJOURNMENT**

City of Mississauga
# Minutes

## Audit Committee

**Date**
2018/03/05

**Time**
9:03 AM

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

**Members Present**

| | |
|---|---|
| Mayor Bonnie Crombie | |
| Councillor Dave Cook | Ward 1 |
| Councillor Karen Ras | Ward 2 |
| Councillor Ron Starr | Ward 6 |
| Councillor Matt Mahoney | Ward 8 |

**Members Absent**
Nil

**Staff Present**
Gary Kent, Commissioner, Corporate Services and Chief Financial Officer
Jeff Jackson, Director of Finance and Treasurer
Mark Beauparlant, Manager of Corporate Financial Services
Al Steinbach, Director, Internal Audit
Kevin M. Travers, Partner, KPMG, External Auditor
Stephanie Smith, Legislative Coordinator, Office of the City Clerk
Allyson D'Ovidio, Legislative Coordinator, Office of the City Clerk



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1. CALL TO ORDER – 9:03 AM

2. APPROVAL OF AGENDA – Approved (Councillor Mahoney)

3. DECLARATION OF CONFLICT OF INTEREST - Nil

4. MINUTES OF PREVIOUS MEETING

4.1. Audit Committee Meeting Minutes of December 4, 2017 –

Approved (Councillor Ras)

5. DEPUTATIONS

5.1. Craig Emick, IT Auditor, presented the Internal Audit Corporate Risk Assessment noting that the assessment is part of the Internal Audit 3-Year work plan.

Mr. Emick provided the following background information with respect to the assessment: the assessment was based on seven risk categories; this was a quantitative survey based on management's assessment of "change", "complexity" and 'inherent risk"; the assessment was conducted on a core services basis; the exercise provided a comparative risk analysis of core services between 2013 and 2017 and lastly, Internal Audit partnered with Communiations to deliver the 2017 Corporate Risk Assessment survey electronically.

Mr. Emick noted that the summary results of the 2017 Risk Assessment exercise on 135 Core Services and 16 Service Areas was presented to the Leadership Team in January, 2018. Mr. Emick identified the following seven (7) risk categories assessed by the business units which included: Business Operations, Human Resources, Financial, Physical Assets, Technology, Confidentiality and Public Profile. Mr. Emick noted the high degree of change in management and persons most responsible since the last assessment in 2013.

Mr. Emick spoke to the summary results and highlighted the following: increasing "change" in the areas of Business Operations, Technology and Human Resources; increasing "complexity" in the areas of Business Operations and Financial Components and lastly, an increase related to the "inherent risk" of the City's human resources, largely due to retirements. Mr. Emick noted the results have also been presented back to the Leadership Teams of the business units.

In response to Mayor Crombie, Al Steinbach, Director, Internal Audit spoke about the effects the results will have on future applications of the audit assessments and noted they are becoming increasingly more complex.

In response to Councillor Ras' inquiry with respect to the ongoing turnover of staff, Mr. Emick noted that the annual work plan and the frequency of surveys will be revisited as needed. Gary Kent, Commissioner of Corporate Services and Chief Financial Officer noted the trend will continue with staff turnover and further over the next 6 years, we may see another 30-40% of full time staff turnover. Mr. Kent noted the City has been investing in programs to prepare for this ongoing change for many years and has a succession management plan to allow internal candidates to move up as retirements of Leadership team members continue. Mr. Kent noted the City has invested in new technology solutions to keep up with change and further that the focus is on development to allow staff to grow their careers at the City. Mr. Emick noted the underlying results indicate 80% of the business units are experiencing change and increase in complexity over all.

In response to Councillor Starr, with respect to how to prepare for unknown change, Mr. Kent noted that we continue to modernize and transform our processes while upholding our values of trust, quality and excellence. Mr. Kent noted we continue to work with our teams and provide more engagement such as the new Diversity and Workforce Inclusion Strategy as well and the Employee Engagement Survey.

In response to Councillor Starr, Mr. Steinbach noted the risk assessments are generally conducted every 3-4 years; however, a discussion on frequency of assessments can be brought back to a future meeting of the Audit committee in the new term.

RECOMMENDATION
AC-0001-2018
That the deputation on March 5, 2018 by Craig Emick, IT Auditor, entitled Internal Audit Corporate Risk Assessment Process, be received for information.

Received (Mayor Crombie)

6. PUBLIC QUESTION PERIOD - 15 Minute Limit (5 Minutes per Speaker) - Nil

Pursuant to Section 42 of the Council Procedure By-law 0139-2013, as amended:

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3. The total speaking time shall be five (5) minutes maximum, per speaker.

7. MATTERS CONSIDERED

7.1. Internal Audit Quality Assurance Review

Amy Truong, Senior Internal Auditor provided background information on the Assurance Assessment and its significance.

Ms. Truong identified the assessment types and noted the City chose to conduct a self-assessment with validation which reviews the conformance with Audit standards and groups them into 4 categories: governance; management; staffing and process. Ms. Truong discussed the findings of BDO, the independent auditor hired to review the City's self-assessment, noting overall the City conforms to requirements. Further that 66 of 72 assessed Internal Audit standards and best practises were classified as moderate to leading levels of maturity. Areas that were requiring change resulted in recommendations from BDO which will be consolidated and presented back to the Audit Committee in May.

In response to Councillor Ras. Ms. Truong identified examples of the recommendations from BDO, noting they would like the Internal Audit process to be more formalized amongst auditees as well as review the way Internal Audit interacts with the Audit Committee and Senior Management. In response to Councillor Ras, Ms. Truong noted the KPI's are specific to Internal Audit.

In response to Councillor Ras, Mr. Steinbach noted a variance report is conducted after each audit that identifies complexities in order to plan accordingly in the future. Councillor Ras noted her pleasure in reading the findings that the team has leading practices due to their unrestricted access to the City Manager.

Mayor Crombie noted she is very proud of the results and further that we are still leading and improving.

RECOMMENDATION
AC-0002-2018
That the report dated February 6, 2018 from Al Steinbach, Director, Internal Audit with respect to the Internal Audit Quality Assurance Review be received for information.

| **Recorded Vote** | YES | NO | ABSENT | ABSTAIN |
|---|---|---|---|---|
| Mayor B. Crombie | X | | | |
| Councillor K. Ras | X | | | |
| Councillor R. Starr | X | | | |
| Councillor M. Mahoney | X | | | |

Received (Mayor Crombie) (4, 0, 0)

7.2. 2018-2020 Internal Audit Multi-Year Work Plan Report

Al Steinbach, Director, Internal Audit presented the 2018-2020 Internal Audit Multi-Year Work Plan Report for review and approval. Mr. Steinbach noted 20% of available audit time is spent on reviewing/consulting and further Internal Audit identifies 10 audits per year which are subject to change based on request.

RECOMMENDATION
AC-0003-2018
That the report dated February 5, 2018 from Al Steinbach, Director, Internal Audit, with respect to the 2018 to 2020 Multi-Year Internal Audit Work Plan be approved.

| **Recorded Vote** | YES | NO | ABSENT | ABSTAIN |
|---|---|---|---|---|
| Mayor B. Crombie | X | | | |
| Councillor K. Ras | X | | | |
| Councillor R. Starr | X | | | |
| Councillor M. Mahoney | X | | | |

Approved (Councillor Ras) (4, 0, 0)

8. ENQUIRIES - Nil

9. CLOSED SESSION - Nil

10. ADJOURNMENT – 9:37 A.M (Councillor Mahoney)

# Corporate Performance Measures Assessment

Audit Committee

May 7, 2018

MISSISSAUGA

# Overview

1. Project background
2. Description of Assessment Framework and Maturity Model
3. Findings of Performance Measures Assessment
4. Recommended future target state
5. Overview of proposed improvement actions
6. Recommended next steps

# Project background

**Objective**

- Conducted an assessment of Mississauga's corporate performance measures (CPMs) based on an industry best practice framework (May-Nov 2017)
- Identified recommendations to improve CPMs

**Scope**

- The scope included about 220 CPMs within the City's 15 Service Area Business Plans
- We also reviewed about 400 operational measures used by Service Areas to manage day-to-day operations

**Approach**

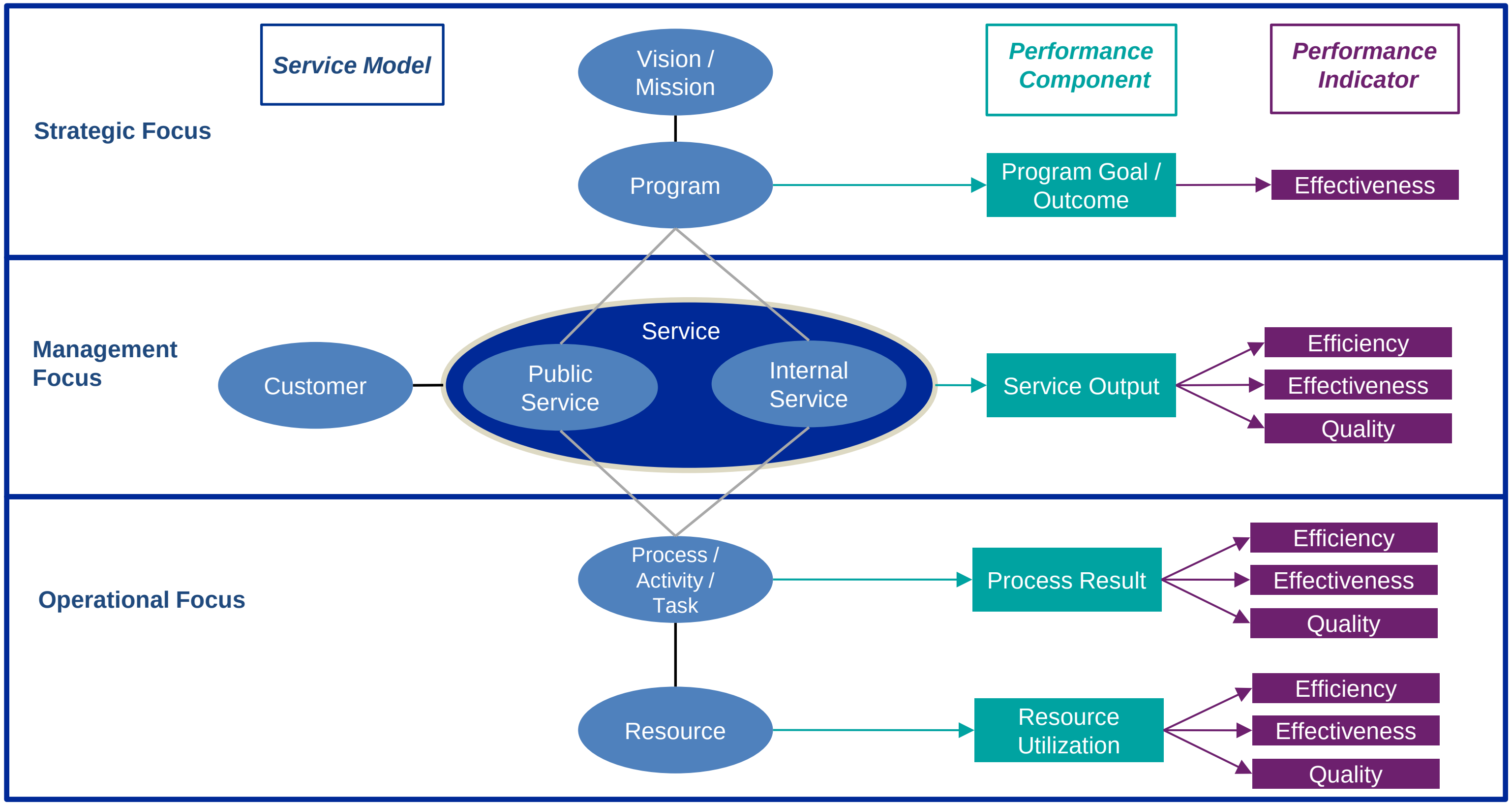
- Used Framework (built on **Municipal Reference Model** and **Maturity Model)** to determine how CPMs supported the City's: customer, financial, service and strategic goals

# What we did

| # | Step | Status |
|---|---|---|
| 1 | Confirm project plan and schedule with Project Manager | ✓ |
| 2 | Develop assessment Framework using Municipal Reference Model and Maturity Model to map current and future states (D1) | ✓ |
| 3 | Design Data Collection Tool to facilitate maturity self-assessment with Maturity Model (D2-5) | ✓ |
| 4 | Service Areas complete self assessment using Data Collection Tool (D2-5) | ✓ |
| 5 | Review, analyze and adjust data collected during self-assessments (D2-5) | ✓ |
| 6 | Interviews with Service Areas to validate self-assessments and test improvement aspirations (D2-5) | ✓ |
| 7 | Interviews with City Manager and Commissioners to discuss current state and improvement aspirations | ✓ |
| 8 | Level set current state and improvement aspirations with directors (D7) | ✓ |
| 9 | Benchmark performance measure use by five comparator cities to identify leading practices (D6) | ✓ |
| 10 | Present findings and discuss future state/improvement actions with LT | ✓ |
| 11 | Prepare and present final report (D8-10) | ✓ |

# Municipal Reference Model (MRM)

- A framework for understanding how performance measures relate to the different components of a City's business model



# Maturity Model

- A tool to assess performance and identify opportunities for improvement across five categories – not a score card
- Focus is how performance measures are used to improve City's services
  - "1" is least mature and "5" is most mature
- Operational measures not part of maturity assessment
- Municipal performance measure maturity **relatively low across Canada**

| Category | Key Focus |
|---|---|
| Accountability | Is there a clear line of accountability for the CPM? |
| Customer | Does the CPM help the City improve customer satisfaction? |
| Financial | Does the CPM support the City's financial planning needs? |
| Service | Does the CPM help the City improve the efficiency or effectiveness of a service? |
| Strategic | Does the CPM help the City achieve its Strategic Plan and meets its long term vision, goals and objectives? |

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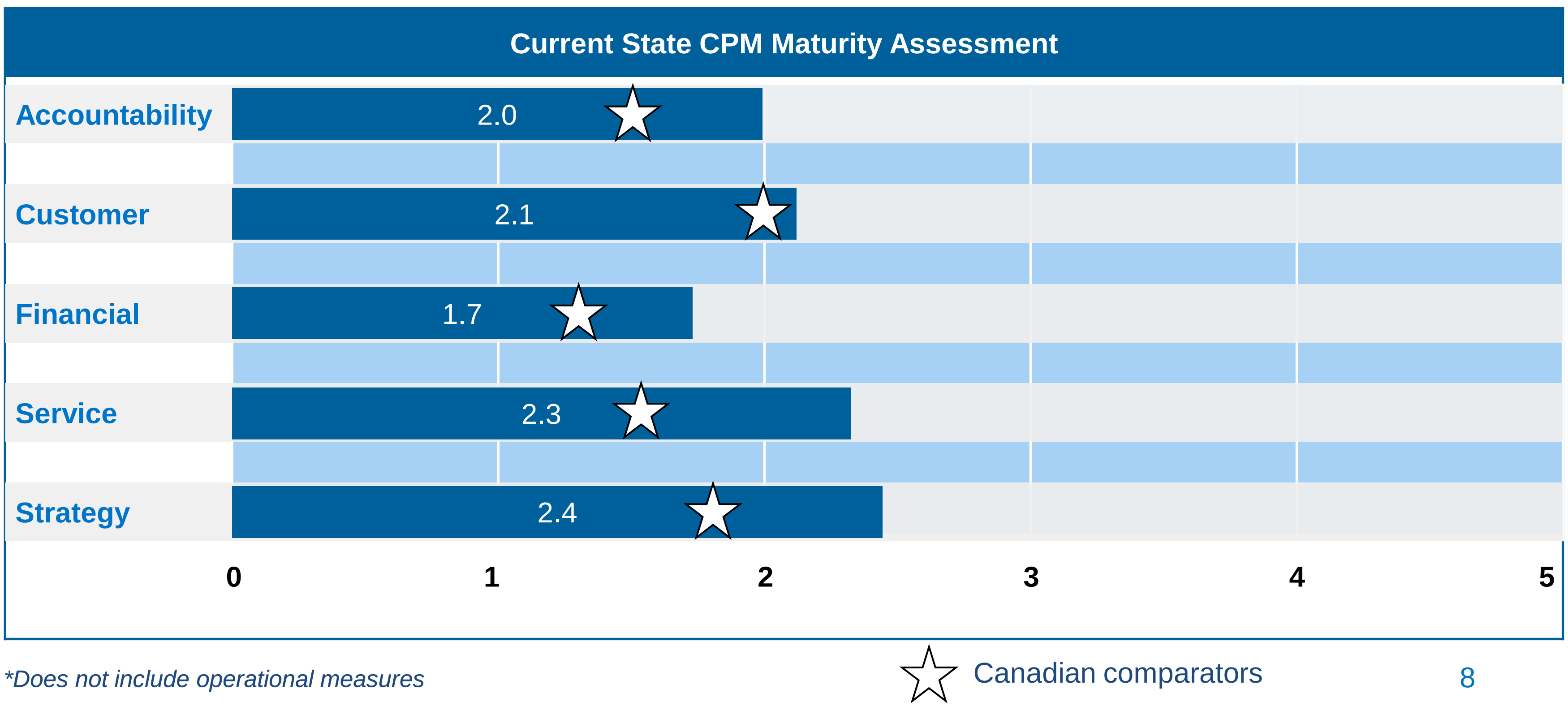
# Definition of maturity and rating

- Not every maturity category applies to every measure

| **Accountability** | 2.0 | 3.0 | 4.0 |
|---|---|---|---|
| | • Accountability for CPM linked to Service Area<br>• CPM effectiveness reviewed | • ***Accountability for CPM linked to an individual***<br>• ***CPM effectiveness reviewed regularly*** | • Accountability for CPM linked to an individual's performance plan |
| **Customer** | 2.0 | 3.0 | 4.0 |
| | • CPM used to improve customer satisfaction | • ***CPM linked to an improvement plan*** | • CPM linked to an implementation plan |
| **Financial** | 2.0 | 3.0 | 4.0 |
| | • CPM helps determine output<br>• Output used to forecast demand | • ***CPM helps determine unit cost (UC)***<br>• ***UC used to forecast next year's UC*** | • Unit cost used to forecast service demand<br>• Unit cost used to forecast service cost |
| **Service** | 2.0 | 3.0 | 4.0 |
| | • CPM used to improve efficiency/effectiveness of a service | • ***CPM linked to an improvement plan*** | • CPM linked to an implementation plan |
| **Strategy** | 2.0 | 3.0 | 4.0 |
| | • CPM associated with Service Area<br>• Used in Service Area planning | • ***CPM associated with an SA's Strategic Plan***<br>• ***Guidelines in place for CPM use in planning*** | • CPM aligned with Service Area's strategic themes<br>• Some rules in place for CPM use in planning |

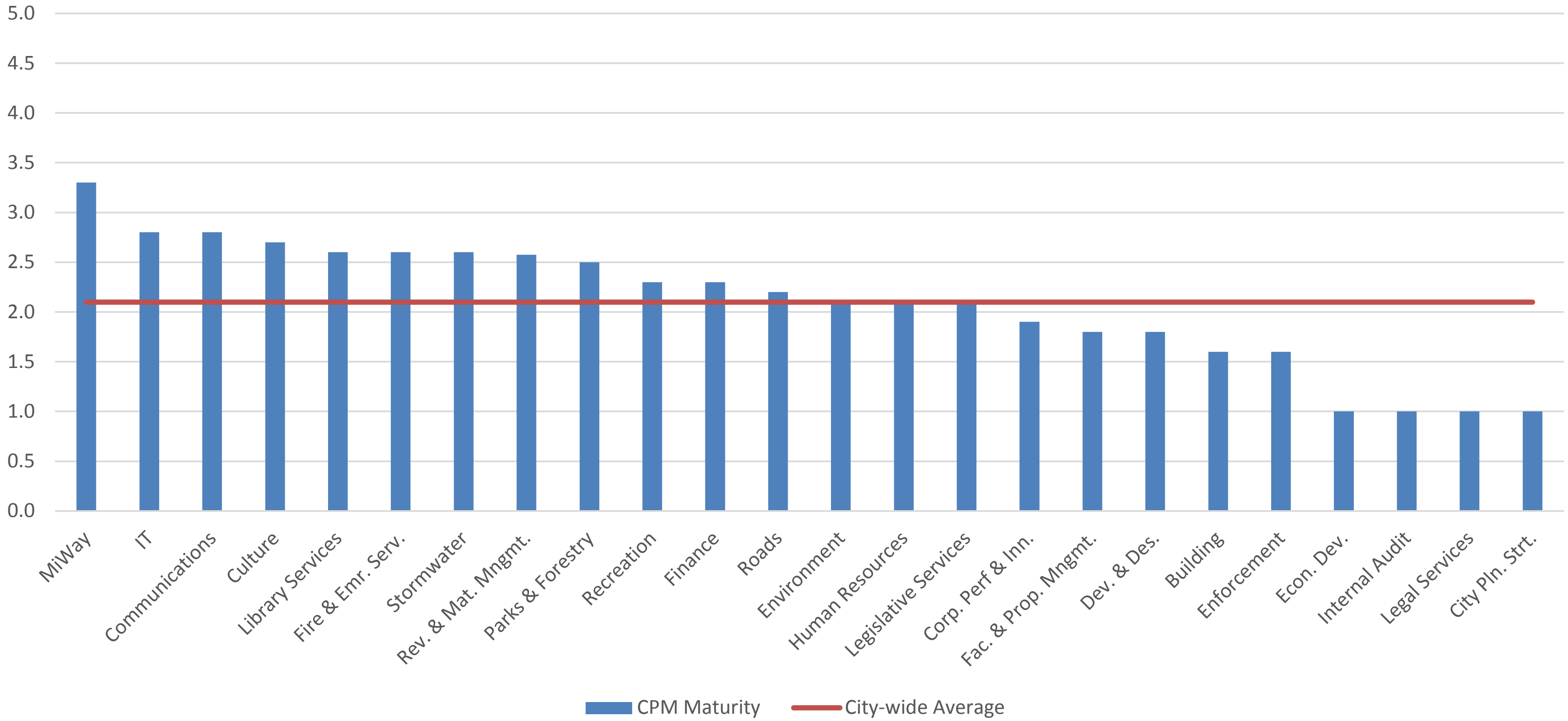
# Current state CPM maturity assessment*

- Average Current State City Maturity is better than Canadian comparators
- While all Service Areas have CPMs in place, some 43% of services have measures in place and systems could generally be developed (i.e., 20% of CPMs collected monthly or better, about 60% of CPMs are collected through manual processes)




*Does not include operational measures

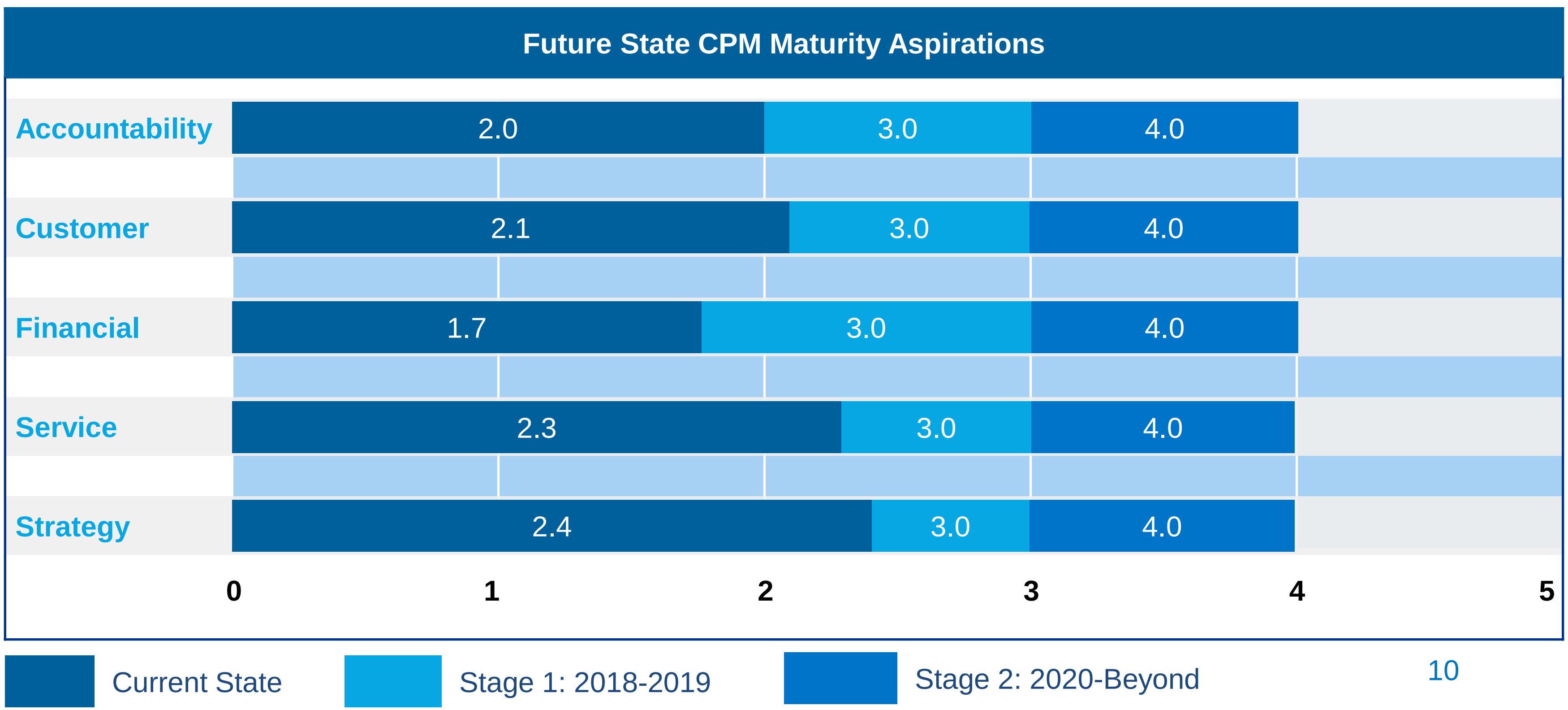
# Current state CPM maturity by Service Area*




**KPMG-adjusted maturity across all five categories for each division. These scores do not include operational measures.*

# Recommended future state target

- Lift Divisions to a Level 3 by December 2019
- Directors be able to speak about their Service Area Performance like Miway



# Overview of recommended actions

| # | Action | Lead | Duration (Months) | Work (days) | Outcome |
|---|---|---|---|---|---|
| 1 | Develop Program Charter | CIO | 1 | 20-40 | LT agreement |
| 2 | Develop work plan | CP&I/BPT | 2-3 | 50-100 | Work plan to achieve change |
| 3 | Confirm service catalogue | CP&I, BPT | 4-5 | 100-200 | Inventory of City services |
| 4 | Create program catalogue | CP&I, BPT | 2-3 | 50-300 | Inventory of City programs linked to Strategic Plan |
| 5 | Develop & implement perf. measure training plan | CP&I, BPT | 3-6 | 200-300 | Selected employees trained to develop, implement measures |
| 6 | Implement short-term IT improvements | IT | 5-6 | 200-300 | Improved systems for perf. measure use, collection, analysis |
| 7 | Confirm service & program measures | BPT/ Directors | 2-3 | 50-100 | Full suite of service and program performance measures |
| 8 | Implement & review | CP&I, BPT | Ongoing | Ongoing | Review/Adjust Performance Measure Policy |
| 9 | Implement Level 3 supports | Directors | Ongoing | Ongoing | Level 3 maturity (all but financial) |

# Recommended next steps

- Commissioner of Corporate Services and CFO, Director Information Technology and Chief Information Officer and Manager, Corporate Performance & Innovation to take Project Charter to LT with work scope and action plan in Q1 2018
- Corporate Performance & Innovation and Corporate Business Planning continue to support the development and continuous improvement of City measures
- IT to provide the enabling technologies

# City’s Response

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# Program Purpose

To improve service delivery by strengthening our culture of results-based decision-making:

1. To inform operational decision-making by monitoring service performance
2. To justify service change requests to senior management and Council
3. To demonstrate the impact of services on approved long range plans

# Action Items

Establish the Performance Measures program

1. Form a dedicated permanent Performance Measures team
2. Deliver a training program to increase knowledge about operational and strategic measures
3. Collaborate with staff to identify and use new operational and strategic measures
4. Coordinate with Information Technology to automate the measures
5. Provide periodic updates to Audit Committee and/or Council on the progress of the program
6. Attain ISO 37120 certification through WCCD

City of Mississauga
# Corporate Report

| | |
|---|---|
| Date: 2018/04/16<br>To: Chair and Members of Audit Committee<br>From: Gary Kent, CPA, CGA, Commissioner of Corporate Services and Chief Financial Officer | Originator's files:<br><br>Meeting date:<br>2018/05/07 |

## Subject
**Proposed Performance Measures Program**

## Recommendation
That the report titled "Proposed Performance Measures Program" dated April 16, 2018 from the Commissioner of Corporate Services and Chief Financial Officer be received for information.

## Report Highlights
- KPMG was engaged in 2017 to assess the current maturity of performance measures across the corporation
- While the City is above average when compared to other municipal governments, there are opportunities for improvement
- A new performance measures program will address the barriers identified by KPMG, adapt to the diverse divisional maturity results, and continuously improve the collection and use of performance measures to support results-based decision-making
- The city will pursue ISO 37120 Sustainable Development in Communities certification to benchmark City services against cities from around the world.

## Background
Residents expect the City to deliver services efficiently, effectively and economically. The City measures service performance and annually report the results in the service area's business plans. The City wants to increase the robustness of the performance measures across the organization to improve accountability and drive future continuous improvement efforts. To assess the current maturity of performance measures across the organization and to identify any barriers to continued growth of performance measures, an RFP was issued in March of 2017 and awarded to KPMG.

KPMG was provided a copy of the City's Service Catalogue. This catalogue, built in compliance with the Municipal Reference Model methodology, contains 350+ city services described from the customer's point of view. KPMG collected and analysed corporate performance measures from each Division, discussed with each Director the current performance measures methods and barriers for improving the collection and reporting of the measures, and evaluated the overall maturity for each division and the corporation as whole.

While the City is above average (Level 2.1) compared with its Canadian peers (Level 2.0), there is significant room for improvement, particularly given the relatively immature state of municipal performance measurement in Canada. The Divisional maturity results have a diverse range from a high of 3.3 for MiWay to a low of 1.0 for Internal Audit. These results reflect the level of investment, the transactional nature of the business, and the need to demonstrate performance results to the public.

KPMG identified five barriers that need to be addressed. The City does not have:

1. A consistent framework to identify what to measure, how to measure it and the appropriate audience
2. A program layer, a core component of the Municipal Reference Model;
3. An automated approach to the collection and analysis of indicators;
4. A performance measures training plan; and
5 A City-wide performance measurement policy.

Additionally the World Council of City Data (WCCD), based at the University of Toronto, presented the new ISO 37120 Sustainable Development in Communities to staff as a new opportunity to benchmark city services against cities from around the globe. ISO 37120 defines 100 city performance measures organized in 17 themes. As an international standard methodology, ISO 37120 allows cities to make "apples-to-apples" comparisons, share best practices in service delivery, and rank their results relative to other cities.

## Comments

In response to the KPMG report, Corporate Performance & Innovation was requested to develop a new program to address the barriers and to further mature the development and use of performance measures across the organization. This proposal is modelled on the successful Lean program and builds upon work already undertaken on the Business Planning Balanced Scorecards and Lean.

**Program Purpose**

To continually improve service delivery and strengthen the culture of results-based decision-making by expanding staff knowledge of and access to service performance analytics:

1. To inform operational decision-making by monitoring service performance
2. To justify service change requests to senior management and Council
3. To demonstrate the impact and progress of services on approved or mandated long range plans

**Proposed Program Process**

It will take time and resources to develop and automate measures for all services provided by the City. To support the program, three new permanent positions are required: a Program Manager, a Performance Measures Consultant, and a Performance Measures Coordinator. Similar to the successful deployment of the Lean program, the performance measures program will be deployed division by division, adapt to the level of maturity of each division, and frequently report program progress to the Leadership Team and Council.

The program will use a four step process to engage each division in developing and maturing their use of performance measures.

**Step 1: Confirm Services**

The City Services Catalogue was prepared by Corporate Performance & Innovation staff with input from the Directors in the fall of 2016 and approved by the Leadership Team early in 2017. This catalogue, built in compliance with the Municipal Reference Model methodology, is intended to organize and document services and programs offered by the City with a focus on understanding the value that these services deliver to our residents and how they align to the strategic organizational priorities. The divisional management teams will confirm the catalogue entries are accurate and completely describe the services the division is responsible for delivering. The criteria deciding the order for developing performance measures for each of these services will include; current maturity, service volume, service costs, and future technology plans.

**Step 2: Design Measures**

The Performance Measure team will deliver training to the divisional management team on the identification and interpretation of performance measures. Equipped with this knowledge, the management team will participate in a series of workshops to identify and validate current and proposed new measures.

**Step 3: Automate the Measures**

A critical success factor for the proposed Performance Measures Program is automating the new measures in a timely manner. Different services utilize different software solutions which are supported by a variety of technology teams. The performance measures team will coordinate with the technology teams to include automating new measures into already planned work.

**Step 4: Using the Measures**

Once the automated measures are available, management will receive additional coaching to ensure they are using the new measures to monitor operational performance, justify service changes, and report progress to Council and the public. In addition, this step will provide a link into established performance improvement programs including Lean, Innovation, Project Management Support, and Management Consulting services.

**ISO 3710 Certification**

“ISO 37120: Sustainable Development in Communities” establishes a set of standardized measures to measure the performance of city services and the quality of life in cities. The standard defines 100 city performance measures organized in 17 such as energy, environment, finance, etc. The standard is based on a global definition of what services a city needs, as such; the City’s submission will require data from the Region, the school boards, and Peel Police to complete. Upon payment of the annual fee to WCCD, the City will be provided with the detailed calculations. Staff will calculate the measures and submit the results to the World Council of City Data. WCCD will provide the data to a third party for verification. Once the third party verifies the calculations are correct, the City will be certified and added to the Global dashboard.

Canadian cities currently certified include Cambridge, Oakville, Toronto, Vaughan, Quebec City, Saint-Augustin-de-Desmaures, Shawinigan and Surrey. The cities of Barrie and Ottawa are in the process of being certified. All the municipalities within Durham Region and York Region will be pursuing certification in the next 12 months.

# Financial Impact

Proposed program budget is being considered as part of 2019 Business Plan

# Conclusion

The KPMG performance measures assessment demonstrates the City’s maturity is comparable to other municipalities and there is room for improvement. The proposed program addresses the barriers identified by KPMG, is adaptable to the range of maturity across the corporation, and leverages approved technology plans.

## Attachments

Appendix 1: KPMG Executive Summary
Appendix 2: KPMG Divisional Assessment Results
Appendix 3: ISO 3710 Performance Measures Themes

G. Kent.

Gary Kent, CPA, CGA, Commissioner of Corporate Services and Chief Financial Officer

Prepared by: Robin Uba, Manager Corporate Performance & Innovation

# Section 1
# Executive Summary

# Executive Summary

This report has been prepared by KPMG LLP (KPMG) for internal use by the City of Mississauga (the City or Mississauga) pursuant to the terms of our engagement agreement with the City dated April 26, 2017.

This report is our 10th and final draft deliverable due, and it contains all other nine deliverables due. The table overleaf summarizes each deliverable and identifies its location in this report.

The findings and draft recommendations contained within this report were developed jointly with the City's Project Team and Project Steering Committee and shared with the City's Extended Leadership Team during their development. They were also shared with, and broadly approved by, the City's Leadership Team on September 21, 2017.

## Background

The City is seeking to improve its operational and strategic decision making by improving how it measures its activities and performance.

In March 2017, we responded to RFP No. FA.49.091-17 from the City for a Corporate Performance Measures Assessment and were awarded the contract. The work was undertaken between May and October 2017. The objectives of the engagement were to:

- Conduct an assessment of the current state of Mississauga's Corporate Performance Measures (CPMs);
- Benchmark the CPMs against other cities; and,
- Identify recommendations to improve the CPMs.

## Scope

The scope of work was the City's 221 CPMs, which are reviewed during the City's annual budget process. We also collected and analyzed information on 406 operational performance measures (OPMs) used by City's Service Areas to help manage day-to-day operations, although our review was largely restricted to understanding their connectivity with the City's CPMs and how the data used to compile them are collected.

## Methodology

The assessment framework was built on the Municipal Reference Model ( MRM) and our performance measure maturity model. The MRM provided a broad view on *what* to measure and *how* to measure it and the maturity model helped us to understand how well the City uses performance measures and how this might be improved. The maturity model has five categories, each with five different levels of maturity with 1 being the least mature and 5 being the most mature. The five categories are: Accountability, Customer (internal and external), Financial, Service and Strategic. The full maturity model is included at Appendix A.

## Work Program

KPMG worked closely with the City's Project Team and Project Steering Committee through five phases of work.

The **first phase** focused on data collection and a CPM maturity self-assessment. A data collection tool was distributed to the following Service Areas:

- City Manager's Department;
- Fire & Emergency Services;
- Recreation;
- Parks & Forestry;
- Mississauga Library;
- Culture;
- Environment;
- Facilities & Property Management;
- Information Technology;
- Legislative Services;
- Human Resources;
- Revenue & Materiel Management;
- Finance;
- Communications;
- Corporate Performance & Innovation;
- Land Development Services;
- MiWay;
- Roads;
- Regulatory Services; and,
- Stormwater.

# Executive Summary - Deliverables

This engagement included 10 deliverables. Each deliverable is described in the table below along with its location in this report or how it has otherwise been provided.

| # | Deliverable | Location in this Report |
|---|---|---|
| 1 | Provide an assessment framework that the City can use to qualify strategic operational measures | Appendix A includes the maturity model used to qualify strategic operational measures |
| 2 | Assess alignment of City's overall Business Plan with Service Area missions and service delivery models using the assessment framework | The strategic category of the performance measure maturity model was used to assess the alignment of Service Area missions to the City's overall Strategic Plan. See the current state maturity assessment at Section 4 and Service Area assessments at Appendix B |
| 3 | Review existing performance measures identified in the 15 Service Area business plans based on four key measures: financial, customers, employees and business process improvement | See the current state maturity assessment at Section 4 and Service Area assessments at Appendix B |
| 4 | Identify and analyze barriers and provide recommendations on how to address, reduce and eliminate | Barriers to improvement are identified at Section 4. Service area-specific barriers are also identified at Appendix B |
| 5 | Evaluate and provide recommendations on the business processes, systems and quality of data used to derive these measures | See the current state maturity assessment at Section 4, particularly the Additional Current State Findings section at page 26 |
| 6 | Benchmark the performance measure maturity level with comparative public sector agencies and related sectors | The results of the benchmarking are included in the current state assessment at Section 4 and the benchmarking overview at Section 5 |
| 7 | Recommend action items to progress to the next maturity level, including a list of quick wins, must DOs, longer term actions and "nice to have" items | Quick Wins, Must Dos, Longer Term Actions and Nice to Have Items are identified at Section 6. A more detailed description of improvement actions is included at Appendix C |
| 8 | Provide a roadmap with proposed actions to progressively move towards a level of performance measurement that will enhance operational and strategic decisions. | The improvement roadmap is included at Section 6. |
| 9 | Provide level of effort needed to move to the desired maturity level of performance measurements | The level of effort associated with each improvement action is identified at Appendix C |
| 10 | Provide an assessment report and presentation to the City's Leadership Team of findings and recommendations, including assessment ratings and rationale for each Service Area and corporate-wide findings | This report is our final assessment report. A final presentation of this report to the City's Leadership Team will be scheduled by the City. City-wide findings are included at Section 4. Service-area findings are included at Appendix B |

# Executive Summary - Work Program and Current State Maturity Assessment

Using the data collection tool, Service Areas completed a current state maturity assessment of their CPMs. We also collected a wide variety of additional information on each Service Area's CPMs and OPMs, including:

- Indicator type (efficiency, effectiveness or quality);
- Indicator targets, target type (e.g., maximum or minimum) and target maturity (using a similar five level maturity model);
- Collection frequency;
- Collection systems; and,
- Preparation effort.

Service Areas were also asked to link CPMs and OPMs to their corresponding services using the City's recently completed Service Catalogue as a reference guide (see the Data Summary by Service provided at Appendix B).

The **second phase** focused on data verification and analysis. We reviewed and compiled the data from the self-assessments, prepared summaries and conducted interviews with representatives from 24 Divisions under 15 Service Areas. We also conducted interviews with the City Manager and each of the City's four Commissioners.

During the **third phase**, we refined our initial analysis and developed draft recommendations to help overcome the barriers to the effective measurement and improvement of CPMs. We also conducted performance measure benchmarking with five comparator municipalities.

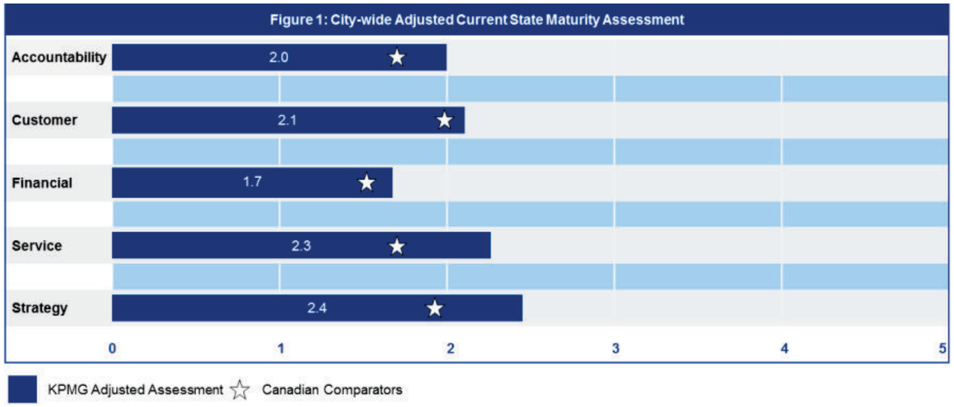
The **fourth phase** focused on identifying City improvement aspirations and testing our improvement recommendations. Two level setting workshops were held with the City's Extended Leadership Team to review our current state maturity assessment, identify a future state and discuss improvement actions.

We shared draft recommendations with the Project Steering Committee and the City's Leadership Team.

The **fifth and final phase** incorporated all findings into the prioritized strategy and roadmap included in this report.

## Current State Maturity Assessment

Our current state CPM maturity assessment is shown in Figure 1 immediately below.




Compared to similarly-sized Canadian municipalities, Mississauga's CPM maturity is above average. The stars in Figure 1 identify the maturity of comparable Canadian cities obtained through the benchmarking process.

There is significant variation in maturity levels between Service Areas, from a high of 3.3 to a low of 1.0. MiWay received the highest maturity assessment at 3.3., consistent with recent investments made in its performance management.

It is important to note that the maturity assessment was restricted to the City's CPMs. While information about OPMs was collected and analyzed, OPMs were outside the scope of the maturity assessment.

Not only are there approximately twice as many OPMs as CPMs (406 v. 221), OPMs are also collected much more frequently, reflecting their day-to-day use. Nearly 60% of OPMs are collected monthly or daily, while only 20% of CPMs are collected on a monthly or daily basis.

# Executive Summary - Maturity Aspirations, Benchmarking and Barriers

Alongside the maturity assessment, we identified a number of additional CPM findings, including:

- CPM service coverage is low. Only 25% of services specified in the newly developed and yet to be implemented Service Catalogue have CPMs in place;
- Indicators are relatively immature, particularly the financial measures;
- CPMs are collected infrequently. 64% of CPMs are collected on an annual basis; and,
- Collection procedures are highly manual. 59% of CPMs are collected through manual processes.

### Future State Maturity Aspirations

Through the level setting workshops, we worked with the City's Extended Leadership Team to identify a realistic, attainable CPM maturity future state.

Meeting the future state is a two-stage process. The first stage would be to improve CPM maturity from a Level 2.1 to a Level 3.0 across all Service Areas by the end of 2019. During the second stage, the City would re-evaluate its performance measure program and consider the creation of a plan to increase maturity to a Level 4.0. Moving from the current state to a Level 3.0 is the focus of this report.

### Benchmarking

We benchmarked the City's performance measure maturity against five comparator cities, three Canadian cities with populations of between 0.8-1.2m and two American cities with populations of between 0.2-0.7m.

The focus of the benchmarking was to identify how well comparator cities use performance measures, i.e., how indicators are used in decision making as well as the policies, procedures and systems that support their use.

Through the benchmarking, we identified four key success factors that support effective municipal performance measurement:

1. *Secure support from senior city leadership;*
2. *Build strong connections between the performance measure team and the Divisions collecting and analyzing performance measures data;*
3. *Focus effort, particularly at the beginning of a performance measurement improvement project; and,*
4. *Regularly review the impact of performance measures to determine whether the desired impact is being achieved.*

### Barriers to Improvement

While the City is above average compared with its Canadian peers, there is significant room for improvement, particularly given the relatively immature state of municipal performance measurement in Canada.

We identified five significant barriers to CPM maturity improvement. The City does not have:

1. *A City-wide performance measurement policy;*
2. *A consistent framework to identify what to measure, how to measure it and the appropriate audience;*
3. *A program layer, a core component of the MRM;*
4. *An automated approach to the collection and analysis of indicators and indicator-related; and*
5. *A performance measure training plan.*

# Executive Summary - Improvement Actions

This report identifies 11 improvement actions that will help the City improve its current CPM maturity from a Level 2.1 to a Level 3.0 by the end of 2019.

The actions were identified through the level setting workshops as well as discussions with the Project Team, the Project Steering Committee and the City's Leadership Team.

The improvement actions have been placed into four categories, as requested by the City:

- **Must Do** (MD) - necessary for CPM maturity improvement;
- **Longer Term** (LT) - necessary for CPM maturity improvement, implementation > six months;
- **Quick Win** (QW) - improves CPM maturity and implementation ≤ one month; and,
- **Nice to Have** (NH) - not strictly necessary for CPM improvement but helpful.

The 11 improvement actions are:

1. Develop CPM Program Charter (MD)
2. Develop CPM Work Plan (MD)
3. Confirm Service Catalogue (MD)
4. Create Program Catalogue (MD)
5. Identify Interim Service-level Measures (QW)
6. Develop & Implement CPM Training Plan (MD)
7. Implement Short-term IT Improvements (MD)
8. Confirm Service & Program Measures (MD)
9. Implement & Review (MD)
10. Implement Level 3 Supports (LT)
11. Review Achievements and Next Steps (NTH)

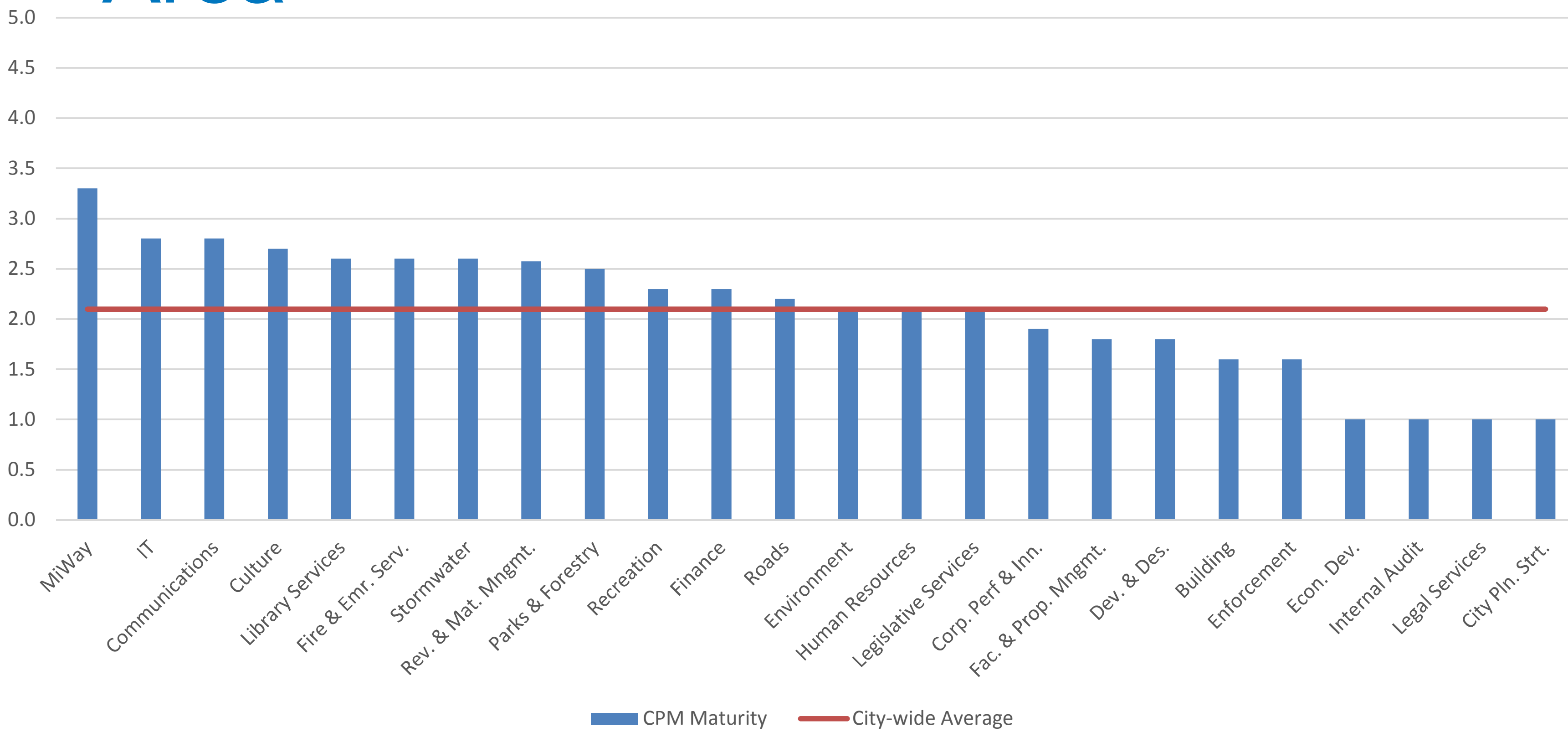
## Next Steps

As an immediate next step, the City should review and prioritize the improvement actions and draft implementation plan recommended in this report. The draft implementation plan showing the relationship between the improvement actions and an associated timeline is included at page 30 of this report.

Following the identification of the confirmed improvement actions, the City should proceed to develop a CPM Program Charter outlining the scope of work and action plan to improve CPM maturity that also clearly outlines the aspirations for and timing of the work.

MISSISSAUGA

# Current state CPM maturity by Service Area*




**KPMG-adjusted maturity across all five categories for each division. These scores do not include operational measures.*

# 17 themes

- Economy
- Education
- Energy
- Environment
- Finance
- Governance
- Health
- Recreation
- Safety
- Shelter
- Solid Waste
- Telecommunications
- Transportation
- Urban Planning
- Wastewater
- Water & Sanitation
- Fire & Emergency Response

City of Mississauga
# Corporate Report

MISSISSAUGA

| | |
|---|---|
| Date: 2018/03/29<br>To: Chair and Members of Audit Committee<br>From: Gary Kent, CPA, CGA, Commissioner of Corporate Services and Chief Financial Officer | Originator's files: |
| | Meeting date:<br>2018/05/07 |

## Subject
**2017 Audited Financial Statements**

## Recommendation
That the 2017 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 2017 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 third 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 2017 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.

The 2017 audited financial statements have been prepared on a different basis from the 2017 Annual Budget. Note 15 (Segmented by Service Area) within the financial statements reconciles the actual revenues and expenses with the Service Areas adjusted budget. Note 18 (Budget Data) also breaks down the approved budget with the adjusted budget reported in the audited financial statments. A separate schedule within the Annual Financial Report will also breakdown the Approved Budget with the adjusted Budget reported and actuals in the financial statements.

Refer to Appendix 2 (2017 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 2017 Annual Financial Report and 2017 Annual Popular Report (Financial Highights) which will be available on the City's website.

For the 20th 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 2016 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.

For the first year in 2016 the Government Finance Officers Association (GFOA) of the United States and Canada presented the City of Mississauga with the Canadian Award for Popular Financial Reporting.The purpose of this report is to present highlights of the Annual Financial Report to our citizens and other stakeholders in a clear and understandable format. We understand the presentation of the budget and financial statements can be complex to understand. This report does not contain all the financial information that is presented in the Annual Financial Report. We have identified key highlights from the Annual Financial Report to provide a high-level view of the City's finances.

The 2017 Annual Financial and Popular Reports 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 2017 financial statements were $129,250 plus applicable taxes. This audit included the City, Mississauga Public Library Board, Trust Funds, and four Business Improvement Areas.

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 loan guarantees to Enersource Corporation.

- The City's 90% interest in Enersource Corporation in 2017 was $485.0 million (2016 $281.0 million), an increase of $204 million and has been reported as a financial asset on the Consolidated Statement of Financial Position. The $204 million increase relates to a $202.7 million gain on Investment in Enersource Corporation through the February 2017 merger into Alectra Inc. plus share of net income from operations of Enersource Corporation of $14.2 million less the dividend paid to City of $12.9 million. The $14.2 net income was made up of $18.3 million net income less a $4.1 million Other Comprehensive Income (OCI) loss. This income has been reported as revenue on the City's Consolidated Statement of Financial Activities.

## Conclusion

The 2017 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, 2017 and the results of operations for the year then ended.

There were no concerns identified with the 2017 audit or financial statements. The City financial position remains healthy and strong through sound managment practices and fiscal prudence.

## Attachments

Appendix 1: 2017 Audited Financial Statements
Appendix 2: Financial Year In Review

G. Kent.

Gary Kent, CPA, CGA, Commissioner of Corporate Services and Chief Financial Officer

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

# The Corporation of the City of Mississauga
# Consolidated Financial Statements

## December 31, 2017

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, 2017, 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, 2017, 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 23, 2018
Vaughan, Canada

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

as at December 31, 2017 with comparatives for 2016
(All dollar amounts are in $000)

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| **Financial Assets** | | |
| Cash | 131,819 | 103,804 |
| Taxes receivable (Note 2) | 33,978 | 36,611 |
| Accounts receivable (Note 2) | 130,051 | 74,129 |
| Loans and other receivables | 550 | 600 |
| Inventories for resale | 225 | 284 |
| Investments (Note 3) | 872,367 | 856,942 |
| Investment in Enersource Corporation (Note 4) | 485,034 | 281,012 |
| **Total Financial Assets** | **1,654,024** | **1,353,382** |
| **Financial Liabilities** | | |
| Accounts payable and accrued liabilities | 213,260 | 175,912 |
| Deferred revenue - general | 9,742 | 9,013 |
| Deferred revenue - obligatory reserve funds (Note 5) | 334,252 | 325,295 |
| Employee benefits and other liabilities (Note 6) | 209,231 | 210,256 |
| Long-term debt (Note 7) | 155,895 | 134,447 |
| **Total Financial Liabilities** | **922,380** | **854,923** |
| **Net Financial Assets** | **731,644** | **498,459** |
| **Non-Financial Assets** | | |
| Tangible capital assets (Note 8) | 8,113,738 | 8,020,550 |
| Inventories of supplies | 6,670 | 6,901 |
| Prepaid expenses | 3,552 | 2,391 |
| **Total Non-Financial Assets** | **8,123,960** | **8,029,842** |
| **Accumulated Surplus (Note 9)** | **8,855,604** | **8,528,301** |

Subsequent Event (Note 22)

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, 2017 with comparatives for 2016
(All dollar amounts are in $000)

| | Budget 2017 $ (Note 16) | Actual 2017 $ | Actual 2016 $ |
|---|---|---|---|
| **Revenues** | | | |
| Taxation (Note 10) | 497,723 | 500,149 | 470,641 |
| User charges | 229,787 | 249,043 | 239,900 |
| Recoveries from third parties | 38,145 | 48,874 | 11,157 |
| Funding transfers from other governments (Note 19) | 1,621 | 3,043 | 3,887 |
| Development and other contributions applied | - | 90,547 | 69,217 |
| Investment income | 27,963 | 37,628 | 34,903 |
| Penalties and interest on taxes | 8,120 | 9,133 | 8,444 |
| Contributed assets | - | 11,732 | 18,595 |
| Other | 1,321 | 6,099 | 2,292 |
| City's Share of Net Income in Enersource Corporation (Note 4) | - | 14,194 | 26,855 |
| City's Share of Equity in Gain on Exchange of Investment in Enersource Holdings (Note 4) | - | 202,734 | - |
| **Total Revenues** | **804,680** | **1,173,176** | **885,891** |
| **Expenses** | | | |
| General government services | 156,518 | 189,336 | 184,821 |
| Protection services | 132,746 | 125,689 | 128,120 |
| Transportation services | 327,927 | 322,439 | 310,975 |
| Environmental services | 20,063 | 19,647 | 18,523 |
| Health services | 588 | 616 | 587 |
| Social and family services | 543 | 484 | 479 |
| Recreation and cultural services | 164,281 | 162,217 | 160,458 |
| Planning and development services | 23,542 | 22,901 | 21,561 |
| Loss on disposal of tangible capital assets | - | 2,544 | 1,074 |
| **Total Expenses** | **826,208** | **845,873** | **826,598** |
| **Annual Surplus/(Deficit)** | **(21,528)** | **327,303** | **59,293** |
| Accumulated surplus, beginning of year | 8,528,301 | 8,528,301 | 8,469,008 |
| **Accumulated Surplus, end of year (Note 9)** | **8,506,773** | **8,855,604** | **8,528,301** |

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, 2017 with comparatives for 2016
(All dollar amounts are in $000)

| | Budget 2017 $ | Actual 2017 $ | Actual 2016 $ |
|---|---|---|---|
| **Annual Surplus/(Deficit)** | **(21,528)** | **327,303** | **59,293** |
| Acquisition of tangible capital assets | - | (337,256) | (292,528) |
| Amortization | 135,136 | 133,942 | 130,113 |
| Loss on disposal of tangible capital assets (Note 8) | - | 2,544 | 1,074 |
| Transfer of assets under construction | - | 107,582 | 106,980 |
| | **113,608** | **234,115** | **4,932** |
| Acquisition of inventory of supplies | - | (6,670) | (6,901) |
| Acquisition of prepaid expenses | - | (3,552) | (2,391) |
| Consumption of inventory of supplies | - | 6,901 | 7,958 |
| Use of prepaid expenses | - | 2,391 | 2,997 |
| **Change in Net Financial Assets** | **113,608** | **233,185** | **6,595** |
| Net Financial Assets, beginning of year | 498,459 | 498,459 | 491,864 |
| **Net Financial Assets, end of year** | **612,067** | **731,644** | **498,459** |

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, 2017 with comparatives for 2016
(All dollar amounts are in $000)

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| **Cash Provided By (Used In): Operating Activities** | | |
| Annual surplus/(deficit) | 327,303 | 59,293 |
| **Items Not Involving Cash** | | |
| Amortization of tangible capital assets | 133,942 | 130,113 |
| Loss on disposal of tangible capital assets | 2,544 | 1,074 |
| Contributed assets | (11,732) | (18,595) |
| Change in employee benefits and other liabilities | (1,025) | 12,274 |
| Equity in income of Enersource Corporation | (216,928) | (26,855) |
| **Change in Non-Cash Assets and Liabilities** | | |
| Accounts receivable | (55,922) | (18,934) |
| Taxes receivable | 2,633 | 4,921 |
| Accounts payable and accrued liabilities | 37,348 | 2,422 |
| Deferred revenue - general | 729 | 1,350 |
| Deferred revenue - obligatory reserve funds | 8,957 | 18,788 |
| Inventories for resale | 59 | 31 |
| Inventories of supplies | 231 | 1,057 |
| Prepaid expenses | (1,161) | 606 |
| **Net Change in Cash from Operating Activities** | **226,978** | **167,545** |
| **Capital Activities** | | |
| Tangible capital asset additions | (325,524) | (273,933) |
| Transfer of assets under construction | 107,582 | 106,980 |
| **Net Change in Cash from Capital Activities** | **(217,942)** | **(166,953)** |
| **Investing Activities** | | |
| (Increase) decrease in investments | (15,425) | 26,926 |
| Decrease in loans and other receivables | 50 | 1,839 |
| Dividends from Enersource Corporation | 12,906 | 12,802 |
| **Net Change in Cash from Investing Activities** | **(2,469)** | **41,567** |
| **Financing Activities** | | |
| Issuance of long-term debt | 38,853 | 37,584 |
| Repayment of long-term debt | (17,405) | (13,922) |
| **Net Change in Cash from Financing Activities** | **21,448** | **23,662** |
| **Net Change in Cash** | **28,015** | **65,821** |
| Cash, beginning of year | 103,804 | 37,983 |
| **Cash, end of year** | **131,819** | **103,804** |

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, 2017**
**(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, 2017**
**(All dollar amounts are in $000)**

**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, 2017**
**(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, 2017**
**(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 2017 operating and capital budgets, as approved by Council, were adopted by the City at the December 14, 2016 meeting.

**o) Future accounting pronoucements**

These standards and amendments were not effective for the year ended December 31, 2017, 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, 2017**
**(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 $796 (2016 $143). Accounts receivable are reported net of a valuation allowance of $425 (2016 $358).

### 3. Investments

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

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | Cost<br>$ | Market Value<br>$ | Cost<br>$ | Market Value<br>$ |
| Bank deposit notes and finance paper | 64,886 | 64,179 | 142,940 | 143,764 |
| Government and government guaranteed bonds | 673,729 | 694,634 | 623,525 | 643,203 |
| Municipal bonds | 133,752 | 139,847 | 90,477 | 95,379 |
| **Total** | **872,367** | **898,660** | **856,942** | **882,346** |

# The Corporation of the City of Mississauga

## Notes to Consolidated Financial Statements

**For the Year Ended December 31, 2017**
**(All dollar amounts are in $000)**

### 4. 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. Through its wholly owned subsidiary, Enersource Holdings Inc. ("Enersource Holdings"), Enersource Corporation was the electrical distribution utility for the City's residents and businesses until January 31, 2017. Other activities of Enersource Corporation's subsidiaries included to provide energy services, billing services, street lighting services, retrofit multi-residential buildings to metered units and utility related construction.

On January 31, 2017 as part of a series of unrelated transactions, Enersource Corporation (the "Corporation" or "Enersource") disposed of its wholly-owned subsidiary, Enersource Holdings. On the same date, Enersource Holdings amalgamated with PowerStream Holdings Inc. ("PowerStream") and Horizon Holdings Inc. ("Horizon") to form Alectra Inc. ("Alectra"). Alectra's primary businesses is to distribute electricity to customers in municipalities in the greater golden horseshoe area as well as provide non-regulated energy services. In consideration for its disposition of Enersource Holdings, the Corporation received a 31% ownership interest in Alectra's issued and outstanding common shares.

As a result of the Alectra formation on January 31, 2017, the Corporation derecognized its investment in Enersource Holdings at cost and recognized its initial 31% equity interest in Alectra at fair value resulting in a gain on disposition of $225,260 recorded in the Enersource Statement of Comprehensive Income.

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 2017 fiscal year, together with comparative figures for 2016:

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| **Financial Position:** | | |
| **Assets:** | | |
| Current | 3,634 | 221,590 |
| Capital | - | 645,575 |
| Investment in Alectra Inc. | 593,079 | - |
| Other | 422 | 54,456 |
| **Total Assets** | **597,135** | **921,621** |
| **Liabilities:** | | |
| Current | 83 | 259,214 |
| Non-current liabilities | 58,125 | 350,171 |
| **Total Liabilities** | **58,208** | **609,385** |
| **Shareholders' Equity:** | | |
| Share capital | 175,691 | 175,691 |
| Accumulated other comprehensive income/(loss) | (3,532) | 1,118 |
| Retained earnings | 366,768 | 135,427 |
| **Total Shareholders' Equity** | **538,927** | **312,236** |
| **Total Liabilities and Shareholders' Equity** | **597,135** | **921,621** |
| **Results of Operations and Non-Operations:** | | |
| Revenues | 108,513 | 1,118,078 |
| Expenses (including income tax provision) | 92,742 | 1,088,239 |
| **Net Income** | **15,771** | **29,839** |
| **City's Share of Net Income in Enersource Corporation** | **14,194** | **26,855** |
| **Equity in Gain on Exchange of Investment in Enersource Holdings** | **225,260** | - |
| **City's Share of Equity in Gain on Exchange of Investment in Enersource Holdings** | **202,734** | - |

During the year, the City received a dividend of $12,906 (2016 $12,802) declared by Enersource Corporation.

The City's investment in Enersource Corporation is reflected in the following table for its 2017 fiscal year together with comparative figures for 2016.

## The Corporation of the City of Mississauga
## Notes to Consolidated Financial Statements
**For the Year Ended December 31, 2017**
**(All dollar amounts are in $000)**

### 4. Investment in Enersource Corporation

| Investment in Enersource Corporation | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Opening Balance, Beginning of Year | 281,012 | 266,959 |
| City's Share of Net Income in Enersource Corporation | 14,194 | 26,855 |
| City's Share of Equity in Gain on Exchange of Investment in Enersource Holdings | 202,734 | - |
| City's share of dividend | (12,906) | (12,802) |
| **Closing Balance, End of Year** | **485,034** | **281,012** |

### 5. 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:

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Development charges (plus unspent capital) | 138,424 | 147,764 |
| CIL Parkland | 70,982 | 65,842 |
| CIL Parking | 5,945 | 6,143 |
| Bonus zoning | 1,540 | 1,175 |
| Provincial public transit funds | 12,269 | 11,703 |
| Federal public transit funds | 1,985 | 1,426 |
| Provincial gasoline tax | 14,378 | 18,730 |
| Federal gasoline tax | 88,729 | 72,512 |
| **Total Deferred Revenue - Obligatory Reserve Funds** | **334,252** | **325,295** |

**Deferred Revenue - Obligatory Reserve Funds Continuity Schedule**

| Source | Opening Balance<br>$ | Received<br>$ | Recognized as Revenue<br>$ | Transfers<br>$ | Closing Balance<br>$ |
|---|---|---|---|---|---|
| Development charges (plus unspent capital) | 147,764 | 29,965 | 150 | 39,155 | 138,424 |
| CIL Parkland | 65,842 | 10,804 | 170 | 5,494 | 70,982 |
| CIL Parking | 6,143 | 1,508 | - | 1,706 | 5,945 |
| Bonus zoning | 1,175 | 365 | - | - | 1,540 |
| Provincial public transit funds | 11,703 | 566 | - | - | 12,269 |
| Federal public transit funds | 1,426 | 72 | - | (487) | 1,985 |
| Provincial gasoline tax | 18,730 | 18,541 | 16,760 | 6,133 | 14,378 |
| Federal gasoline tax | 72,512 | 42,737 | - | 26,520 | 88,729 |
| **Total** | **325,295** | **104,558** | **17,080** | **78,521** | **334,252** |

### 6. 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:

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| WSIB | 26,406 | 23,465 |
| Sick leave benefits | 13,614 | 12,384 |
| Early retirement benefits | 38,640 | 37,971 |

**The Corporation of the City of Mississauga**
**Notes to Consolidated Financial Statements**
**For the Year Ended December 31, 2017**
**(All dollar amounts are in $000)**

**6. Employee Benefits and Other Liabilities**

| | 2017 $ | 2016 $ |
|---|---|---|
| Post-employment benefits | 10,313 | 11,284 |
| Vacation pay | 24,667 | 24,106 |
| Developer charges credits | 60,383 | 59,982 |
| Contaminated site liability | 600 | 275 |
| Other liabilities | 34,608 | 40,789 |
| **Total** | **209,231** | **210,256** |

The City has established reserve funds of $126,584 (2016 $126,733) 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 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 $ | 2017 Total $ | 2016 Total $ |
|---|---|---|---|---|---|---|
| Accrued Benefit Liability, Beginning of Year | 23,465 | 12,384 | 37,971 | 11,284 | 85,104 | 77,458 |
| Service cost | 4,287 | 1,407 | 1,539 | 249 | 7,482 | 10,934 |
| Interest cost | 1,293 | 829 | 1,371 | 225 | 3,718 | 3,698 |
| Amortization of actuarial (gain)/loss | 845 | 1,115 | (470) | (528) | 962 | 81 |
| Benefit payments | (3,484) | (2,121) | (1,771) | (917) | (8,293) | (7,271) |
| Increase due to plan amendment | - | - | - | - | - | 204 |
| **Accrued Benefit Liability, End of Year** | **26,406** | **13,614** | **38,640** | **10,313** | **88,973** | **85,104** |
| Unamortized actuarial (gain)/loss | 9,780 | 7,583 | (3,128) | (4,005) | 10,230 | 2,679 |
| **Actuarial valuation update, end of year** | **36,186** | **21,197** | **35,512** | **6,308** | **99,203** | **87,783** |
| Expected average remaining service life | 10 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 - Health and Dental | Post Employment - Life Insurance | Early Retirement |
|---|---|---|---|---|---|
| Expected inflation rate | 1.75% | 1.75% | 1.75% | 1.75% | 1.75% |
| Expected level of salary increases | n/a | 2.75% | 2.75% | 2.75% | 2.75% |
| Interest discount rate | 4.00% | 4.00% | 3.50% | 3.50% | 4.00% |
| Expected health care increases | 4.75% | n/a | 5.00% | n/a | 4.75% |

## The Corporation of the City of Mississauga
## Notes to Consolidated Financial Statements
**For the Year Ended December 31, 2017**
**(All dollar amounts are in $000)**

### 6. Employee Benefits and Other Liabilities

e) Developer charge credits are liabilities and obligations that arise through the Development Charges Act. For the year ended December 31, 2017, the developer charge credit liability is $60,383 (2016 $59,982).

f) Other pension plans:

The City makes contributions to OMERS, a multi-employer plan, on behalf of 4,827 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 $55,300 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 $55,300 at a rate of 15.8 per cent for earnings greater than the annual maximum pensionable earnings.

The amount contributed to OMERS for 2017 was $37,770 (2016 $36,944) for current service and is included as an expense on the consolidated statement of operations. Employees' contributions to OMERS in 2017 totalled $37,894 (2016 $37,063).

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 2017 dropped to $5.4 billion (2016 $5.7 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.

### 7. Long-term Debt

The long-term debt reported on the consolidated statement of financial position of $155,895 was issued by the Region. Of the debt issued in 2013, $27,400 is outstanding; of the debt issued in 2014, $24,142 is outstanding, of the debt issued in 2015, $32,000 is outstanding; of the debt issued in 2016, $33,500 is outstanding; all of the debt issued in 2017, $38,853 is outstanding as at December 31, 2017.

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; principal payments on the 2016 debt are payable on June 1st; and principal payments on the 2017 debt are payable on September 28th.

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** |
|---|---|
| | **$** |
| 2018 | 20,674 |
| 2019 | 19,621 |
| 2020 | 19,200 |
| 2021 | 19,600 |
| 2022 | 20,300 |
| Thereafter | 56,500 |
| **Total** | **155,895** |

Interest expense and fees of $3,015 (2016 $2,751) 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, 2017**
**(All dollar amounts are in $000)**

**8. Tangible Capital Assets**

a) Assets under construction:

Assets under construction having a value of $174,075 (2016 $190,940) 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 $11,732 (2016 $18,595) comprised of infrastructure in the amount of $167 (2016 $10,075) and land in the amount of $11,565 (2016 $8,520).

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 (2016 $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 $7,372 (2016 $52,211) (land $1,552; buildings $136; land improvements $2,545; linear transportation $1,199; linear storm drainage $1,243 and vehicles $697) less the accumulated amortization of $4,828 (2015 $10,856) results in a loss on disposal of $2,544 (2016 $1,074).

## The Corporation of the City of Mississauga
## Notes to Consolidated Financial Statements
**For the Year Ended December 31, 2017**
**(All dollar amounts are in $000)**

**8. Tangible Capital Assets**

**2017 Tangible Capital Assets**

| Cost | December 31, 2016<br>$ | Additions<br>$ | Disposals<br>$ | December 31, 2017<br>$ |
|---|---|---|---|---|
| Land | 5,144,051 | 25,693 | 1,552 | 5,168,192 |
| Land improvements | 176,518 | 24,459 | 2,545 | 198,432 |
| Buildings | 1,057,037 | 40,367 | 136 | 1,097,268 |
| Equipment, books and other | 246,313 | 24,540 | - | 270,853 |
| Linear - storm drainage | 826,245 | 23,673 | 1,243 | 848,675 |
| Linear - transportation | 2,017,913 | 83,894 | 1,199 | 2,100,608 |
| Vehicles | 267,871 | 23,913 | 697 | 291,087 |
| Assets under construction | 190,940 | 90,717 | 107,582 | 174,075 |
| **Total** | **9,926,888** | **337,256** | **114,954** | **10,149,190** |

| Accumulated Amortization | December 31, 2016<br>$ | Amortization Expense<br>$ | Disposals<br>$ | December 31, 2017<br>$ |
|---|---|---|---|---|
| Land | - | - | - | - |
| Land improvements | 95,763 | 7,545 | 2,421 | 100,887 |
| Buildings | 351,296 | 27,905 | 136 | 379,065 |
| Equipment, books and other | 154,958 | 20,463 | - | 175,421 |
| Linear - storm drainage | 227,196 | 10,834 | 982 | 237,048 |
| Linear - transportation | 888,734 | 48,286 | 594 | 936,426 |
| Vehicles | 188,391 | 18,909 | 695 | 206,605 |
| Assets under construction | - | - | - | - |
| **Total** | **1,906,338** | **133,942** | **4,828** | **2,035,452** |

| Net Book Value | December 31, 2016<br>$ | December 31, 2017<br>$ |
|---|---|---|
| Land | 5,144,051 | 5,168,192 |
| Land Improvements | 80,755 | 97,545 |
| Buildings | 705,741 | 718,203 |
| Equipment, books and other | 91,355 | 95,432 |
| Linear - storm drainage | 599,049 | 611,627 |
| Linear - transportation | 1,129,179 | 1,164,182 |
| Vehicles | 79,480 | 84,482 |
| Assets under construction | 190,940 | 174,075 |
| **Total** | **8,020,550** | **8,113,738** |

**The Corporation of the City of Mississauga**
**Notes to Consolidated Financial Statements**
**For the Year Ended December 31, 2017**
**(All dollar amounts are in $000)**

**9. Accumulated surplus**

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

| | 2017 $ | 2016 $ |
|---|---|---|
| **Surplus:** | | |
| **Invested in Tangible Capital Assets** | | |
| Invested in tangible capital assets | 8,113,545 | 8,020,334 |
| Business Improvement Area tangible capital assets | 193 | 216 |
| **Total Invested in Tangible Capital Assets** | **8,113,738** | **8,020,550** |
| Unexpended capital | 228,092 | 177,975 |
| Long-term debt | (155,895) | (134,447) |
| Enersource Corporation | 485,034 | 281,012 |
| Unfunded employee benefits | (209,231) | (210,256) |
| **Total Surplus** | **8,461,738** | **8,134,834** |
| **Reserves Set Aside by Council:** | | |
| Contingencies | 41,542 | 38,692 |
| Building permit revenue stabilization | 6,253 | 3,730 |
| Winter maintenance | 11,613 | 11,613 |
| Elections | 3,993 | 3,720 |
| Arts | 1,343 | 1,752 |
| Stormwater | 6,306 | 6,345 |
| BIA Reserves | 267 | 305 |
| **Total Reserves** | **71,317** | **66,157** |
| **Reserves Funds Set Aside for Specific Purposes by Council:** | | |
| Lot levies | 42,895 | 43,099 |
| Contributions from specific developers for specific works | 20,260 | 19,766 |
| Program Specific | 1,610 | 1,486 |
| Capital construction | 133,470 | 154,289 |
| Self-insurance | 36,430 | 33,134 |
| Group benefits | 35,386 | 34,597 |
| Stormwater | 52,498 | 40,939 |
| **Total Reserve Funds** | **322,549** | **327,310** |
| **Total Accumulated Surplus** | **8,855,604** | **8,528,301** |

## The Corporation of the City of Mississauga
## Notes to Consolidated Financial Statements
**For the Year Ended December 31, 2017**
**(All dollar amounts are in $000)**

### 10. 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:

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Municipal, region and school property taxes | 1,624,089 | 1,565,567 |
| Payments in lieu of property taxes | 31,627 | 29,921 |
| **Net Property Taxes** | **1,655,716** | **1,595,488** |
| Payments to Region and school boards | (1,155,567) | (1,124,847) |
| **Net Property Taxes and Payments in Lieu Available for Municipal Purposes** | **500,149** | **470,641** |

### 11. Stormwater Charge

Established in 2016, the stormwater charge is a dedicated source of funding for the City's stormwater infrastructure renewal, and operating programs. The stormwater rate is established on an annual basis during the budget approval process, through a fees and charges by-law subject to Council approval. The charge appears on the Region of Peel water bill for Mississauga properties. To determine the stormwater rate, service levels and operating/capital needs are set to reflect infrastructure priorities, inflationary pressure and reserve fund contributions needed to plan for funding challenges foreseen with replacing costly assets (e.g., pipes) in the future.

### 12. Trust funds

Trust funds administered by the City amounting to $820 (2016 $731) 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 & guarantee

a) As at December 31, 2017, 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.

b) 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.

### 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.

**The Corporation of the City of Mississauga**
**Notes to Consolidated Financial Statements**
**For the Year Ended December 31, 2017**
**(All dollar amounts are in $000)**

**14. Segmented information**

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.

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, 2017**
**(All dollar amounts are in $000)**

**14. Segmented information**

| | 2017 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | General Government Services $ | Protection Services $ | Transportation Services $ | Environmental Services $ | Health Services $ | Social and Family Services $ | Recreation and Cultural Services $ | Planning and Development Services $ | Other $ | 2017 Total $ | 2016 Total $ |
| **Revenues:** | | | | | | | | | | | |
| Taxation | 498,908 | - | - | - | - | - | - | 1,241 | - | 500,149 | 470,641 |
| User charges | 5,700 | 30,874 | 111,005 | 40,739 | 287 | 171 | 54,067 | 6,200 | - | 249,043 | 239,900 |
| Recoveries from third parties | 890 | 130 | 40,460 | 699 | - | - | 6,652 | 43 | - | 48,874 | 11,157 |
| Funding transfers from other governments | 491 | - | 325 | - | 5 | 59 | 1,851 | 312 | - | 3,043 | 3,887 |
| Development and other contributions applied | - | - | - | - | - | - | - | - | 90,547 | 90,547 | 69,217 |
| Investment income | 14,474 | - | - | - | 22 | - | 19 | - | 23,113 | 37,628 | 34,903 |
| Penalties and interest on taxes | 9,133 | - | - | - | - | - | - | - | - | 9,133 | 8,444 |
| Contributed assets | 200 | - | - | - | - | - | - | - | 11,532 | 11,732 | 18,595 |
| Other | 1,481 | 98 | 795 | 139 | - | 50 | 1,060 | 2 | 2,474 | 6,099 | 2,292 |
| Equity in Enersource Corporation | - | - | - | - | - | - | - | - | 216,928 | 216,928 | 26,855 |
| **Total Revenues** | **531,277** | **31,102** | **152,585** | **41,577** | **314** | **280** | **63,649** | **7,798** | **344,594** | **1,173,176** | **885,891** |
| **Expenses:** | | | | | | | | | | | |
| Salaries, wages and employee benefits | 102,003 | 113,583 | 166,545 | 5,386 | 458 | 330 | 87,110 | 15,686 | - | 491,101 | 485,697 |
| Long-term debt interest | 2,883 | - | - | 132 | - | - | - | - | - | 3,015 | 2,751 |
| Materials and supplies | 8,383 | 3,258 | 34,829 | 556 | 79 | 42 | 12,397 | 687 | - | 60,231 | 55,230 |
| Contracted services | 27,155 | 1,523 | 33,371 | 2,590 | 69 | 1 | 10,502 | 2,930 | - | 78,141 | 76,384 |
| Rents and financial expenses | 31,862 | 3,091 | 15,842 | 155 | 10 | 9 | 18,519 | 597 | - | 70,085 | 68,728 |
| External transfers to others | 730 | - | - | - | - | 20 | 3,275 | 2,789 | - | 6,814 | 6,621 |
| Loss on disposal of tangible capital assets | - | - | - | - | - | - | - | - | 2,544 | 2,544 | 1,074 |
| Amortization | 16,320 | 4,234 | 71,852 | 10,828 | - | 82 | 30,414 | 212 | - | 133,942 | 130,113 |
| **Total Expenses** | **189,336** | **125,689** | **322,439** | **19,647** | **616** | **484** | **162,217** | **22,901** | **2,544** | **845,873** | **826,598** |
| **Annual Surplus (Deficit)** | **341,941** | **(94,587)** | **(169,854)** | **21,930** | **(302)** | **(204)** | **(98,568)** | **(15,103)** | **342,050** | **327,303** | **59,293** |

## The Corporation of the City of Mississauga
## Notes to Consolidated Financial Statements
**For the Year Ended December 31, 2017**
**(All dollar amounts are in $000)**

### 15. Segmented by Service Area

Segmented information by Service Area has been identified based upon lines of service provided by the City as presented in the City Budget Document. City services are provided by departments and their activities are reported by service areas in the body. These services are not presented in the body of the consolidated financial statements: rather, they are reported as an additional note to relate back to the Budget book presentation. Certain lines of service that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

a) Business Services:

Business Services includes five interrelated teams within the City of Mississauga. These teams all collaborate with and support every City service area. The group consists of Human Resources (HR), Finance, Communications, Corporate Performance and Innovation (CPI), and Revenue and Materiel Management.

b) Culture Services:

Culture works collaboratively with a wide variety of partners to build strong cultural institutions, complete communities and stimulate a creative economy. The Culture Division has two sections: Culture and Heritage Planning and Culture Operations. Culture and Heritage Planning is responsible for heritage planning, culture planning, public art, policy development, research and digital engagement. Culture Operations delivers performing arts, film and television services, arts and culture programs, grants, civic and major events, manages operation of the Meadowvale Theatre, Museums, and Mississauga Celebration Square (Celebration Square).

c) City Manager's Office:

The City Manager's Office (CMO) co-ordinates efforts across all five City departments to ensure alignment with all of the City's key plans, including the Strategic Plan, the City Business Plan, the Economic Development Strategy and Corporate Policies. Internal Audit, Legal Services and Economic Development are part of the CMO.

d) Environmental Services:

The Environment Division drives environmental sustainability in Mississauga by providing environmental strategic planning to develop plans, policies and programs that advance the City's environmental priorities; providing a framework for the City of Mississauga and the community to take action on climate change; providing an efficient waste program for City of Mississauga facilities; and, providing awareness and education for residents and City staff to take environmental action.

e) Facilities and Property Management:

Facilities & Property Management provides expertise in property, asset and project management to maintain the City's infrastructure and support the safety and security of the public and City staff. The service provides facilities maintenance, building services and operations, facilities development and accessibility, capital planning and asset management, security services, realty services, and energy management.

f) Financial Transactions:

The Financial Transactions area includes such items such as bank and external audit charges; miscellaneous revenues and expenses such as discounts earned; risk management and insurance expenses; worker's compensation and rehabilitation; transfers; payments in lieu of property taxes from other levels of government; and special purpose levies.

g) Fire and Emergency Services:

Fire and Emergency Services' mission is to protect life, property and the environment in Mississauga from all perils guided by the three lines of defense: public education, prevention and emergency response.

h) Information Technology Services:

The Information Technology (IT) Service Area focuses on technology planning, service delivery, support, and operations to enable City services and drive efficiencies.

**The Corporation of the City of Mississauga**
**Notes to Consolidated Financial Statements**
**For the Year Ended December 31, 2017**
**(All dollar amounts are in $000)**

**15. Segmented by Service Area**

i) Land Development Services:

The mission of Land Development Services is to provide strategic long term planning within a legislated planning policy framework. This involves the creation of policies, plans, processing development applications and building permits and undertaking building inspections to ensure the health, safety and well-being of the public while ensuring high quality customer service.

j) Legislative Services:

The purpose of Legislative Services is to meet customers' diverse service needs by providing statutory and legislated service to the public, Council and other internal and external customers through a variety of service channels. Examples of the kind of work done by this service include Access and Privacy; Administrative Penalty System (APS) Dispute/Review; Council and Committee support; Provincial Offences Court Administration; and municipal elections.

k) Library Services:

The Mississauga Library System exists to provide library services to meet the life-long informational, educational, cultural and recreational needs of all citizens. The system's 18 facilities provide physical spaces where the Library's services, programs and collections can be used and accessed. The Library also has a homebound service, and many online services and resources.

l) Mayor and Members of Council:

The Council Budget includes the Mayor's Office and Council. This includes the 12 elected officials (Mayor and 11 ward councillors) and their support staff. In Ontario, elections take place every four years. The next election year is 2018.

m) Parks and Forestry:

The Parks & Forestry Service Area provides an integrated approach to the planning, design, construction and ongoing maintenance of Mississauga's parks, woodlands, natural areas, boulevards, street trees and open space system. Services are delivered by a multidisciplinary team working co-operatively to meet the open space, outdoor recreational, urban forest and environmental needs of the community.

n) Recreation Services:

Recreation's primary service is the delivery of various recreation programs. Recreation has 11 major community centres and 12 minor centres; 13 arenas representing 25 ice pads; 11 indoor pools (two shared with local school board); seven outdoor pools; 229 soccer fields and 125 ball diamonds. In addition, Recreation provides oversight to the Hershey Centre facilities.

o) Regulatory Services:

Regulatory Services achieve compliance with municipal by-laws and provide services in a safe and professional manner to maintain order, safety and community standards in the City.

p) Road Services:

The Roads Service Area is within the Transportation and Works department. The services of this area are delivered by the following three divisions: Transportation and Infrastructure Planning, Engineering and Construction, and Works Operations and Maintenance. These areas are responsible for the planning, design, construction, operation, maintenance and overall management of Mississauga's roadways, bridges, sidewalks and related infrastructure. Additional infrastructure that is managed as part of this service area includes traffic signals, street lighting, municipal parking, noise barriers, the cycling network and the City's fleet of vehicles (with the exception of transit and fire vehicles).

q) Stormwater Service:

The Stormwater Service Area plans, develops, constructs, maintains and renews a stormwater system which protects property, infrastructure and the natural environment from erosion and flooding and enhances water quality.

**The Corporation of the City of Mississauga**
**Notes to Consolidated Financial Statements**
**For the Year Ended December 31, 2017**
**(All dollar amounts are in $000)**

**15. Segmented by Service Area**

r) Transit Services:

Mississauga's transit service, MiWay, exists to provide a customer-focused transit service that offers safe, accessible, and efficient transportation options for all citizens.

s) Other:

Other represents all other non-budgeted financial transactions which includes asset amortization, BIA consolidation, PSAB actuarial liability adjustments, Reserve Fund interest, development contributions applied, Enersource income, capital project revenues, and non-capitalized capital project expenses.

# The Corporation of the City of Mississauga

## Notes to Consolidated Financial Statements

**For the Year Ended December 31, 2017**
**(All dollar amounts are in $000)**

### 15. Segmented by Service Area

t) Revenues by Service Area

| | Taxation | User charges | Recoveries from third parties | Funding transfers from other governments | Development and other contributions applied | Investment income | Penalties and interest on taxes | Contributed assets | Other | Equity in Enersource Corporation | 2017 Total | 2017 Budget * | 2016 Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| Business Services | - | 2,338 | - | - | - | - | 87 | - | 1 | - | 2,426 | 2,330 | 2,029 |
| City Manager's Office | - | 291 | - | 312 | - | - | - | - | - | - | 603 | 404 | 783 |
| Culture | - | 1,788 | - | 169 | - | - | - | - | 257 | - | 2,214 | 1,930 | 2,214 |
| Environment | - | 6 | - | - | - | - | - | - | - | - | 6 | - | 8 |
| Facilities & Property Management | - | 409 | - | - | - | - | - | - | 517 | - | 926 | 466 | 717 |
| Financial Transactions | 500,149 | 9 | - | - | - | 14,467 | 9,046 | 11,732 | 3,320 | - | 538,723 | 520,650 | 515,575 |
| Fire & Emergency Services | - | 1,884 | 130 | - | - | - | - | - | 62 | - | 2,076 | 1,799 | 1,531 |
| Information Technology | - | 737 | - | - | - | - | - | - | - | - | 737 | 607 | 714 |
| Legislative Services | - | 12,878 | - | - | - | - | - | - | 2 | - | 12,880 | 10,963 | 11,653 |
| Mississauga Library | - | 1,202 | - | 943 | - | - | - | - | 2 | - | 2,147 | 1,949 | 1,911 |
| Land Development Services | - | 16,944 | - | - | - | - | - | - | - | - | 16,944 | 12,807 | 13,828 |
| MiWay | - | 87,565 | 1,836 | - | - | - | - | - | 128 | - | 89,529 | 88,785 | 84,539 |
| Parks & Forestry | - | 4,969 | 126 | 5 | - | 22 | - | - | 37 | - | 5,159 | 4,251 | 4,562 |
| Recreation | - | 47,849 | - | 933 | - | 26 | - | - | 761 | - | 49,569 | 48,086 | 48,822 |
| Regulatory Services | - | 15,091 | - | - | - | - | - | - | 36 | - | 15,127 | 14,495 | 14,862 |
| Roads | - | 11,915 | 3,836 | - | - | - | - | - | (127) | - | 15,624 | 42,822 | 13,862 |
| Stormwater | - | 40,460 | 26 | - | - | - | - | - | 139 | - | 40,625 | 38,416 | 39,713 |
| Other | - | 2,708 | 42,920 | 681 | 90,547 | 23,113 | - | - | 964 | 216,928 | 377,861 | 13,920 | 128,568 |
| | 500,149 | 249,043 | 48,874 | 3,043 | 90,547 | 37,628 | 9,133 | 11,732 | 6,099 | 216,928 | 1,173,176 | 804,680 | 885,891 |

* The Service Area budget excludes the budgets for transfers between funds because they are eliminated in the financial statement consolidation.

# The Corporation of the City of Mississauga
## Notes to Consolidated Financial Statements
**For the Year Ended December 31, 2017**
**(All dollar amounts are in $000)**

### 15. Segmented by Service Area

u) Expenses by Service Area

| | Salaries, wages and employee benefits | Long-term debt interest | Materials and supplies | Contracted services | Rents and financial expenses | External transfers to others | Loss on disposal of tangible capital assets | Amortization | 2017 Total | 2017 Budget * | 2016 Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| Business Services | 28,243 | - | 554 | 989 | 1,681 | - | - | - | 31,467 | 32,066 | 30,484 |
| City Manager's Office | 9,736 | - | 129 | 2,901 | 379 | 1,099 | - | - | 14,244 | 13,457 | 12,297 |
| Mayor & Members Of Council | 4,097 | - | 348 | 1 | 254 | - | - | - | 4,700 | 4,747 | 4,633 |
| Culture | 5,126 | - | 689 | 366 | 992 | 2,443 | - | - | 9,616 | 9,661 | 9,493 |
| Environment | 948 | - | 17 | 40 | 95 | 75 | - | - | 1,175 | 1,232 | 1,116 |
| Facilities & Property Management | 13,715 | - | 393 | 1,698 | 6,313 | - | - | - | 22,119 | 23,145 | 21,624 |
| Financial Transactions | 7,815 | 2,883 | 234 | 832 | 20,511 | 2,361 | - | - | 34,636 | 28,842 | 26,023 |
| Fire & Emergency Services | 96,023 | - | 2,526 | 153 | 1,844 | - | - | - | 100,546 | 105,946 | 102,574 |
| Information Technology | 18,807 | - | 101 | 117 | 6,795 | - | - | - | 25,820 | 25,202 | 23,801 |
| Legislative Services | 6,421 | - | 624 | 1,389 | (720) | - | - | - | 7,714 | 8,466 | 7,772 |
| Mississauga Library | 21,168 | - | 4,050 | 33 | 2,011 | - | - | - | 27,262 | 28,301 | 26,382 |
| Land Development Services | 19,384 | - | 326 | 224 | 476 | - | - | - | 20,410 | 21,467 | 20,337 |
| MiWay | 132,871 | - | 29,639 | 967 | 7,911 | - | - | - | 171,388 | 176,142 | 163,776 |
| Parks & Forestry | 24,241 | - | 4,462 | 4,365 | 3,010 | - | - | - | 36,078 | 36,619 | 35,855 |
| Recreation | 46,912 | - | 4,057 | 8,357 | 12,756 | 832 | - | - | 72,914 | 73,233 | 72,312 |
| Regulatory Services | 12,192 | - | 729 | 884 | 329 | - | - | - | 14,134 | 15,400 | 14,609 |
| Roads | 32,578 | - | 4,872 | 31,274 | 8,559 | - | - | - | 77,283 | 78,161 | 75,494 |
| Stormwater | 4,703 | 132 | 657 | 3,062 | 153 | - | - | - | 8,707 | 8,984 | 8,587 |
| Other | 6,121 | - | 5,824 | 20,489 | (3,264) | 4 | 2,544 | 133,942 | 165,660 | 135,137 | 169,429 |
| | 491,101 | 3,015 | 60,231 | 78,141 | 70,085 | 6,814 | 2,544 | 133,942 | 845,873 | 826,208 | 826,598 |

* The Service Area budget excludes the budgets for transfers between funds because they are eliminated in the financial statement consolidation. Also an assigned budget for amortization has been included due to the large dollar value.

# The Corporation of the City of Mississauga
## Notes to Consolidated Financial Statements
**For the Year Ended December 31, 2017**
**(All dollar amounts are in $000)**

**16. Budget Data**

Budget data presented in these consolidated financial statements are based upon the 2017 operating and capital budgets as approved by Council and adopted by the City on December 14, 2016. 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.

| | Budget Amount |
|---|---|
| **Revenue** | **$** |
| **Approved Operating Budget** | **798,060** |
| **Adjustments:** | |
| Assessment increase | 803 |
| Budget adjustments | 1,679 |
| Contributions from reserve funds | (30,674) |
| BIAs | 1,820 |
| BIAs contributions from reserve funds | (54) |
| City budgeted levy for BIAs | (1,322) |
| Enersource dividend | (10,100) |
| **Adjusted Operating Budget** | **760,212** |
| **Approved Capital Budget** | **234,564** |
| Adjustments for transfers from reserve funds | (164,375) |
| Adjustments for debt proceeds | (39,198) |
| **Adjusted Capital Budget** | **30,991** |
| Reserve funds interest and other revenue | 13,477 |
| **Total Revenue** | **804,680** |
| **Expenses** | |
| **Approved Operating Budget** | **801,190** |
| **Adjustments:** | |
| Assessment increase | 803 |
| Budget adjustments | (1,451) |
| BIA transfers to own | (26) |
| Transfers to Own | (91,498) |
| BIA budgeted expenses | 1,820 |
| BIA budget on City's books | (1,322) |
| Amortization | 135,136 |
| Debt principal repayments | (18,444) |
| **Adjusted Operating Budget** | **826,208** |
| **Approved Capital Budget** | **234,564** |
| **Adjustments:** | |
| Eliminate capital expense budget | (234,564) |
| **Adjusted Capital Budget** | **-** |
| **Total Expenses** | **826,208** |
| **Annual Deficit** | **(21,528)** |

**The Corporation of the City of Mississauga**
**Notes to Consolidated Financial Statements**
**For the Year Ended December 31, 2017**
**(All dollar amounts are in $000)**

**17. Expenses by Object**

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

| | Budget 2017 $ | Actual 2017 $ | Actual 2016 $ |
|---|---|---|---|
| Salaries, wages and employee benefits | 498,708 | 491,101 | 485,697 |
| Long-term debt interest and fees | 3,369 | 3,015 | 2,751 |
| Materials and supplies | 55,343 | 60,231 | 55,230 |
| Contracted services | 57,018 | 78,141 | 76,384 |
| Rents and financial expenses | 69,644 | 70,085 | 68,728 |
| External transfers to others | 6,990 | 6,814 | 6,621 |
| Loss on disposal of tangible capital assets | - | 2,544 | 1,074 |
| Amortization | 135,136 | 133,942 | 130,113 |
| **Total** | **826,208** | **845,873** | **826,598** |

**18. 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 2017 fiscal year with comparative figures for 2016:

| | 2017 $ | 2016 $ |
|---|---|---|
| **Revenues** | | |
| Gross revenues | 11,730 | 10,486 |
| Less refunds | 140 | 109 |
| **Net Revenues** | **11,590** | **10,377** |
| **Expenses** | | |
| Provincial charges | 933 | 967 |
| City's operating expenses | 3,560 | 3,720 |
| **Total Expenses** | **4,493** | **4,687** |
| **Net Revenue** | **7,097** | **5,690** |
| **Net Contribution** | **7,097** | **5,690** |

# The Corporation of the City of Mississauga

## Notes to Consolidated Financial Statements

**For the Year Ended December 31, 2017**
**(All dollar amounts are in $000)**

### 19. Funding Transfers from Other Governments

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| General government services | 491 | 413 |
| Protection services | - | - |
| Transportation services | 325 | 80 |
| Environmental services | - | - |
| Health services | 5 | - |
| Social and family services | 59 | 53 |
| Recreation and cultural services | 1,851 | 3,216 |
| Planning and development services | 312 | 125 |
| **Total Funding** | **3,043** | **3,887** |

### 20. 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:

| | | |
|---|---|---|
| 2018 | $ | 2,819 |
| 2019 | | 3,023 |
| 2020 | | 2,590 |
| 2021 | | 2,661 |
| 2022 | | 2,291 |
| **Total** | **$** | **13,384** |

### 21. Comparative figures

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

### 22. Subsequent Event

On February 28, 2018, Alectra Corporation entered into a Merger Participation Agreement ("MPA") with: Alectra Utilities; Guelph Municipal Holdings Inc. ("GMHI"); and Guelph Hydro Electric Systems Inc. ("GHESI"). GMHI is the parent of GHESI. GHESI is principally a Local Distribution Company ("LDC") regulated by the Ontario Energy Board ("OEB"). The MPA provides terms and conditions under which Alectra Utilities will amalgamate with GHESI.

The merger is subject to the approval of the OEB based on a Mergers, Acquisitions, Amalgamations and Divestitures ("MAADs") application expected to be issued thereto by the parties in early March 2018. Subject to a satisfactory OEB decision approving the merger, the Corporation anticipates a closing date on or before January 1, 2019. The Corporation expects that the merger contemplated under the MPA will result in more efficient and enhanced service delivery through lower operating costs while providing significant benefits for communities and shareholders.

# City of Mississauga - Trust Funds

## Financial Statements

## Year Ended December 31, 2017

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, 2017, 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, 2017, 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 23, 2018
Vaughan, Canada

# City of Mississauga - Trust Funds
# Statement of Financial Position

as at December 31, 2017 with comparatives for 2016
(All dollar amounts are in $000)

| | | | 2017 | 2016 |
|---|---|---|---|---|
| | Perpetual Care $ | Election Surplus $ | Total $ | Total $ |
| **Financial Assets** | | | | |
| Cash | 16 | - | 16 | 57 |
| Accounts Receivable | 3 | - | 3 | 3 |
| Due from City of Mississauga (Note 2) | 67 | - | 67 | - |
| Investments (Note 3) | 734 | - | 734 | 671 |
| **Net Financial Assets and Accumulated Surplus** | **820** | **-** | **820** | **731** |

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

# City of Mississauga - Trust Funds
## Statement of Operations

for the year ended December 31, 2017 with comparatives for 2016
(All dollar amounts are in $000)

| | | | 2017 | 2016 |
|---|---|---|---|---|
| | Perpetual Care<br>$ | Election Surplus<br>$ | Total<br>$ | Total<br>$ |
| **Revenues** | | | | |
| Interest | 21 | - | 21 | 20 |
| Receipts | 89 | - | 89 | 67 |
| **Total Revenues** | **110** | **-** | **110** | **87** |
| **Expenses** | | | | |
| Cemetery maintenance | 21 | - | 21 | 20 |
| **Total Expenses** | **21** | **-** | **21** | **20** |
| **Annual surplus** | **89** | **-** | **89** | **67** |
| Accumulated surplus, beginning of year | 731 | - | 731 | 664 |
| **Accumulated surplus, end of year** | **820** | **-** | **820** | **731** |

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, 2017
(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 fiscal year 2017 and transferred to the Trust Fund on January 19, 2018. 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 $734 (2016 $671) reported on the Statement of financial position at cost, have a market value of $765 (2016 $705) 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.

# City of Mississauga - Public Library Board

## Financial Statements

## Year Ended December 31, 2017

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, 2017, 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, 2017, 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 23, 2018
Vaughan, Canada

# City of Mississauga - Public Library Board
## Statement of Financial Position

as at December 31, 2017 with comparatives for 2016
(All dollar amounts are in $000)

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| **Financial Assets** | | |
| Due from City of Mississauga (Note 2) | 2,424 | 1,995 |
| **Total Financial Assets** | **2,424** | **1,995** |
| **Financial Liabilities** | | |
| Accounts payable and accrued liabilities | 766 | 702 |
| Employee benefits and other liabilities (Note 4) | 2,349 | 2,421 |
| **Total Financial Liabilities** | **3,115** | **3,123** |
| **Net Debt** | **(691)** | **(1,128)** |
| **Non-financial Assets** | | |
| Tangible capital assets (Note 7) | 75,817 | 77,248 |
| **Accumulated Surplus** | **75,126** | **76,120** |

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, 2017 with comparatives for 2016
(All dollar amounts are in $000)

| | Budget 2017 $ Note 6 | Actual 2017 $ | Actual 2016 $ |
|---|---|---|---|
| **Revenues** | | | |
| City of Mississauga | 26,845 | 25,918 | 25,252 |
| Funding transfers from other governments | 715 | 943 | 791 |
| Contributed assets by the City of Mississauga | - | 707 | 654 |
| Fines, service charges and rents | 1,234 | 1,204 | 1,120 |
| **Total Revenues** | **28,794** | **28,772** | **27,817** |
| **Expenses** | | | |
| Salaries, wages and employee benefits | 22,068 | 21,096 | 20,086 |
| Equipment | 57 | 79 | 131 |
| Materials and supplies | 298 | 336 | 278 |
| Communication | 9 | 10 | 8 |
| Staff development | 86 | 111 | 100 |
| Transportation | 47 | 41 | 50 |
| Professional Services | 10 | 33 | 68 |
| Advertising and promotion | 48 | 36 | 93 |
| Occupancy | 1,801 | 1,709 | 2,092 |
| Collection fees | 50 | 60 | 52 |
| Amortization of tangible capital assets | - | 5,817 | 5,727 |
| Administrative support charged by the City | 429 | 438 | 422 |
| **Total Expenses** | **24,903** | **29,766** | **29,107** |
| **Annual surplus/(deficit)** | **3,891** | **(994)** | **(1,290)** |
| Accumulated surplus, beginning of year | | 76,120 | 77,410 |
| **Accumulated surplus, end of year** | | **75,126** | **76,120** |

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, 2017 with comparatives for 2016
(All dollar amounts are in $000)

| | 2017 Actual $ | 2016 Actual $ |
|---|---|---|
| **Annual surplus/(deficit)** | (994) | (1,290) |
| Tangible capital asset additions | (4,386) | (4,209) |
| Amortization of tangible capital assets | 5,817 | 5,727 |
| **Decrease in net debt** | **437** | **228** |
| **Net debt, beginning of year** | (1,128) | (1,356) |
| **Net debt, end of year** | **(691)** | **(1,128)** |

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

# City of Mississauga - Public Library Board
## Statement of Cash Flows

for the year ended December 31, 2017 with comparatives for 2016
(All dollar amounts are in $000)

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| **Cash provided by (used in):** | | |
| Operating activities: | | |
| **Annual surplus/(deficit)** | (994) | (1,290) |
| **Items not involving cash:** | | |
| Amortization of tangible capital assets | 5,817 | 5,727 |
| Change in employee benefits and other liabilities | (72) | 129 |
| **Change in non-cash working capital:** | | |
| Due from the City of Mississauga | (429) | (431) |
| Deferred revenue | - | (76) |
| Accounts payable and accrued liabilities | 64 | 150 |
| **Net change in cash from operating activities** | **4,386** | **4,209** |
| **Capital Activities:** | | |
| Tangible capital asset additions | (4,386) | (4,209) |
| **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, 2017
(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 ("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 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 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 |
| 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.

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

For the Year Ended December 31, 2017
(All dollar amounts are in $000)

**1. Significant Accounting Policies**

**d) Non-financial assets**

(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 Board 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, 2017, 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 Board'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 Board'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 Board'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

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

For the Year Ended December 31, 2017
(All dollar amounts are in $000)

**1. Significant Accounting Policies**

**f) Future accounting pronouncements**

recognized. This standard is effective for fiscal periods beginning on or after April 1, 2017 (the Board'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 Board'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 Board'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 Board'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 Board'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 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 $1,447 (2016 $1,356) on behalf of these eligible employees and the employees contributed $1,475 (2016 $1,414).

**4. Employee Benefits & 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, 2017, 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, 2017, 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 2017, in accordance with the financial reporting guidelines established by PSAB.

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

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

For the Year Ended December 31, 2017
(All dollar amounts are in $000)

**4. Employee Benefits & other liabilities**

| | 2017 | | | | | 2016 |
|---|---|---|---|---|---|---|
| | WSIB<br>$ | Sick Leave<br>$ | Early Retirement<br>$ | Post-Empoyment<br>$ | Total<br>$ | Total<br>$ |
| Accrued benefit obligation, beginning of year | **103** | **273** | **1,005** | **1,143** | **2,524** | **2,292** |
| Service cost | 15 | 4 | 30 | 7 | **56** | **218** |
| Interest cost | 6 | 7 | 35 | 24 | **72** | **100** |
| Amortization of actuarial (gain)/loss | 4 | (15) | (62) | (18) | **(91)** | **(19)** |
| Benefit payments | (17) | (63) | (53) | (79) | **(212)** | **(170)** |
| **Accrued benefit obligation, end of year** | **111** | **206** | **955** | **1,077** | **2,349** | **2,421** |
| Unamortized actuarial (gain)/loss | 42 | (51) | (45) | (382) | (436) | **(573)** |
| Actuarial valuation update, end of year | 153 | 155 | 910 | 695 | 1,913 | **1,848** |
| Expected average remaining service life | 10 years | 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:

| | WSIB | Sick Leave | Early Retirement | Post Employment |
|---|---|---|---|---|
| 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 | 3.75 % | 4.00 % | 4.00 % | 3.50 % |
| Expected health care increases | 4.75 % | 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:

| | $ |
|---|---|
| 2018 | 323 |
| 2019 | 219 |
| 2020 | 181 |
| 2021 | 186 |
| 2022 | 48 |
| Total | **957** |

**6. Budget adoption**

The 2017 budget, as approved by Council, was adopted by the Board at the February 15, 2017 meeting.

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

For the Year Ended December 31, 2017
(All dollar amounts are in $000)

**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, 2016 $ | Additions $ | Disposals $ | December 31, 2017 $ |
|---|---|---|---|---|
| Land | 1,247 | - | - | 1,247 |
| Land improvements | 404 | - | - | 404 |
| Buildings | 97,896 | 304 | - | 98,200 |
| Equipment, books and other | 58,303 | 4,025 | - | 62,328 |
| Vehicles | 145 | 57 | - | 202 |
| **Total** | **157,995** | **4,386** | - | **162,381** |

| Accumulated Amortization | December 31, 2016 $ | Amortization Expense $ | Disposals $ | December 31, 2017 $ |
|---|---|---|---|---|
| Land | - | - | - | - |
| Land improvements | 316 | 11 | - | 327 |
| Buildings | 38,045 | 2,552 | - | 40,597 |
| Equipment, books and other | 42,261 | 3,238 | - | 45,499 |
| Vehicles | 125 | 16 | - | 141 |
| **Total** | **80,747** | **5,817** | - | **86,564** |

| Net Book Value | December 31, 2016 $ | December 31, 2017 $ |
|---|---|---|
| Land | 1,247 | 1,247 |
| Land Improvements | 88 | 77 |
| Buildings | 59,851 | 57,603 |
| Equipment, books and other | 16,042 | 16,829 |
| Vehicles | 20 | 61 |
| **Total** | **77,248** | **75,817** |

Financial Statements of

# CITY OF MISSISSAUGA CLARKSON VILLAGE BUSINESS IMPROVEMENT ASSOCIATION

Year ended December 31, 2017

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 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, 2017, 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 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.

KPMG



We believe that the audit evidence we have obtained in our audit 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, 2017, and its results of operations 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

March 19, 2018

Vaughan, Canada

# CITY OF MISSISSAUGA CLARKSON VILLAGE BUSINESS IMPROVEMENT ASSOCIATION

Statement of Financial Position

December 31, 2017, with comparative information for 2016

| | | 2017 | | 2016 |
|---|---|---|---|---|
| **Financial assets:** | | | | |
| Cash | $ | 64,159 | $ | 67,087 |
| Accounts receivable and other assets | | 5,224 | | 4,826 |
| | | 69,383 | | 71,913 |
| **Financial liabilities:** | | | | |
| Accounts payable and accrued liabilities | $ | 819 | $ | 1,865 |
| Due to The Corporation of the City of Mississauga (note 2) | | 2,989 | | 2,717 |
| | | 3,808 | | 4,582 |
| Net financial assets | | 65,575 | | 67,331 |
| Tangible capital assets (note 3) | | 10,731 | | 13,414 |
| Accumulated surplus (note 4) | $ | 76,306 | $ | 80,745 |

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director
Treasurer

# CITY OF MISSISSAUGA CLARKSON VILLAGE BUSINESS IMPROVEMENT ASSOCIATION

Statement of Operations and Accumulated Surplus

Year ended December 31, 2017, with comparative information for 2016

| | 2017 Budget | 2017 | 2016 |
|---|---|---|---|
| Revenue: | | | |
| Special levy on business assessment | $ 73,000 | $ 70,011 | $ 70,283 |
| Sponsorship | 4,000 | 7,650 | - |
| Other | 20,800 | 7,003 | 604 |
| | 97,800 | 84,664 | 70,887 |
| Expenses: | | | |
| Advertising and promotion | 34,880 | 32,407 | 21,854 |
| Beautification and maintenance | 60,250 | 31,679 | 33,059 |
| Office and general | 27,670 | 17,092 | 920 |
| Professional fees | 2,500 | 2,900 | 3,036 |
| Amortization | - | 2,683 | 3,353 |
| Insurance | 2,000 | 2,217 | 2,036 |
| Sponsorship | 500 | 125 | 125 |
| | 127,800 | 89,103 | 64,383 |
| Annual surplus (deficit) | (30,000) | (4,439) | 6,504 |
| Accumulated surplus, beginning of year | - | 80,745 | 74,241 |
| Accumulated surplus, end of year (note 4) | $ - | $ 76,306 | $ 80,745 |

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, 2017, with comparative information for 2016

| | | 2017 | | 2016 |
|---|---|---|---|---|
| Annual surplus (deficit) | $ | (4,439) | $ | 6,504 |
| Amortization of tangible capital assets | | 2,683 | | 3,353 |
| Change in net financial assets | | (1,756) | | 9,857 |
| Net financial assets, beginning of year | | 67,331 | | 57,474 |
| Net financial assets, end of year | $ | 65,575 | $ | 67,331 |

See accompanying notes to financial statements.

# CITY OF MISSISSAUGA CLARKSON VILLAGE BUSINESS IMPROVEMENT ASSOCIATION

Statement of Cash Flows

Year ended December 31, 2017, with comparative information for 2016

| | 2017 | 2016 |
|---|---|---|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Annual surplus (deficit) | $ (4,439) | $ 6,504 |
| Items not involving cash: | | |
| Amortization of tangible capital assets | 2,683 | 3,353 |
| Changes in non-cash operating working capital: | | |
| Accounts receivable and other assets | (398) | 3,633 |
| Accounts payable and accrued liabilities | (1,046) | (206) |
| | (3,200) | 13,284 |
| Financing: | | |
| Due to the Corporation of the City of Mississauga | 272 | 1,180 |
| Increase (decrease) in cash | (2,928) | 14,464 |
| Cash, beginning of year | 67,087 | 52,623 |
| Cash, end of year | $ 64,159 | $ 67,087 |

See accompanying notes to financial statements.

# CITY OF MISSISSAUGA CLARKSON VILLAGE BUSINESS IMPROVEMENT ASSOCIATION

Notes to Financial Statements

Year ended December 31, 2017

**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 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 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, 2017

**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 the Corporation of the City of Mississauga:**

The amount due to The Corporation of the City of Mississauga includes the cumulative underlevy as of December 31, 2017. The amount is non-interest bearing and payable on demand.

**3. Tangible capital assets:**

| | | | 2017 | 2016 |
|---|---|---|---|---|
| | Cost | Accumulated amortization | Net book value | Net book value |
| Furniture and fixtures | $ 23,167 | $ 12,436 | $ 10,731 | $ 13,414 |

**4. Accumulated surplus:**

Accumulated surplus at December 31 comprised the following:

| | 2017 | 2016 |
|---|---|---|
| Reserve for working capital needs | $ 65,575 | $ 67,331 |
| Invested in tangible capital assets | 10,731 | 13,414 |
| | $ 76,306 | $ 80,745 |

Financial Statements of

# CITY OF MISSISSAUGA PORT CREDIT BUSINESS IMPROVEMENT AREA

Year ended December 31, 2017

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 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, 2017, 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

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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, 2017, 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 28, 2018

Vaughan, Canada

# CITY OF MISSISSAUGA PORT CREDIT BUSINESS IMPROVEMENT AREA

Statement of Financial Position

December 31, 2017, with comparative information for 2016

| | | 2017 | | 2016 |
|---|---|---|---|---|
| **Financial Assets:** | | | | |
| Cash | $ | 96,121 | $ | 91,949 |
| Accounts receivable | | 42,430 | | 39,811 |
| | | 138,551 | | 131,760 |
| **Financial Liabilities:** | | | | |
| Accounts payable and accrued liabilities | $ | 32,445 | $ | 25,695 |
| Due to The Corporation of the City of Mississauga (note 2) | | 44,697 | | 37,151 |
| | | 77,142 | | 62,846 |
| Net financial assets | | 61,409 | | 68,914 |
| Prepaid expenses | | 21,253 | | 18,443 |
| Tangible capital assets (note 3) | | 58,038 | | 68,191 |
| Commitments (note 5) | | | | |
| Accumulated surplus (note 4) | $ | 140,700 | $ | 155,548 |

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, 2017, with comparative information for 2016

| | 2017 Budget | 2017 | 2016 |
|---|---|---|---|
| Revenue: | | | |
| Special levy on business assessment | $ 827,664 | $ 782,967 | $ 774,540 |
| Fundraising | 174,465 | 187,501 | 190,247 |
| | 1,002,129 | 970,468 | 964,787 |
| Expenses: | | | |
| Office and general | 258,866 | 264,112 | 262,233 |
| Project expenses | 235,590 | 242,596 | 247,510 |
| Beautification and maintenance | 246,500 | 219,722 | 219,405 |
| Advertising and promotion | 117,271 | 122,612 | 116,940 |
| Sponsorships | 77,000 | 77,525 | 64,410 |
| Amortization | - | 27,448 | 28,125 |
| Business development | 18,200 | 21,273 | 17,612 |
| Information technology | 6,975 | 6,841 | 2,605 |
| Repairs and maintenance | 4,000 | 3,187 | 2,973 |
| | 964,402 | 985,316 | 961,813 |
| Annual surplus (deficit) | 37,727 | (14,848) | 2,974 |
| Accumulated surplus, beginning of year | - | 155,548 | 152,574 |
| Accumulated surplus, end of year (note 4) | $ - | $ 140,700 | $ 155,548 |

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, 2017, with comparative information for 2016

| | | 2017 | | 2016 |
|---|---|---|---|---|
| Annual surplus (deficit) | $ | (14,848) | $ | 2,974 |
| Additions to tangible capital assets | | (17,295) | | (7,192) |
| Amortization of tangible capital assets | | 27,448 | | 28,125 |
| Change in prepaid expenses | | (2,810) | | (5,861) |
| Change in net financial assets | | (7,505) | | 18,046 |
| Net financial assets, beginning of year | | 68,914 | | 50,868 |
| Net financial assets, end of year | $ | 61,409 | $ | 68,914 |

See accompanying notes to financial statements.

# CITY OF MISSISSAUGA PORT CREDIT BUSINESS IMPROVEMENT AREA

Statement of Changes in Cash Flows

Year ended December 31, 2017, with comparative information for 2016

| | 2017 | 2016 |
|---|---|---|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Annual surplus (deficit) | $ (14,848) | $ 2,974 |
| Item not involving cash: | | |
| Amortization of tangible capital assets | 27,448 | 28,125 |
| Changes in non-cash operating working capital: | | |
| Increase in accounts receivable | (2,619) | (6,300) |
| Increase in prepaid expenses | (2,810) | (5,861) |
| Increase (decrease) in accounts payable and accrued liabilities | 6,750 | (17,117) |
| Decrease in deferred revenue | - | (6,969) |
| Increase (decrease) in due to The Corporation of the City of Mississauga | 7,546 | (38,640) |
| | 21,467 | (43,788) |
| Capital activities: | | |
| Additions to tangible capital assets | (17,295) | (7,192) |
| Increase (decrease) in cash | 4,172 | (50,980) |
| Cash, beginning of year | 91,949 | 142,929 |
| Cash, end of year | $ 96,121 | $ 91,949 |

See accompanying notes to financial statements.

# CITY OF MISSISSAUGA PORT CREDIT BUSINESS IMPROVEMENT AREA

Notes to Financial Statements

Year ended December 31, 2017

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 Organization 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 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 Corporation of 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, 2017

## 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, 2017. The amount is non-interest bearing and payable on demand.

## 3. Tangible capital assets:

| | | | 2017 | 2016 |
|---|---|---|---|---|
| | Cost | Accumulated amortization | Net book value | Net book value |
| Machinery and equipment | $ 74,559 | $ 62,490 | $ 12,069 | $ 2,303 |
| Furniture and fixtures | 15,374 | 10,184 | 5,190 | 7,632 |
| Leasehold improvements | 86,675 | 45,896 | 40,779 | 58,256 |
| | $ 176,608 | $ 118,570 | $ 58,038 | $ 68,191 |

# CITY OF MISSISSAUGA PORT CREDIT BUSINESS IMPROVEMENT AREA

Notes to Financial Statements (continued)

Year ended December 31, 2017

## 4. Accumulated surplus:

The accumulated surplus at December 31 comprised the following:

| | | 2017 | | 2016 |
|---|---|---|---|---|
| Invested in tangible capital assets | $ | 58,038 | $ | 68,191 |
| Reserves for working capital needs | | 82,662 | | 87,357 |
| | $ | 140,700 | $ | 155,548 |

## 5. Commitments:

The Organization has 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 the current year, expiring in 2018.

Amounts payable under these agreements are approximately as follows:

| | | |
|---|---|---|
| 2018 | $ | 213,730 |
| 2019 | | 14,170 |
| 2020 | | 4,760 |
| | $ | 232,660 |

## 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, 2017

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 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, 2017, 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. 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.

KPMG

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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, 2017, 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 2, 2018

Vaughan, Canada

# CITY OF MISSISSAUGA STREETSVILLE BUSINESS IMPROVEMENT DISTRICT ASSOCIATION

Statement of Financial Position

December 31, 2017, with comparative information for 2016

| | | 2017 | | 2016 |
|---|---|---|---|---|
| **Financial assets:** | | | | |
| Cash | $ | 18,438 | $ | 6,640 |
| Accounts receivable | | 29,300 | | 33,202 |
| Due from The Corporation of the City of Mississauga | | - | | 2,144 |
| | $ | 47,738 | $ | 41,986 |
| **Financial liabilities:** | | | | |
| Accounts payable and accrued liabilities | $ | 9,950 | $ | 9,759 |
| Due to The Corporation of the City of Mississauga (note 2) | | 13,759 | | - |
| Deferred revenue | | 1,922 | | - |
| | | 25,631 | | 9,759 |
| Net financial assets | | 22,107 | | 32,227 |
| Tangible capital assets (note 3) | | 82,583 | | 98,093 |
| Commitment (note 5) | | | | |
| Accumulated surplus (note 4) | $ | 104,690 | $ | 130,320 |

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, 2017, with comparative information for 2016

| | 2017 Budget | 2017 | 2016 |
|---|---|---|---|
| Revenue: | | | |
| Special levy on business assessment | $ 300,466 | $ 286,707 | $ 295,568 |
| Fundraising | 101,500 | 126,018 | 105,184 |
| Other income | 3,000 | 35 | 93 |
| | 404,966 | 412,760 | 400,845 |
| Expenses: | | | |
| Advertising and promotion | 134,850 | 163,919 | 127,694 |
| Office and administration | 147,112 | 152,060 | 134,817 |
| Beautification and maintenance | 110,504 | 99,351 | 112,461 |
| Amortization of capital assets | - | 23,060 | 20,320 |
| | 392,466 | 438,390 | 395,292 |
| Annual surplus (deficit) | 12,500 | (25,630) | 5,553 |
| Accumulated surplus, beginning of year | - | 130,320 | 124,767 |
| Accumulated surplus, end of year (note 4) | $ 12,500 | $ 104,690 | $ 130,320 |

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, 2017, with comparative information for 2016

| | 2017 | 2016 |
|---|---|---|
| Annual surplus (deficit) | $ (25,630) | $ 5,553 |
| Additions to tangible capital assets | (7,550) | (37,609) |
| Amortization of tangible capital assets | 23,060 | 20,320 |
| Change in net financial assets | (10,120) | (11,736) |
| Net financial assets, beginning of year | 32,227 | 43,963 |
| Net financial assets, end of year | $ 22,107 | $ 32,227 |

See accompanying notes to financial statements.

# CITY OF MISSISSAUGA STREETSVILLE BUSINESS IMPROVEMENT DISTRICT ASSOCIATION

Statement of Cash Flows

Year ended December 31, 2017, with comparative information for 2016

| | 2017 | 2016 |
|---|---|---|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Annual surplus (deficit) | $ (25,630) | $ 5,553 |
| Item not involving cash: | | |
| Amortization of tangible capital assets | 23,060 | 20,320 |
| Changes in non-cash operating working capital: | | |
| Decrease in investments | - | 32,097 |
| Decrease in accounts receivable | 3,902 | 3,095 |
| Increase (decrease) in accounts payable and accrued liabilities | 191 | (6,596) |
| Increase (decrease) in due to The Corporation of the City of Mississauga | 15,903 | (6,243) |
| Increase in deferred revenue | 1,922 | - |
| | 19,348 | 48,226 |
| Capital activities: | | |
| Additions to tangible capital assets | (7,550) | (37,609) |
| Increase in cash | 11,798 | 10,617 |
| Cash, beginning of year | 6,640 | (3,977) |
| Cash, end of year | $ 18,438 | $ 6,640 |

See accompanying notes to financial statements.

# CITY OF MISSISSAUGA STREETSVILLE BUSINESS IMPROVEMENT DISTRICT ASSOCIATION

Notes to Financial Statements

Year ended December 31, 2017

---

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 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.

# CITY OF MISSISSAUGA STREETSVILLE BUSINESS IMPROVEMENT DISTRICT ASSOCIATION

Notes to Financial Statements (continued)

Year ended December 31, 2017

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**1. Significant accounting policies (continued):**

Amortization of tangible capital assets is provided on a straight-line basis as follows:

| Asset | Basis | Rate |
|---|---|---|
| Furniture, fixtures and decoratives | Straight line | 5 - 10 years |
| Benches | 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 revenues 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 as at December 31, 2017 (2016 - overlevy). The amount is non-interest bearing and payable on demand.

**3. Tangible capital assets:**

| | | | 2017 | 2016 |
|---|---|---|---|---|
| | Cost | Accumulated amortization | Net book value | Net book value |
| Furniture, fixtures and decoratives | $ 153,732 | $ 79,579 | $ 74,153 | $ 90,089 |
| Benches | 25,113 | 16,683 | 8,430 | 8,004 |
| | $ 178,845 | $ 96,262 | $ 82,583 | $ 98,093 |

# CITY OF MISSISSAUGA STREETSVILLE BUSINESS IMPROVEMENT DISTRICT ASSOCIATION

Notes to Financial Statements (continued)

Year ended December 31, 2017

## 4. Accumulated surplus:

The accumulated surplus as at December 31 comprises the following:

| | 2017 | 2016 |
|---|---|---|
| Reserve for working capital needs | $ 22,107 | $ 32,227 |
| Invested in tangible capital assets | 82,583 | 98,093 |
| | $ 104,690 | $ 130,320 |

## 5. Commitment:

The Association has entered into an operating lease commitment for premises expiring in 2020. The minimum annual payments are approximately as follows:

| | |
|---|---|
| 2018 | $ 16,500 |
| 2019 | 16,500 |
| 2020 | 15,125 |
| | $ 48,125 |

## 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 MALTON BUSINESS IMPROVEMENT AREA

Year ended December 31, 2017

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 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, 2017, 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.

KPMG



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, 2017, 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.

Chartered Professional Accountants, Licensed Public Accountants

March 6, 2018

Vaughan, Canada

# CITY OF MISSISSAUGA MALTON BUSINESS IMPROVEMENT AREA

Statement of Financial Position

December 31, 2017, with comparative information for 2016

| | | 2017 | | 2016 |
|---|---|---|---|---|
| **Financial Assets:** | | | | |
| Cash | $ | 101,613 | $ | 68,266 |
| Accounts receivable and other assets | | 18,061 | | 46,128 |
| Due from The Corporation of the City of Mississauga (note 2) | | - | | 11,353 |
| | $ | 119,674 | $ | 125,747 |
| **Financial Liabilities:** | | | | |
| Accounts payable and accrued liabilities | $ | 4,903 | $ | 3,030 |
| Due to The Corporation of the City of Mississauga (note 2) | | 18,479 | | - |
| | | 23,382 | | 3,030 |
| Net financial assets | | 96,292 | | 122,717 |
| Tangible capital assets (note 3) | | 41,301 | | 36,802 |
| Commitment (note 5) | | | | |
| Accumulated surplus (note 4) | $ | 137,593 | $ | 159,519 |

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, 2017, with comparative information for 2016

| | 2017 Budget | 2017 | 2016 |
|---|---|---|---|
| Revenue: | | | |
| Special levy on business assessment | $ 120,000 | $ 101,521 | $ 125,355 |
| Special event - Canada Day sponsorship revenue | 90,000 | 41,700 | 55,450 |
| Special event - CF-100 sponsorship revenue | - | 38,645 | - |
| Special event - Paul Coffey sponsorship revenue | - | - | 23,000 |
| Other grants revenue | 40,000 | 31,739 | 30,565 |
| Other revenue | 300 | 2,750 | 5 |
| | 250,300 | 216,355 | 234,375 |
| Expenses: | | | |
| Special event - Canada Day expenses | 120,000 | 78,392 | 73,824 |
| Office and administration | 58,050 | 62,919 | 51,208 |
| Special event - CF-100 expenses | - | 46,667 | - |
| Beautification and maintenance | 25,000 | 23,817 | 14,728 |
| Advertising and promotion | 18,850 | 15,337 | 16,179 |
| Amortization | - | 7,896 | 23,182 |
| Other event expense | - | 3,253 | - |
| Special event - Paul Coffey expenses | - | - | 32,130 |
| Sponsorship expense | 14,750 | - | 3,852 |
| | 236,650 | 238,281 | 215,103 |
| Annual surplus (deficit) | (13,650) | (21,926) | 19,272 |
| Accumulated surplus, beginning of year | - | 159,519 | 140,247 |
| Accumulated surplus, end of year (note 4) | $ - | $ 137,593 | $ 159,519 |

See accompanying notes to financial statements.

# CITY OF MISSISSAUGA MALTON BUSINESS IMPROVEMENT AREA

Statement of Change in Net Financial Assets

Year ended December 31, 2017, with comparative information for 2016

| | 2017 | 2016 |
|---|---|---|
| Annual surplus (deficit) | $ (21,926) | $ 19,272 |
| Additions to tangible capital assets | (12,395) | (36,124) |
| Amortization of tangible capital assets | 7,896 | 23,182 |
| Change in net financial assets | (26,425) | 6,330 |
| Net financial assets, beginning of year | 122,717 | 116,387 |
| Net financial assets, end of year | $ 96,292 | $ 122,717 |

See accompanying notes to financial statements.

# CITY OF MISSISSAUGA MALTON BUSINESS IMPROVEMENT AREA

Statement of Cash Flows

Year ended December 31, 2017, with comparative information for 2016

| | | 2017 | | 2016 |
|---|---|---|---|---|
| Cash provided by (used in): | | | | |
| Operating activities: | | | | |
| Annual surplus | $ | (21,926) | $ | 19,272 |
| Item not involving cash: | | | | |
| Amortization of tangible capital assets | | 7,896 | | 23,182 |
| Changes in non-cash operating working capital: | | | | |
| Decrease (increase) in accounts receivable and other assets | | 28,067 | | (25,262) |
| Increase in accounts payable and accrued liabilities | | 1,873 | | 1,200 |
| Decrease in due to The Corporation of the City of Mississauga | | (18,764) | | (16,855) |
| | | 45,742 | | 1,537 |
| Capital activities: | | | | |
| Additions to tangible capital assets | | (12,395) | | (36,124) |
| Increase (decrease) in cash | | 33,347 | | (34,587) |
| Cash, beginning of year | | 68,266 | | 102,853 |
| Cash, end of year | $ | 101,613 | $ | 68,266 |

See accompanying notes to financial statements.

# CITY OF MISSISSAUGA MALTON BUSINESS IMPROVEMENT AREA

Notes to Financial Statements

Year ended December 31, 2017

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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, 2017

## 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 (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, 2017. The amount is non-interest bearing and payable/receivable on demand.

## 3. Tangible capital assets:

| | | | 2017 | 2016 |
|---|---|---|---|---|
| | Cost | Accumulated amortization | Net book value | Net book value |
| Fixtures and decorations | $ 117,557 | $ 76,256 | $ 41,301 | $ 36,802 |

## 4. Accumulated surplus:

The accumulated surplus as at December 31 comprises the following:

| | 2017 | 2016 |
|---|---|---|
| Reserve for working capital needs | $ 96,292 | $ 122,717 |
| Invested in tangible capital assets | 41,301 | 36,802 |
| | $ 137,593 | $ 159,519 |

# CITY OF MISSISSAUGA MALTON BUSINESS IMPROVEMENT AREA

Notes to Financial Statements (continued)

Year ended December 31, 2017

## 5. Commitment:

The Association has entered into an operating agreement for utilities that expires in 2021. The annual commitments are approximately as follows:

| | | |
|---|---|---|
| 2018 | $ | 1,350 |
| 2019 | | 1,350 |
| 2020 | | 1,350 |
| 2021 | | 1,020 |

Consolidated Financial Statements of

# ENERSOURCE CORPORATION

Years ended December 31, 2017 and December 31, 2016

KPMG LLP
Bay Adelaide Centre
333 Bay Street, Suite 4600
Toronto, ON M5H 2S5
Canada
Tel 416-777-8500
Fax 416-777-8818

# 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 2017, the consolidated statements 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 is sufficient and appropriate to provide a basis for our audit opinion.

_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, 2017, 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

April 24, 2018
Toronto, Canada

# ENERSOURCE CORPORATION

**Consolidated Statement of Financial Position**
(In thousands of Canadian dollars)
As at December 31, 2017 and December 31, 2016

| | Note | December 31, 2017 | December 31, 2016 |
|---|---|---|---|
| **Assets** | | | |
| Current assets: | | | |
| Cash | | $ 3,533 | $ - |
| Accounts receivable | 5 | - | 93,851 |
| Unbilled revenue | | - | 90,742 |
| Income taxes receivable | | 3 | 2,638 |
| Inventories | 6 | - | 5,254 |
| Prepaid expense and other receivables | | 98 | 2,892 |
| Customer deposits | 7 | - | 24,538 |
| Total current assets | | 3,634 | 219,915 |
| Non-current assets: | | | |
| Investment in Alectra | 8 | 593,079 | - |
| Property, plant and equipment | 9 | - | 645,575 |
| Intangible assets | 10 | - | 54,079 |
| Promissory note | | | 1,675 |
| Deferred tax assets | | - | 377 |
| Unrealized fair value gain on interest rate swap | | 422 | - |
| Total non-current assets | | 593,501 | 701,706 |
| **Total assets** | | **$ 597,135** | **$ 921,621** |
| **Liabilities and Shareholders' Equity** | | | |
| Current liabilities: | | | |
| Bank overdraft | | $ - | 50,158 |
| Accounts payable & accrued liabilities | 12 | 83 | 120,124 |
| Income taxes payable | | - | 39 |
| Current portion of loans and borrowings | 13 | - | 59,968 |
| Advance payments | | - | 3,821 |
| Customer deposits | | - | 24,538 |
| Environmental provision | 19 | - | 566 |
| Total current liabilities | | 83 | 259,214 |
| Non-current liabilities: | | | |
| Loans and borrowings | 13 | 58,125 | 318,341 |
| Deferred contributions | 14 | - | 24,729 |
| Post-employment benefits | 15 | - | 6,715 |
| Deferred tax liabilities | | - | 386 |
| Total non-current liabilities | | 58,125 | 350,171 |
| Total liabilities | | 58,208 | 609,385 |
| Shareholders' equity: | | | |
| Share capital | 16 | 175,691 | 175,691 |
| Accumulated other comprehensive income/(loss) | | (3.532) | 1,118 |
| Retained earnings | | 366,768 | 135,427 |
| Total shareholders' equity | | 538,927 | 312,236 |
| **Total liabilities and shareholders' equity** | | **$ 597,135** | **$ 921,621** |

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, 2017 and 2016

| | Notes | December 31, 2017 | December 31, 2016 |
|---|---|---|---|
| **REVENUE:** | | | |
| Energy sales | | 70,863 | 938,145 |
| Distribution | | 10,607 | 140,144 |
| Services | | 1,308 | 16,491 |
| Other revenue | | 1,356 | 22,090 |
| **Total operating revenue** | | **84,134** | **1,116,870** |
| **EXPENSES:** | | | |
| Energy purchases | | 74,559 | 932,308 |
| Employee salaries and benefits | | 3,603 | 39,593 |
| Materials and transportation | | 788 | 7,920 |
| Contract labor | | 814 | 12,981 |
| Other expenses | | 1,870 | 16,429 |
| Conservation and demand management | | 892 | 16,467 |
| Depreciation of property, plant and equipment | 9 | 2,457 | 29,070 |
| Amortization of intangible assets | 10 | 390 | 4,925 |
| **Total operating expenses** | | **85,373** | **1,059,693** |
| **Results from operating activities** | | **(1,239)** | **57,177** |
| **Non-operating revenue (expenses):** | | | |
| Gain on exchange of investment in Enersource Holdings for investment in Alectra | 8 | 225,260 | - |
| Share of net income from investment in Alectra | 8 | 23,330 | - |
| Financial income | | 134 | 288 |
| Financial expense | | (2,700) | (17,089) |
| Interest expense on post-employment benefits | 15 | (19) | (298) |
| Unrealized fair value gain on interest rate swap | | 422 | - |
| | | 246,427 | (17,099) |
| Profit before income taxes | | 245,188 | 40,078 |
| Income tax recovery/(expense) | 11 | 493 | (10,915) |
| Profit for the year | | 245,681 | 29,163 |
| Other comprehensive income/(loss), net of income tax: | | | |
| Share of other comprehensive (loss) from investment in Alectra | 8 | (4,650) | - |
| Re-measurements of defined benefit obligation | 15 | - | 920 |
| Income tax (expense)/recovery | | - | (244) |
| | | **(4,650)** | **676** |
| **Total comprehensive income for the period** | | **241,031** | **29,839** |

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, 2017 and 2016

| | Notes | December 31, 2017 | December 31, 2016 |
|---|---|---|---|
| Cash flows from operating activities: | | | |
| Comprehensive income for the year | | $ 241,031 | $ 29,839 |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | 9 | 2,457 | 29,070 |
| Amortization of intangible assets | 10 | 390 | 4,925 |
| Gain on investment in Alectra | 8 | (225,260) | - |
| Share of net income from investment in Alectra | 8 | (23,330) | - |
| Share of OCI from investment in Alectra | 8 | 4,650 | - |
| Amortization of deferred contributions | | (53) | (575) |
| Loss/(gain) on disposals of property, plant and equipment | 9 | 5 | (104) |
| Post-employment benefits | 15 | 27 | (750) |
| Environmental provision | 19 | 13 | 1,711 |
| Unrealized fair value gain on interest rate swap | | (422) | - |
| Income tax (recovery) expense | 11 | (493) | 11,159 |
| Financial income | | (134) | (288) |
| Financial expense | | 2,700 | 17,089 |
| Promissory note | | - | 393 |
| Income tax paid | | (55) | (2,012) |
| Changes in non-cash working capital balances | 17 | 6,997 | (35,434) |
| Cash from operating activities | | 8,523 | 55,023 |
| Cash flows from investing activities: | | | |
| Customer deposits | | 261 | 759 |
| Interest received | | 134 | 367 |
| Additions to property, plant and equipment | | (3,662) | (72,436) |
| Additions to intangible assets | | (149) | (2,012) |
| Additions to deferred contributions | 14 | 411 | 4,235 |
| Proceeds from sales of property, plant and equipment | | 15 | 110 |
| | | - | - |
| Dividend from Alectra | | 8,629 | - |
| Bank overdraft eliminated upon disposition of Enersource Holdings | | 46,253 | - |
| Working capital payment from Alectra | | 1,200 | - |
| Equity injection to Enersource Holdings | | (50,000) | - |
| Cash from/(used in) investing activities | | 3,092 | (68,977) |
| Cash flows from financing activities: | | | |
| Customer deposits | 7 | (261) | (759) |
| Proceeds from bank loans | | 69,836 | - |
| Repayment of bank loans | | (11,875) | - |
| Dividends paid | 16 | (14,340) | (14,224) |
| Interest paid | | (1,284) | (17,323) |
| Cash from/(used in) financing activities | | 42,076 | (32,306) |
| Increase/(decrease) in cash during the year | | 53,691 | (46,260) |
| Cash, beginning of the year | | (50,158) | (3,898) |
| **Cash, end of the year** | | $ 3,533 | $ (50,158) |

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, 2017 and 2016

| | Share Capital | Accumulated Other Comprehensive Income/(Loss) | Retained Earnings | Total Equity |
|---|---|---|---|---|
| Balance at January 1, 2017 | $ 175,691 | $ 1,118 | $ 135,427 | $ 312,236 |
| Profit for the year | - | - | 245,681 | 245,681 |
| Other comprehensive loss, net of tax | - | (4,650) | - | (4,650) |
| Dividends paid | - | - | (14,340) | (14,340) |
| **Balance at December 31, 2017** | **$ 175,691** | **($3,532)** | **$ 366,768** | **$ 538,927** |
| | | | | |
| **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** |

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

# ENERSOURCE CORPORATION

Notes to the Consolidated Financial Statements
(In thousands of Canadian dollars)
Years ended December 31, 2017 and 2016

## 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 300 City Centre Drive, Mississauga, Ontario, L5B 3C1.

The accompanying audited consolidated financial statements include the accounts of the Corporation's wholly owned subsidiaries up to and including January 31, 2017: Enersource Holdings Inc. ("Enersource Holdings"), Enersource Hydro Mississauga Inc. ("Enersource Hydro") and Enersource Services Inc. ("Enersource Services"), Enersource Technologies Inc. ("Technologies") and Enersource Power Services Inc. ("Power Services").

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

Enersource Holdings was incorporated on October 10, 2016 and was established to serve as a holding company for Enersource Hydro and Enersource Services. On January 31, 2017, Enersource Holdings purchased all the shares of Enersource Hydro and Enersource Services from the Corporation, including the majority of the Corporation's assets and liabilities in exchange for shares of Enersource Holdings. In addition, all employees and their related assets and liabilities were transferred from the Corporation to Enersource Hydro in exchange for one share of Enersource Hydro. The transaction was accounted for as reorganization among entities under common control, therefore book value accounting was applied for consolidation purposes.

On January 31, 2017 as part of a series of unrelated transactions, the Corporation disposed of its wholly-owned subsidiary, Enersource Holdings. On the same date, Enersource Holdings amalgamated with PowerStream Holdings Inc. ("PowerStream") and Horizon Holdings Inc. ("Horizon") to form Alectra Inc. ("Alectra"). Alectra's primary businesses are to distribute electricity to customers in municipalities in the greater golden horseshoe area as well as provide non-regulated energy services. In consideration for its disposition of Enersource Holdings, the Corporation received a 31% ownership interest in Alectra's issued and outstanding common shares. Accordingly, the Corporation is considered to have significant influence over Alectra's financial and operating policies and has accounted for its investment in Alectra under the equity method. Refer to note 8 for further details.

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

i) Prior to January 31, 2017

Prior to the disposition of Enersource Holdings on January 31, 2017, the Corporation provided electricity distribution services to businesses and residences in the City of Mississauga, Ontario through its subsidiary, Enersource Hydro.

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

ii) Post January 31, 2017

Subsequent to the disposition of Enersource Holdings on January 31, 2017, the Corporation acts as a holding company. The Corporation's principal business activity is to hold a 31% equity interest in Alectra. Dividends are received from Alectra. The Corporation also distributes dividends to its shareholders annually.

## 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 April 24, 2018.

b) Basis of measurement

These financial statements have been prepared on a historical cost basis, with the exception of the unrealized fair value gain on interest rate swap, which is measured at fair value.

c) Rate setting

Enersource Hydro, as an electricity distributor, was 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 that were charged by Enersource Hydro and establishing standards of service for Enersource Hydro's customers.

# ENERSOURCE CORPORATION

Notes to the Consolidated Financial Statements
(In thousands of Canadian dollars)
Years ended December 31, 2017 and 2016

## 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 relied 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.

b) Post-employment benefits other than pensions

Up until January 31, 2017 the cost of post-employment benefit was 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 were 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

Up until January 31, 2017, unbilled revenue was 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 applied judgement to the measurement of the estimated consumption and to the valuation of that consumption.

## ENERSOURCE CORPORATION

Notes to the Consolidated Financial Statements
(In thousands of Canadian dollars)
Years ended December 31, 2017 and 2016

### 4. Significant Accounting Policies

a) Financial instruments

All financial instruments are initially recognized at fair value on the statement of financial position. The Corporation has classified financial instruments into one of the following categories: fair value through profit or loss and other financial liabilities. Subsequent measurement of financial instruments is based on their classification.

Financial assets and liabilities classified as fair value through profit or loss are measured at fair value with changes in those for values recognized in the consolidated statement of loss and comprehensive loss for the year. These include cash and unrealized fair value gain on interest rate swap.

Other financial liabilities are measured at amortized cost using the effective interest method and include accounts payable & accrued liabilities and loans and borrowings.

b) Investment in Alectra

The Corporation's interest in Alectra is an equity accounted investee. Equity accounted investees are those entities in which the Corporation has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Corporation has joint control, whereby the Corporation has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. Interest in associates or joint ventures are accounted for using the equity method. They are initially recognised at cost, which includes transition costs. Subsequent to initial recognition, the consolidated financial statements include the Corporation's share of profit of loss and OCI of equity accounted investees, until the date on which significant influence or joint control ceases.

c) Inventories

Up until January 31, 2017, inventories consisted of parts and supplies acquired for internal construction, consumption or recoverable work. The Corporation accounted for major spare parts and standby equipment as property, plant and equipment.

Inventory was 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 was comprised of the purchase price and other directly attributable expenditures to bring the inventories to their present condition and location.

d) Customer deposits

Up until January 31, 2017, the Corporation's customers may have been required to post security to obtain electricity or other services, which were interest bearing and refundable on demand. Where the security posted was in the form of cash, these amounts were recorded as customer deposits and were reported separately from the Corporation's own cash.

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e) Property, plant and equipment ("PP&E")

Up until January 31, 2017, PP&E was measured at cost less accumulated depreciation and impairment losses. Cost included 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 were included in an asset's carrying amount or recognized as a separate asset, where appropriate, only when it was probable that future economic benefits associated with the item would 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, were expensed as incurred. Major spare parts and standby equipment were accounted for as PP&E since they support the Corporation's distribution system reliability.

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

Depreciation of PP&E was 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 were 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 were not available for use, were not depreciated.

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

f) Intangible assets

Up until January 31, 2017, intangible assets included easements, capital contributions and computer software.

Easements were measured at cost and were 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 were not amortized.

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

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Computer software was measured at cost less accumulated amortization and impairment losses. Cost included 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 were 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 were 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 were 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 |

g) 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 was tested and assessed.

PP&E and intangible assets with finite lives were tested for recoverability at the cash-generating unit ("CGU") level (or groups of CGUs), which was the smallest identifiable group of assets that generates independent cash inflows. An impairment of PP&E and intangible assets with finite lives was recognized in the statement of comprehensive income when the asset's carrying value exceeds its estimated recoverable amount. The recoverable amount was 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 was used as the recoverable amount. Value in use was 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 evaluated intangible assets with indefinite life for impairment annually or whenever events or changes in circumstances indicated the carrying amount may not be recoverable. For purposes of such an evaluation, the fair value estimate was compared to the carrying amount of the asset to determine if a write-down is required. The impairment loss was 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.

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h) Revenue recognition

Up until January 31, 2017, the Corporation's principal sources of revenue was:

i) Energy sales and distribution revenue

Energy sales and distribution revenue were 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 was based on actual usage or an estimate of energy consumption. Energy sales were 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 was 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, was recognized as services were rendered or contract milestones were achieved. Amounts received in advance of these milestones were presented as advance payments.

iii) Other revenue

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

Government grants under CDM programs were recognized when there was reasonable assurance that the grant would be received and all related conditions would be met. Local distribution companies ("LDC") can receive full cost recovery and pay-for-performance grants for CDM programs. Grants under full cost recovery funding were recognized as income on a systematic basis over the period to match to the costs they were intended to compensate. CDM performance incentives under full cost recovery funding were recognized when it was probable that future economic benefits would flow to the Corporation, and the amount could be measured reliably. Grants under pay-for-performance funding were recognized as income on a systematic basis over the period to match the costs they were intended to compensate and provide the LDC with a maximum internal rate of return, as prescribed by IESO.

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

Other general revenues were recognized as the services were rendered.

Subsequent to January 31, 2017, the Corporation's source of income is interest income.

i) Deferred debt issue costs

Up until January 31, 2017, deferred debt issue costs represented the cost of the issuance of the loans and borrowings. The Corporation's deferred debt issuance costs, net of accumulated amortization, were included in the carrying amount of the loans and borrowings. All the loans and borrowings were accreted back to their face amount using the effective interest rate method over the remaining period to maturity.

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j) Employee benefits

i) Short-term employee benefits

Up until January 31, 2017, the Corporation provided short-term employee benefits such as salaries, employment insurance, short- term compensated absences, health and dental care. Short-term employee benefit obligations were measured on an undiscounted basis and were recognized as the related service is provided. Short-term employee benefits were 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

Up until January 31, 2017, the Corporation's pension plan was 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 were combined were used jointly to purchase investments. Under OMERS' funding and investment structure, investment and actuarial evaluations were 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 accounted for its participation in OMERS as a defined contribution plan, and all contributions to the plan were recognized as an expense. The Corporation is not responsible for any other contractual obligations other than the contributions.

iii) Post-employment benefits

Up until January 31, 2017, the Corporation provided post-employment life, health, and dental benefits to its employees. An actuary determined the cost of these benefits as well as measures the plan obligation. The actuary used 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 was 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.

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

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k) Deferred customer contributions

Up until January 31, 2017, 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 provided customers with ongoing access to the supply of electricity, these contributions from customers were classified as deferred contributions and were 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.

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.

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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.

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, 2017, 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

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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.

## 5. Accounts Receivable

Accounts receivable balance is nil at December 31, 2017 due to the disposition of Enersource Holdings on January 31, 2017 (refer to Note 8 Investment in Alectra).

The components of accounts receivable as at December 31, 2016 are as follows:

| | | December 31, 2016 |
|---|---|---|
| Trade receivables | $ | 73,862 |
| Less: allowance for doubtful accounts | | (2,231) |
| Trade receivables, net | $ | 71,631 |
| Receivables due from related parties (Note 20) | | 5,367 |
| Other receivables | | 16,853 |
| Total accounts receivable, net | $ | 93,851 |
| Of which: | | |
| Not yet due (less than 16 days) | $ | 66,250 |
| Past due 1 day but not more than 14 | | 18,854 |
| Past due 15 days but not more than 44 | | 7,784 |
| Past due 45 days but not more than 74 | | 1,594 |
| Past due 75 days but not more than 104 | | 865 |
| Past due more than 104 days | | 735 |
| Less: allowance for doubtful accounts | | (2,231) |
| Total accounts receivable, net | $ | 93,851 |

The allowance for doubtful accounts as at December 31, 2017 was nil % (2016 - 2.3%) 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.

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## 6. Inventories

The amount of inventory consumed by the Corporation and recognized as an expense during 2017 was $204 (2016 - $2,786). The amount of inventory that was written down due to obsolescence in 2017 was $nil (2016 - $nil).

## 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 in the form of deposits and letters of credit/ guarantees, under which the Corporation is contingently liable.

(a) Customer deposits

Up until January 31, 2017, the Corporation collected cash 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. It is $nil as at December 31, 2017.

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## 8. Investment in Alectra

| | December 31,2017 | December 31, 2016 |
|---|---|---|
| Investment in Alectra | $ 593,079 | $ - |
| **Movement in equity accounted investee** | | |
| Opening investment | - | - |
| Initial investment in Alectra | 583,028 | - |
| Share of net income from investment in Alectra | 23,330 | - |
| Share of OCI in Alectra | (4,650) | - |
| Dividends received from Alectra | (8,629) | - |
| Closing investment in Alectra as at December 31 | $ 593,079 | $ - |

**Alectra Inc.**

On January 31, 2017, the Corporation disposed of its wholly-owned subsidiary, Enersource Holdings. Enersource Holdings amalgamated with PowerStream and Horizon to form Alectra. Alectra's primary businesses is to distribute electricity to customers in municipalities in the greater golden horseshoe area as well as provide non-regulated energy services. In consideration for its disposition of Enersource Holdings, the Corporation received a 31% ownership interest in Alectra's issued and outstanding common shares. Accordingly, the Corporation is considered to have significant influence over Alectra's financial and operating policies and has accounted for its investment in Alectra under the equity method.

Alectra also issued Class S shares to the former PowerStream shareholders relating to Ring Fenced Solar Portfolio, a division of Alectra. In accordance with the Solar Services and Indemnity Agreement between the former PowerStream shareholders and Alectra, the solar division within Alectra is beneficially owned indirectly by the former PowerStream shareholders and as such, allocates the risks and rewards of Ring Fenced Solar Portfolio's operations to the former PowerStream shareholders through Alectra's Class S shares. As such, the Corporation does not hold Class S shares of Alectra.

As a result of the Alectra formation on January 31, 2017, the Corporation derecognized its investment in Enersource Holdings at cost of $357,768 and recognized its initial 31% equity interest in Alectra at fair value of $583,028 resulting in a gain on disposition of $225,260 recorded in the statement of comprehensive income.

The following table summarizes the financial information of Alectra as included in its own financial statements, adjusted for fair value adjustments at acquisition as well as the removal of Ring Fenced Solar Portfolio's net assets and operating results. The table also reconciles the summarized financial information to the carrying amount of the Corporation's interest in Alectra.

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| | December 31, 2017 |
|---|---|
| Percentage ownership interest: | 31% |
| Current assets (including cash of $122,000) | $ 702,000 |
| Non-current assets | 3,779,000 |
| Current liabilities (including current liabilities excluding AP, accruals and provisions of $268,000) | (739,000) |
| Non-current liabilities (including non-current liabilities excluding AP, accruals and provisions of $2,089,000) | (2,094,000) |
| **Net assets (100%)** | 1,648,000 |
| Ring Fenced Solar Portfolio Net Assets | (30,974) |
| Fair value adjustments from purchase price | 296,145 |
| | 1,913,171 |
| Carrying value of investment in Alectra (31%) | $ 593,079 |

| | |
|---|---|
| Revenue | $ 3,125,000 |
| Depreciation and amortization | (124,000) |
| Other expenses | (2,844,000) |
| Finance expenses | (55,000) |
| Income tax expense | (30,000) |
| Net income | 74,000 |
| Other comprehensive loss | (15,000) |
| Total comprehensive income | 59,000 |
| Ring Fenced Solar Portfolio net loss | (1,257) |
| Ring fenced Solar Portfolio other comprehensive income | 1 |
| Share of income (31%) | $ 23,330 |
| Share of other comprehensive loss (31%) | $ (4,650) |

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

The Corporation did not have any PP&E as at December 31, 2017 due to its disposition of Enersource Holdings on January 31, 2017 (refer to Note 8 Investment in Alectra).

| | December 31, 2016 | Additions/ Transfers | Disposals/ Retirements | December 31, 2017 |
|---|---|---|---|---|
| ***Cost*** | | | | |
| Distribution system | $ 561,254 | $ 2,164 | $ (563,418) | $ - |
| Distribution station equipment | 75,651 | 187 | (75,838) | |
| Other PP&E | 83,465 | 404 | (83,869) | - |
| Buildings and fixtures | 42,573 | (32) | (42,541) | - |
| Land | 9,862 | - | (9,862) | - |
| Construction in progress | 7,554 | 106 | (7,660) | - |
| Subtotal | $ 780,359 | 2,829 | $ (783,188) | - |
| | | | | - |
| ***Accumulated depreciation*** | | | | - |
| Distribution system | $ (83,848) | (1,406) | $ 85,254 | - |
| Distribution station equipment | (11,310) | (191) | 11,501 | - |
| Other PP&E | (32,962) | (574) | 33,536 | - |
| Buildings and fixtures | (6,664) | (125) | 6,789 | - |
| Land | - | - | - | - |
| Subtotal | $ (134,784) | (2,296) | $ 137,080 | - |
| | | - | | - |
| Carrying amount | $ 645,575 | 533 | $ (646,108) | - |

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 |

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## 10. Intangible Assets

The Corporation did not have any intangible assets as at December 31, 2017 due to its disposition of Enersource Holdings on January 31, 2017 (refer to Note 8 Investment in Alectra).

| | December 31, 2016 | Additions/ Transfers | Disposals/ Retirements | December 31, 2017 |
|---|---|---|---|---|
| *Cost* | | | | |
| Computer software | $ 29,019 | $ 132 | $ (29,151) | $ - |
| Easements | 759 | - | (759) | - |
| Capital contributions | 40,479 | - | (40,479) | - |
| Software in development | 864 | (59) | (805) | - |
| Subtotal | $ 71,121 | 73 | $ (71,194) | - |
| | | | | |
| ***Accumulated amortization*** | | | | |
| Computer software | $ (15,524) | (306) | $ 15,830 | - |
| Easements | - | - | - | - |
| Capital contributions | (1,518) | (84) | 1,602 | - |
| Software in development | - | - | - | - |
| Subtotal | $ (17,042) | (390) | $ 17,432 | - |
| Carrying amount | $ 54,079 | (317) | $ (53,762) | - |

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 |

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## 11. Income Taxes

The components of income tax expense for the years ended December 31, 2017 and 2016 were as follows:

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Current income tax expense (recovery): | | |
| Expense for the year | 147 | $ 1,380 |
| Utilization of future timing differences in the C/Y | - | (463) |
| Total current Income tax expense (recovery) | 147 | 917 |
| *Deferred income tax expense (recovery):* | | |
| Reversal of temporary differences | (640) | 9,416 |
| Change in future timing differences | - | 582 |
| Total deferred Income tax expense (recovery) | (640) | 9,998 |
| Total income tax expense (recovery) | (493) | 10,915 |

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, 2017 | December 31, 2016 |
|---|---|---|
| Federal and Ontario statutory income tax rate | 26.50% | 26.50% |
| Profit before provision for income taxes | 241,031 | $ 40,078 |
| Provision for income taxes at statutory rate: | 63,873 | 10,621 |
| *Increase/(decrease) resulting from:* | | |
| Differences between accounting net income and net income for tax purposes | (64,367) | 294 |
| Provision for income taxes | (493) | $ 10,915 |
| Effective income tax rate | 0.20% | 27.23% |

## 12. Accounts Payable and Accrued Liabilities

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

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Amounts due to the IESO for energy purchases | $ - | $ 83,840 |
| Trade payables due to related parties | - | 289 |
| Other trade payables | 39 | 2,548 |
| Accrued expenses | - | 20,411 |
| Other non-trade payables | - | 13,036 |
| Interest owed on rate swap | 44 | - |
| Total accounts payable and accrued liabilities | $ 83 | $ 120,124 |

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## 13. Loans and Borrowings

As a result of the disposition of Enersource Holdings on January 31, 2017, the debentures payable and bank loan outstanding associated with Enersource Holdings was disposed of.

a) Debentures Payable

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| 4.52% Series A Debentures due April 29, 2021 | $ - | $ 110,000 |
| Deferred debt issue cost (net of accumulated amortization of $412) (December 31, 2016 - $405) | - | (386) |
| 5.30% Series B Debentures due April 29, 2041 | - | 210,000 |
| Deferred debt issue cost (net of accumulated amortization of $131) (December 31, 2016 - $129) | - | (1,273) |
| Net debentures payable | $ - | $ 318,341 |

b) Bank Loan

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Current | - | $ 59,968 |
| Non-current | 58,125 | - |
| Net bank loan | $ 58,125 | $ 59,968 |

Outstanding debt is comprised of two bank loans, Credit Facility A and Credit Facility B which were entered into on January 27, 2017 and an interest rate swap, held with Canadian Imperial Bank of Commerce (CIBC). The interest rate on Credit Facility A and B bank loans is determined through a combination of the 3-month CDOR rate, reset 4 times each year: Feb 1st, May 1st, August 1st and November 1st plus a stamping fee of 0.60%. Credit Facility A has a 10 year term to maturity with a balance of $35,000 and will be carried for the duration of the Facility. Credit Facility A has a floating interest rate with the last interest rate being reset at 2.012% on November 1, 2017 and is carried with quarterly interest payments. Credit Facility B has a 10 year term to maturity and an outstanding balance $23,125. Credit Facility B is being paid down with quarterly principal and interest payments at a rate of $625 per quarter and has an accompanying amortising interest rate swap associated with it, to create an effective fixed interest rate of 2.414%.

The credit facilities contain a covenant stating that the Corporation can not incur any additional debt without CIBC's consent. In addition, the Corporation must advise CIBC if dividends are not received from Alectra in any quarter if the dividend amount is not sufficient to make the required monthly or quarterly payments of principal and interest. These

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covenants have not been breached in 2017. The secured bank loans are guaranteed by the City of Mississauga in the amount of $70,000.

The Corporation included $422 of unrealized gain in its consolidated financial statements. This is the fair value of the interest rate swap derivative which represents the amount that the Corporation would have paid to unwind its position as at December 31, 2017.

Reconciliation of debt arising from financing activities:

| | December 31, 2017 | | December 31, 2016 | |
|---|---|---|---|---|
| Balance beginning of the year | $ | 378,309 | $ | 378,129 |
| Net proceeds from loans | | 70,000 | | 75 |
| Principal repayment | | (11,875) | | - |
| Non Cash Changes: | | | | |
| Amortization of deferred debt issue costs | | | | 105 |
| Disposition of EHI debt at Jan 31, 2017 | | (378,309) | | - |
| | | 58,125 | | 378,309 |

The corporation made interest payments of $1,284 during the period.

## 14. Deferred Contributions

The continuity of deferred contributions is as follows:

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Deferred contributions, net, beginning of period | $ 24,729 | $ 21,069 |
| Additions to deferred contributions | 411 | 4,235 |
| Contributions recognized as revenue | (53) | (575) |
| Disposal | (25,087) | - |
| Deferred contributions, net, end of period | $ - | $ 24,729 |

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## 15. 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, 2017 which reported that the plan was 94.0% (December 31, 2016 – 93.4%) funded by its assets. OMERS has a strategy to return the plan to a fully funded position. 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 $262 for the year (2016 – $4,398).

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, 2017 | December 31, 2016 |
|---|---|---|
| | | $ |
| Accrued benefit obligation, beginning of year | $ 6,715 | 7,465 |
| Current service cost | 3 | 125 |
| Interest on accrued benefit obligation | 25 | 298 |
| Benefits paid | 19 | (253) |
| Re-measurements recognized in other comprehensive income | (20) | (920) |
| Disposal | (6,742) | - |
| Accrued benefit obligation, end of year | $ - | $ 6,715 |

| Total expense recognized in profit or loss | December 31,2017 | December 31,2016 |
|---|---|---|
| Current service costs | $ 25 | $ 125 |
| Interest on obligation | 19 | 298 |
| Total expense for the year | $ 44 | $ 423 |

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## 16. Share Capital

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| **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.

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, 2017, there were no cumulative preferential dividends outstanding (December 31, 2016 – $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 2017, dividends of $14,340 (2016 - $14,224) were declared and paid to the Shareholders of the Corporation.

## ENERSOURCE CORPORATION

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### 17. Change in Working Capital

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Accounts receivable | $ (7,973) | $ (27,054) |
| Unbilled revenue | 17,639 | (12,687) |
| Inventories | 376 | (134) |
| Prepaid and deposits | (270) | (178) |
| Accounts payable | (2,980) | 2,716 |
| Advance payments | 205 | (526) |
| Deferred revenue | - | (16) |
| Accrued PP&E and intangible assets | | 5,433 |
| Decrease in working capital | $ 6,997 | $ (32,446) |

### 18. Related Party Transactions

The Corporation's operations include the provision of electricity and services to its principal shareholder, the City. Electricity was 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 were 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, 2017 | December 31, 2016 |
|---|---|---|
| Electrical energy | $ 1,873 | $ 13,524 |
| Street lighting maintenance and construction | 353 | 6,858 |
| Street lighting energy | 621 | 4,106 |

As at December 31, 2017, accounts payable and accrued liabilities include $16 (December 31, 2016 - $289) due to the Borealis. Accounts receivable include $nil (December 31, 2065 - $5 367) due from the City.

During the year, the Corporation incurred $111 (2016 – $1,263) for property taxes to the City.

The Corporation charged Borealis $1 in 2017 (2016 – $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 was declared and paid to the City and a dividend of $1,422 was declared and paid to Borealis. For the period January 1 to January 31, 2017, a dividend of $1,038 was declared and paid to the City and a dividend of $115 was declared and paid to Borealis. For the period February 1 to December 31, 2017, a dividend of $11,868 was declared and paid to the City and a dividend of $1,319 was declared and paid to Borealis.

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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, 2017 | December 31, 2016 |
|---|---|---|
| Salaries and short term employee benefits | $ 1,782 | $ 2,718 |
| Retirement OMERS contributions | 87 | 281 |
| Other compensation | 4 | 50 |
| Directors honorarium | 136 | 321 |
| | $ 2,009 | $ 3,370 |

## 19. 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 $30,000 per occurrence.

As at December 31, 2017, there are no legal actions where the Corporation is a defendant.

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b) Environmental provision

The Corporation is subject to Canadian federal, provincial and municipal environmental regulations. Up until January 31, 2017, as part of the Corporation's risk mitigation strategy, environmental assessments and remediation were underway at various sites. The Corporation recorded 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 were 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, 2017, the Corporation provided $ nil (December 31, 2016 - $5,556) for testing and future site remediation due to the disposition of Enersource Holdings.

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Environmental provision, beginning of period | $ 566 | $ 1,905 |
| Addition | 13 | 1,649 |
| Disbursed in the period | 24 | (2,988) |
| Disposal | (603) | - |
| Environmental provision, end of period | $ - | $ 566 |

c) 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.

## 20. 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, accounts payable and accrued liabilities approximate their carrying values due to the immediate or short maturity of these financial instruments.

The Corporation entered into an amortising Interest Rate Swap (IRS) with CIBC on January 31 2017. The IRS is amortising (being paid down) at the same rate as Credit Facility B. Both Credit Facility B and the IRS will be retired effective February 1, 2027. The IRS is an interest rate hedging instrument against CIBC Credit Facility B (identified in Note 15) and has the effect of locking in the interest rate associated with Credit Facility B at 2.414%. As a stand-alone

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financial instrument, CIBC provides a month-end "fair market value (FMV)" associated with the IRS. The FMV for the IRS as at December 31 2017 is $422. The interest rate swap is classified as a level 2 in the hierarchy.

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 holdings of $nil as at December 31, 2017 (December 31, 2016 - $195).

The Corporation is exposed to short-term interest rate risk on its loans and borrowings and its net cash balances. 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

Up until January 31, 2017, the Corporation was exposed to credit risk as a result of counterparties failing to discharge an obligation.

The Corporation managed 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, 2017, met the credit exposure limits specified under the Corporation's Investment Policy.

The Corporation's distribution revenue was 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, 2017, there were no significant balances of accounts receivable due from any single customer.

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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. 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 | $ - | $ - | $ - |
| Accounts payable and accrued liabilities | 83 | - | - |
| Debentures payable (interest and principal) | - | - | - |
| Bank loan (interest and principal) | 3,736 | 14,295 | 48,321 |
| Total | $ 3,819 | $ 14,295 | $ 48,321 |

## 21. Conservation and Demand Management

During the year, the Corporation recognized $954 (2016 - $17,790) of IESO funding in other revenue, $896 (2016 - $16,492) of IESO costs of which $892 are recorded as operating expenses and $4 as amortization of intangible assets. The Corporation currently has no unfilled obligations relating to the government grants received by the IESO. Upon disposition of Enersource Holdings Inc. at January 31, 2017, the Corporation no longer participates in CDM programs.

## 22. Subsequent event

On March 29, 2018, the Corporation received a dividend of $5,392 from Alectra.

# 2017 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 2017 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 Public Sector Accounting Board 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 2017 is $8.9 billion (2016 $8.5 billion). The City's 2017 accumulated surplus (Note 9) is comprised of the following balances:

**Financial Assets**

Financial assets in 2017 were $1.65 billion (2016 $1.35 billion), an increase of $300 million from the prior year.

($000s)

| Item | Ref.# | 2017 Actual | 2016 Actual | $ change vs prior year | % change |
|---|---|---|---|---|---|
| Cash | 1 | 131,819 | 103,804 | 28,015 | 27% |
| Taxes receivable | 2 | 33,978 | 36,611 | (2,633) | (7%) |
| Accounts receivable | 3 | 130,051 | 74,129 | 55,922 | 75% |
| Loans and other receivables | 4 | 550 | 600 | (50) | (8%) |
| Inventories for resale | 5 | 225 | 284 | (59) | (21%) |
| Investments | 6 | 872,367 | 856,942 | 15,425 | 2% |
| Investment in Enersource | 7 | 485,034 | 281,012 | 204,022 | 73% |
| **Total Financial Assets** | | **1,654,024** | **1,353,382** | **300,643** | |

References:

1. Cash
   - *What it is:* Cash is the money available on demand to pay for operational and capital expenses.
   - *Why it's important:* Cash is used to fund the disbursements needed for daily operations such as payments for operating and capital purchases. The City manages cash to keep just enough at hand for daily needs. The rest goes into investments to earn a higher return.
   - *Difference between 2017 and 2016* ($28.0 million increase): As it does for individuals, the exact amount of cash on hand on a given day fluctuates based on the timing of bill payments and investment needs. The amount of cash kept on hand is directly linked with the level of accounts payable liabilities.

2. Taxes Receivable
   - *What it is:* Taxes receivable are any uncollected property taxes as at December 31. The tax levy is applied in June with due dates in July, August, and September.
   - *Why it's important:* Property tax is the single largest source of revenue for the municipality. When collected, City property tax becomes the cash to fund daily disbursements. The City has diligent collection practices and has historically achieved a high rate of collection success (97-98 per cent).
   - *Difference between 2017 and 2016* ($2.6 million decrease): this number varies year to year based on when people pay their residential and commercial property taxes. Penalty and interest charges are applied on all overdue accounts.

3. Accounts Receivable
   - *What it is:* This category represents various types of receivables from across all City operations, excluding the City portion of property taxes.
   - *Why it's important:* In addition to property taxes, the City recovers funds from operations fees and charges such as recreation and facility bookings, and from third parties to recover things like damage expenses and HST rebates.
   - *Difference between 2017 and 2016* ($55.9 million increase): The current year accounts receivable balance is significantly higher than last year's due to the timing of collection and receipts. The major contributors to the increase were amounts due from school boards for property tax adjustments (approximately $13.5 million) and recoverable amounts (approximately $46.3 million) from the Government of Ontario for various capital funding programs.

4. Loans and Other Receivables
   - *What it is:* From time to time, the City enters into special contractual arrangements approved by Council that may include loans. The City currently has one special purpose loan (20 year), made for the Vic Johnston Community Centre development project. This loan is scheduled to be paid off in 2028.
   - *Why it's important:* These receivables are categorized separately from other receivables because they have been created by special arrangement.
   - *Difference between 2017 and 2016:* ($50,000 decrease): Each December, a payment of $50,000 is applied against the original Vic Johnston Community Centre $600,000 loan.

5. Inventories for Resale
   - *What it is:* The value of owned items on hand intended for resale by various City service areas (e.g., snack bar items, beer and liquor, pro shop items) as at December 31.
   - *Why it's important:* These items have value: their eventual sale yields cash for City operations.
   - *Difference between 2017 and 2016* ($59,000 decrease): This net decrease is due to general increases and decreases in inventory across all categories.

6. Investments
   - *What it is:* Cash that is not being used immediately for disbursements is invested to earn a higher rate of return. Investments can be short-term or long-term.
   - *Why it's important:* Investment yields a higher rate of interest than bank deposits. Investment income is the City's fourth-highest source of revenue, and a critical component of the City's revenue base.
   - *Difference between 2017 and 2016* ($15.4 million increase): Investment balances fluctuate with cash flow requirements, and the timing of receipts and disbursements.

7. Investment in Enersource
   - *What it is:* The City is a 90 per cent shareholder in Enersource Corporation. Accordingly, this number represents 90 per cent of Enersource's bottom line at December 31 (this calculation is called a modified equity consolidation). Enersource in turn is a 31 per cent owner of Alectra and Enersource Corporation carries on no

other business.

- *Why it's important:* This investment elevates the City's financial position. It also generates dividend income, which helps support City operations and in that way helps moderate the property tax rate.
- *Difference between 2017 and 2016* ($204 million increase): The $204 million increase relates to a $202.7 million gain on Investment in Enersource Corporation through the February 2017 merger into Alectra Inc. plus share of net income from operations of Enersource Corporation of $14.2 million less the dividend paid to City of $12.9 million. The $14.2 net income was made up of $18.3 million net income less a $4.1 million Other Comprehensive Income (OCI) loss.

Financial Liabilities

Financial liabilities in 2017 were $922.4 million (2016 $854.9 million), an increase of $67.5 million from the prior year.

($000s)

| Item | Ref.# | 2017 Actual | 2016 Actual | $ change vs prior year | % change |
|---|---|---|---|---|---|
| Accounts Payable and Accrued Liabilities | 1 | 213,260 | 175,912 | 37,348 | 21% |
| Deferred revenue- general | 2 | 9,742 | 9,013 | 729 | 8% |
| Deferred revenue-obligatory reserve funds | 3 | 334,252 | 325,295 | 8,957 | 3% |
| Employee benefits and other liabilities | 4 | 209,231 | 210,256 | (1,025) | (1%) |
| Long-term debt | 5 | 155,895 | 134,447 | 21,448 | 16% |
| | | | | | |
| **Total Financial Liabilities** | | **922,380** | **854,923** | **67,457** | |

References:

1. Accounts Payable and Accrued Liabilities
   - *What it is:* These are monies the City owes for goods, services, payroll, and/or third party transfers as at December 31.
   - *Why it's important:* These payables represent outstanding obligations as at December 31. As payables are drawn down, the City's cash position is also drawn down.
   - *Difference between 2017 and 2016* ($37.3 million increase): The timing of payments and year-end accruals affect these liabilities and the City's cash position.

2. Deferred Revenue – General
   - *What it is:* Deferred revenues are payments received today that are to be recognized as revenue when the related activity takes place in the future. Examples include recreation registrations, facility bookings and transit advertising.
   - *Why it's important:* Deferred revenues allow for payments to be received today for future operations.
   - *Difference between 2017 and 2016* ($0.7 million increase): Normal, ongoing fluctuations – primarily in transit and recreation (memberships, recreation programs, facility bookings) – are responsible for the increase. There were no extraordinary contributors to this balance.

3. Deferred Revenue – Obligatory Funds
   - *What it is:* This liability is deferred revenue initially collected through special restrictive agreements to be used for a purpose specified through agreement or legislation. Examples of these types of funds include Development Charge funds, Parkland funds, Cash in Lieu of Parking, Bonus Zoning, provincial and federal public transit funds, and provincial and federal gas tax funds.
   - *Why it's important:* Generally these types of revenues are initially collected in dedicated Reserve Funds and reclassified to deferred revenue – obligatory funds at year-end for financial statement reporting requirements. These deferred revenues are converted into revenues when related capital expenses have been incurred.
   - *Difference between 2017 and 2016* ($9.0 million increase): The growth in liability was due to growth in the balances of various obligatory Reserve Funds. This growth was partially offset by a decrease in unspent development charge funds in capital projects. As the deferred revenue account reduces, corresponding revenue will show on the Statement of Operations (development contributions applied).

4. Employee benefits and other liabilities
   - *What it is:* These are actuarial liability assessments for workers compensation, sick leave benefits, disability benefits, vacation pay, and legal and insurance related items. They represent future obligations but are reported in present value terms.
   - *Why it's important:* This category represents future liabilities. Expenses for these liabilities will incur in the future; however, they must be reported in the financial statement to provide an accurate financial position for the City at a point in time. The City engages in an external actuarial evaluation every three years to review these liabilities. The amount may be refreshed annually if there are any significant changes to the membership program or legislation.
   - *Difference between 2017 and 2016* ($1.0 million decrease): Increases in the actuarial assessments for WSIB, vacation, sick leave, and early retirement were offset by decreases in post-employment liabilities occurring because of changes in trends and claims. Together, all resulted in a net decrease in this category.

5. Long Term Debt
   - *What it is:* This is the amount of long-term debt being used to help fund investment in capital infrastructure.
   - *Why it's important:* Debt is one key way the City funds capital infrastructure requirements. The City uses debt conservatively. The property tax base alone is not

enough to support future capital infrastructure demands.

- *Difference between 2017 and 2016* ($21.4 million net increase): In 2017, $38.9 million of new debt was added. This new debt was partially offset by a pay down in prior year debt of $17.5 million.

Non-Financial Assets

Non-financial assets in 2017 were $8.123 billion (2016 $8.030 billion), an increase of $97.1 million. Non-financial assets are comprised primarily of tangible capital assets, as well as inventories of supplies, and prepaid expenses.

($000s)

| Item | Ref.# | 2017 Actual | 2016 Actual | $ change vs prior year | % change |
|---|---|---|---|---|---|
| Tangible Capital Assets | 1 | 8,113,738 | 8,020,550 | 93,188 | 1% |
| Inventories of supplies | 2 | 6,670 | 6,901 | (231) | (3%) |
| Prepaid Expenses | 3 | 3,552 | 2,391 | 1,161 | 49% |
| **Total Non-Financial Assets** | | **8,123,960** | **8,029,842** | **97,118** | |

References:

1. Tangible Capital Assets
   - *What it is:* This is the City's investment in capital infrastructure such as buildings, roads, stormwater infrastructure, vehicles, and equipment. Every year, the City prepares a capital budget to address new capital projects and renovations to existing capital assets. These capital projects become assets when the project goes into service or is completed. The City also has operating budget to address ongoing maintenance requirements for capital assets.
   - *Why it's important:* The City's tangible capital assets are the result of its investment in capital infrastructure, and support all the services and programs the City provides.
   - *Difference between 2017 and 2016* ($93.2 million increase): The increase in tangible capital assets is attributable to new capital projects being completed and going into service. Once the asset is in service, amortization begins.

2. Inventories of Supplies
   - *What it is:* These are the various City-wide inventories to supply on-demand operating needs. Examples of these inventories include salt and sand inventories, fire equipment inventories, traffic signal inventories, and central store inventories.
   - *Why it's important:* These inventories are required for various types of City operations.
   - *Difference between 2017 and 2016* ($0.2 million decrease): There was a decrease in the overall inventory balance due to a restructuring of the central store operations. There were general increases and decreases across all other inventory categories.

3. Prepaid Expenses
   - *What it is:* Prepaid expenses are payments made in the current year that pertain to future year expenses. Some of the major prepaid accounts include memberships, facility bookings, prepaid investment interest, prepaid debt fees, and prepaid postage.
   - *Why it's important:* Prepaid expenses allow for the matching of expenses with revenues when the event takes place. Prepaid expense balances are drawn down as related revenues are received or the expense year has been met.
   - *Difference between 2017 and 2016* ($1.2 million increase): The net increase resulted from routine increases/decreases in prepaid expenses across all categories.

**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.

The City's annual budget is prepared on a cash basis for the purpose of calculating the property tax levy. The audited financial statements are prepared differently. The audited financial statements are prepared on an accrual accounting basis under the Public Sector Accounting and Reporting Guidelines. To achieve accordance with generally accepted accounting principles (GAAP), there are certain budgeted revenues and expenses within the financial statements that need to be eliminated for financial reporting purposes. To do this, a number of elimination entries such as transfers between funds, debt principal repayments, and dividend receipts are made. In addition to these eliminations, there are a few other non-budgeted adjustments included to help align with actual numbers. Some of these non-budgeted adjustments include BIA consolidations, amortization of capital assets, and Reserve Fund interest.

Please refer to the Budget Overview section within this report for a reconciliation between the annual budget and audited financial statements.

**Revenues**

Total revenues in 2017 were $1,173.2 million (2016 $885.9 million), an increase of $287.3 million.

($000s)

| Item | Ref. # | 2017 Actual | 2017 Adjusted Budget | 2016 Actual | $ change vs Adjusted Budget | % change | $ change vs prior year | % change |
|---|---|---|---|---|---|---|---|---|
| Taxation | 1 | 500,149 | 497,723 | 470,641 | 2,426 | 0.4% | 29,508 | 6% |
| User charges | 2 | 249,043 | 229,787 | 239,900 | 19,256 | 8% | 9,143 | 4% |
| Recoveries from third parties | 3 | 48,874 | 38,145 | 11,157 | 10,729 | 28% | 37,717 | 338% |
| Funding transfers from other governments | 4 | 3,043 | 1,621 | 3,887 | 1,422 | 88% | (844) | (22%) |
| Development and other contributions applied | 5 | 90,547 | 0 | 69,217 | 90,547 | | 21,330 | 31% |
| Investment income | 6 | 37,628 | 27,963 | 34,903 | 9,665 | 35% | 2,725 | 8% |
| Penalties and interest on taxes | 7 | 9,133 | 8,120 | 8,444 | 1,013 | 12% | 689 | 8% |
| Contributed assets | 8 | 11,732 | 0 | 18,595 | 11,732 | | (6,863) | (37%) |
| Other Revenues | 9 | 6,099 | 1,321 | 2,292 | 4,778 | 361% | 3,807 | 166% |
| Equity in income of Enersource Corporation | 10 | 14,194 | 0 | 26,855 | 14,194 | | (12,661) | |
| Equity in gain on exchange of Enersource Hydro Mississauga | 11 | 202,734 | 0 | 0 | 202,734 | | 202,734 | |
| | | | | | | | | |
| **Total Revenues** | | **1,173,176** | **804,680** | **885,891** | **368,496** | | **287,285** | |

Note re: Difference between Actual and Budget: where actual revenue exceeds budgeted revenue, the variance is described as a surplus against budget; where revenue is under budget, the variance is described as a deficit against budget.

References:

1. Taxation
   - *What it is:* Taxation refers to the City's property taxation revenues. It included property taxes and payments in lieu of taxes.
   - *Why it's important:* Property tax is the City's single largest source of revenue.
   - *Difference between 2017 and 2016 ($29.5 million increase)*: Two things influence this

number: assessment growth, and the annual Business Plan & Budget. In 2017, assessment growth was 0.4 per cent (0.339 per cent in 2016). The 2017 Business Plan & Budget Council adopted included a 4.9 per cent increase over 2016's in total taxation revenue, which translated to an overall 1.6 per cent increase on the total residential tax bill. An increase ($1.3 million) in payments in lieu of taxes (PILT) accounts for the rest of the change.

- *Difference between Actual and Budget* ($2.4 million surplus): The budget anticipated all but 0.4 per cent of the year-over-year change.

2. User charges
   - *What it is:* User fees are associated with many City programs and services. Transit fares, recreation program fees, and the Stormwater program charge are three examples. Council establishes fees via by-law annually. Revenue from enforcement activities (fines) are also accounted for here.
   - *Why it's important:* User fees contribute significantly to covering service costs. User fees are the second-largest source of City revenue in 2017.
   - *Difference between 2017 and 2016* ($9.1 million increase): There were four key contributors to this increase: general fees increased by $1.2 million; transit fares by $4.3 million; building permits by $2.2 million; and Provincial Offence fines by $1.2 million. Increases and decreases in other user fee categories accounted for the balance of the net increase.
   - *Difference between Actual and Budget* ($19.2 million surplus): $17.0 million of this surplus relates to various City-wide general fees ($9.1 million); transit revenue ($2.5 million); licenses and permits ($2.1 million); by-law fines ($1.2 million); Provincial Offences Act fines ($1.7 million), and City-wide rents and concessions ($0.5 million). The remaining $2.2 million relates to non-budgeted transactions such as capital projects user fees.

3. Recoveries from Third Parties
   - *What it is:* Occasionally there is City work a third party will ultimately pay for. For example, if the City and Region were involved together in a capital project (i.e., road construction) and the City were handling payments on the project, the Region would repay the City for the Region's share of the project's capital costs.
   - *Why it's important:* From time to time, the City performs additional work on behalf of third parties such as the Region of Peel, Metrolinx, or an insurance company. Any work performed on behalf of third parties is recoverable by the City.
   - *Difference between 2017 and 2016* ($37.7 million increase): This amount varies from year to year based on the timing of capital work performed on behalf of third parties.
   - *Difference between Actual and Budget* ($10.7 million surplus): Higher than expected capital recoveries account for this surplus against budget.

4. Funding transfers from other governments
   - *What it is:* The City receives grants and funding from other levels of government for many types of services and initiatives.
   - *Why it's important:* While these transfers represent a small portion of the overall City revenue, it is valuable revenue that helps pay for City programs and services.
   - *Difference between 2017 and 2016* ($0.8 million decrease): There was a modest

decrease in some provincial-related grants in 2017.

- *Difference between Actual and Budget* ($1.4 million surplus): Surpluses against budget of $0.7 million occurred for grants for libraries, seniors, tourism, heritage and environment. The balance of the surplus ($0.7 million) relates to non-budgeted capital government funding.

5. Development and other contributions
   - *What it is:* In the year, if capital-related expenses are incurred that correspond to deferred revenue – obligatory funds that the City holds, dollars are brought into the revenue stream from those funds to offset those capital expenses.
   - *Why it's important:* Development and other contributions help fund capital projects.
   - *Difference between 2017 and 2016* ($21.3 million increase): Development contributions increased in 2017 to pay for more capital project expenses. These monies were drawn from the deferred revenue – obligatory reserve funds.
   - *Difference between Actual and Budget* ($90.5 million surplus): The entire amount in this category shows as surplus because this category is not included in the budget.

6. Investment income:
   - *What it is:* This is interest income for both the Operating and Reserve Funds.
   - *Why it's important:* Investment income helps to grow City funds.
   - *Difference between 2017 and 2016* ($2.7 million increase): Two factors impact investment income growth: the market interest rate and the City's balances in the investment portfolio. As the City draws down on its Reserves and Reserve Funds, it will have a corresponding effect on interest earnings. In 2017, the City earned an average interest rate of 3.51 per cent (2016 3.38 per cent) on the investment portfolio, contributing to the year-over-year growth that occurred.
   - *Difference between Actual and Budget* ($9.7 million surplus): There was a $9.7 million surplus in investment income from the Reserve Fund. The surplus relates to a higher rate of interest and higher Reserve Fund balances then projected.

7. Penalties and interest on taxes
   - *What it is:* This revenue results from penalties and interest charged on overdue property tax accounts.
   - *Why it's important:* Penalties and interest on taxes help to offset any costs associated with untimely property tax payment.
   - *Difference between 2017 and 2016* ($0.7 million increase): There was a modest increase in 2017 in penalty and interest revenues over those of 2016. Revenues are dependent on the timing of payment of property taxes.
   - *Difference between Actual and Budget* ($1.0 million surplus): In 2017 there was a surplus of $1.0 million, a positive variance to the budget of 12.3 per cent.

8. Contributed assets
   - *What it is:* This revenue category includes assets assumed by the City (such as land under roads, land under infrastructure and general infrastructure) through development agreements.
   - *Why it's important:* Contributed assets are important because they form part of the City's capital infrastructure but the City does not pay for them. Developers have paid for these assets through their development agreements.

- *Difference between 2017 and 2016:* ($6.9 million decrease): Contributed assets vary from year to year depending on the agreements reached and when the developer transfers the asset to the City through development agreements.
- *Difference between Actual and Budget* ($11.7 million surplus): The entire amount in this category shows as surplus because this category is not included in the budget.

9. Other Revenues
   - *What it is:* These are miscellaneous and one-time revenues received by the City.
   - *Why it's important:* Other revenues help support and fund City programs and services.
   - *Difference between 2017 and 2016* ($3.8 million increase): This number routinely fluctuates due to its miscellaneous nature. Generally these revenues are one-time revenues and not sustainable.
   - *Difference between Actual and Budget* ($4.8 million surplus): The sale of City capital assets accounted for $3.1 million of this variance. The balance relates to various City-wide increases and decreases.

10. Equity in income of Enersource Corporation
    - *What it is:* The City is a 90 per cent shareholder in Enersource Corporation. This number represents 90 per cent of Enersource's bottom line at December 31 (this calculation is called a modified equity consolidation). Enersource in turn is a 31 per cent owner of Alectra and Enersource Corporation carries on no other business.
    - *Why it's important:* Enersource income elevates the City's financial position and thereby moderates the property tax rate.
    - *Difference between 2017 and 2016:* ($12.7 million decrease)*: Due to the merger of Enersource Hydro Mississauga Inc. into Alectra Inc. in February 2017, there were additional merger related costs that impacted net income levels from Alectra Inc. which flowed into Enersource Corporation for the year.*
    - *Difference between Actual and Budget* ($14.2 million increase): The entire amount shows as a variance because equity income of Enersource Corporation is not a budgeted item.

11. Equity in gain on sale of Enersource Corporation
    - *What it is:* On February 1, 2017, through a series of transactions Enersource Corporation became owner of 31 per cent of Alectra Inc., an entity created through the merger of certain hydro holding companies. The transactions included Enersource Corporation exchanging all its ownership in its operating companies for the ownership in the newly created merged entity of Alectra.
    - *Why it's important:* This transaction created a gain on the investments which is reflected in the financial statements.
    - *Difference between 2017 and 2016* ($202.7 million increase)*: Due to merger of Enersource Hydro Mississauga Inc. into Alectra Inc. in February 2017, there were additional gains on investment in the new corporation.*
    - *Difference between Actual and Budget* ($202.7 million surplus)*:* Since this was a new transaction in 2017, there was no 2016 budget data.

## 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 2017 were $845.9 million (2016 $826.6 million), an increase of $19.3 million.

($000s)

| Item | Ref. # | 2017 Actual | 2017 Adjusted Budget | 2016 Actual | $ change vs Adjusted Budget | % change | $ change vs prior year | % change |
|---|---|---|---|---|---|---|---|---|
| Salaries, wages, and employee benefits | 1 | 491,101 | 498,708 | 485,697 | (7,607) | (2%) | 5,404 | 1% |
| Long-term debt interest and fees | 2 | 3,015 | 3,369 | 2,751 | (354) | (11%) | 264 | 10% |
| Materials and supplies | 3 | 60,228 | 55,343 | 55,230 | 4,885 | 9% | 4,998 | 9% |
| Contracted services | 4 | 78,141 | 57,018 | 76,384 | 21,123 | 37% | 1,757 | 2% |
| Rents and financial expenses | 5 | 70,085 | 69,644 | 68,728 | 441 | 1% | 1,357 | 2% |
| External transfers to others | 6 | 6,814 | 6,990 | 6,621 | (176) | (18%) | 193 | 3% |
| Loss on disposal of tangible capital assets | 7 | 2,544 | 0 | 1,074 | 2,544 | | 1,470 | 136% |
| Amortization | 8 | 133,945 | 135,136 | 130,113 | (1,191) | (1%) | 3,832 | 3% |
| | | | | | | | | |
| **Total Expenses** | | **845,873** | **826,208** | **826,598** | **19,665** | | **19,275** | |

Note re: Difference between Actual and Budget: where actual expenses exceed budgeted expenses, the variance is described as a deficit against budget (shown as a positive number); where actual expenses are under budget, the variance is described as a surplus against budget (shown as a negative number).

References:

1. Salaries, wages, and employee benefits
   - *What it is:* This figure represents salary, wage and benefit costs for all full-time, part-time and contract employees, plus the current year impacts for actuarial benefit assessment of WSIB, sick leave, disability benefits and post-retirement benefits.

- *Why it's important:* People are the number one resource required to deliver City services, so this category has a corresponding size.
- *Difference between 2017 and 2016* ($5.4 million increase): This anticipated increase was largely due to labour contract settlements, pay adjustments and increased benefit and WSIB costs.
- *Difference between Actual and Budget* ($7.6 million surplus): An operating surplus of $13.6 million occurred due to position vacancies and delays in new hires. This surplus was partially offset by non-budgeted adjustments such as Public Sector Accounting Board (PSAB) benefit adjustments ($4.3 million) and non-capitalized labour expenses ($1.7 million).

2. Long-term debt interest and fees
   - *What it is:* This figure represents all debt management and interest fees associated with the City's debt.
   - *Why it's important:* Debt is a source of funding for capital projects. Provincial legislation allows municipalities to carry debt equivalent to 25 per cent of own-source revenue: Mississauga is substantially below this ceiling, at just 3 per cent in 2017.
   - *Difference between 2017 and 2016* ($0.3 million increase): Some debt principal was paid down in 2017 ($17.5 million) and some new debt was added ($38.9 million). The net increase in debt is what drove the year-over-year increase in the long-term debt interest and fees category.
   - *Difference between Actual and Budget* ($0.4 million surplus): A surplus was generated in this category because of the timing within the year between the budgeted and the actual issuance of debt.

3. Materials and Supplies
   - *What it is:* Materials and supplies include vehicle fuel and all other general operation materials and supplies needed for service and program delivery.
   - *Why it's important:* These materials are necessary to keep day-to-day operations running without interruption.
   - *Difference between 2017 and 2016* ($4.9 million increase): There were a few key contributors to the net increase 2017 over 2016. Higher per-litre diesel fuel costs were the main contributor to the increase ($3.3 million). Net increases and decreases in other City-wide material categories and non-capitalized expenses accounted for the balance of the change.
   - *Difference between Actual and Budget* ($4.9 million deficit): The deficit in this category is largely the result of two opposing changes: increases in transportation related costs, including higher diesel fuel costs ($0.6 million) and non- budgeted non-capitalized material expenses ($5.9 million);,and decreases in expenses for general materials and supplies including those related to winter maintenance ($1.6 million). Other City-wide decreases accounted for the balance of the variance.

4. Contracted services
   - *What it is:* The City contracts with third parties for some professional and capital project management services.
   - *Why it's important:* Contracted services can bring a level of expertise to the City that the City may not have, or augment resources to support a specific initiative. The City can

also sometimes achieve economies of scale (i.e., lower prices) through contracts and professional agreements.

- *Difference between 2017 and 2016* ($1.8 million increase): General increases in City-wide contracted services accounted for the growth. Winter maintenance and capital construction contractors represent the two largest contributors.
- *Difference between Actual and Budget* ($21.1 million deficit): The principal reason actual differs from budget in this category is that the actual expenditure includes non-capitalized capital contract expenses ($20.5 million). The balance relates to other City-wide increases and decreases.

5. Rents and Financial Expenses
   - *What it is:* This category includes many different types of financially related expenses, including staff development, communication costs, occupancy-related costs, property tax adjustments, insurance costs, banking costs, and equipment and maintenance costs.
   - *Why it's important:* These expenses represent the overhead-type costs that help support City services and programs.
   - *Difference between 2017 and 2016* ($1.4 million increase): A net increase resulted from a combination of increases and decreases in this expense category. Significant increases included property tax adjustments ($8.7 million); and equipment and maintenance costs ($1.6 million). These increases were mostly offset by significant decreases in actuarial liability estimates for legal and insurance related costs ($8.6 million) and insurance operating costs ($1.1 million). Various increases and decreases in other City-wide categories accounted for the balance of the change.
   - *Difference between Actual and Budget* ($0.4 million deficit): A deficit against budget occurred due to the timing of tax appeals decisions rendered by the Assessment Review Board ($6.9 million); higher than planned equipment and maintenance costs ($0.9 million); and non-budgeted non-capitalized expenses ($2.2 million). This was mostly offset by a surplus from lower than planned claim settlements and insurance premiums ($2.8 million); lower than planned costs associated with the Affordable Transportation pilot program ($1 million); and reductions in non-budgeted insurance liabilities ($5.5 million). Various City-wide increases and decreases account for the rest of the variance.

6. External transfers to others
   - *What it is:* Mississauga provides defined grants and funding to third parties who contribute to the accomplishment of the City's vision and objectives.
   - *Why it's important:* These dollars support many organizations that contribute to the well-being and success of our thriving city.
   - *Difference between 2017 and 2016* ($0.2 million increase): The increase reflects a planned increase in spending.
   - *Difference between Actual and Budget* ($0.2 million surplus): The surplus showing in this category is attributable to arts and festival spending being slightly lower than planned.

7. Loss on disposal of assets
   - *What it is:* From time to time, the City sells assets or disposes of assets no longer in use. When the asset net book value exceeds the sale price, a loss occurs.
   - *Why it's important:* If a loss results from the disposal of an asset, the City records it.

- *Difference between 2017 and 2016* ($1.5 million increase): Loss on disposal of assets varies from year to year depending on the identification and disposal of assets.
- *Difference between Actual and Budget* ($2.5 million deficit): The full amount shows as a deficit against budget because loss on disposal of assets is not a budgeted item.

8. Amortization of tangible capital assets
   - *What it is:* Capital assets lose value over time. The expense of this loss is amortized over the life of the asset. Different amortization percentages apply to different asset categories, as their useful lives differ in length.
   - *Why it's important:* Amortization allows the net value of assets (vs. their cost value) to be represented on the financial statements.
   - *Difference between 2017 and 2016* ($3.8 million increase): The total amortization amount increases as the City's capital assets grow.
   - *Difference between Actual and Budget* ($1.2 million surplus): Amortization is not included in the annual operating budget: however, for the purpose of the financial statements an estimate is included to match up against the expense. In this instance, the expenditure was slightly lower than the estimate due to the timing of capitalization of expenses and unplanned disposals.

**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 2017 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 2017 was $8.113 billion (2016 $8.020 billion). Refer to Note #9 in the financial statements for a detailed breakdown of tangible capital asset activity.

The annual amortization expense in 2017 was $133.9 million (2016 $130.1 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 2017 totalled $393.8 million (2016 $393.5 million), an increase of $0.3 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 2017 were $71.3 million (2016 $66.2 million), an increase of $5.1 million.

**Reserve Funds**

Reserve Funds are non-discretionary, segregated and restricted to meet specific identified purposes for the municipality.

Total Reserve Funds in 2017 were $322.5 million (2016 $327.3 million), a decrease of $4.8 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 future surplus reduction 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

MISSISSAUGA

| | |
|---|---|
| Date: 2018/04/19<br>To: Chair and Members of Audit Committee<br>From: Gary Kent, CPA, CGA, Commissioner of Corporate Services and Chief Financial Officer | Originator's files:<br><br>Meeting date:<br>2018/05/07 |

## Subject
**2017 External Audit Findings Report**

## Recommendation
That the 2017 External Audit Findings Report dated April 19, 2018 from the Commissioner of Corporate Services and Chief Financial Officer, which includes the Audit Findings Report from KPMG for the fiscal year 2017 for the City of Mississauga (City), be received for information.

## Report Highlights
- The 2017 External Audit Findings Report provides an overview of the 2017 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 2017, there were no process improvement recommendations.
- In 2016, KPMG recommended 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 will be an ongoing process for Finance staff.

## 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 2017, 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 2017 and have issued an Audit Findings Report for information.

The 2017 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.

<u>2017 Process Improvement Recommendations</u>

In 2017, there were no identified process improvement recommendations.

<u>2016 Process Improvement Recommendations (Follow-up)</u>

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:

This will be an ongoing process with Finance staff due to the complexity for this area. Finance staff continues 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.

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 2017 External Audit Findings Report is a by-product of the financial statement audit.

The 2017 External Audit Findings Report provides an overview of the 2017 audit process. The report highlights any audit findings and/or audit observations and recommendations for the Audit Committee's review and consideration.

There were no audit concerns, process improvement recommendations or financial impacts as a result of the audit.

## Attachments

Appendix 1: 2017 City Of Mississauga Audit Finding Report

G. Kent.

Gary Kent, CPA, CGA, Commissioner of Corporate Services and Chief Financial Officer

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

# The Corporation of The City of Mississauga

## Audit Findings Report
## For the year ended December 31, 2017

KPMG LLP

April 2018

kpmg.ca/audit

The contacts at KPMG in connection with this report are:

**Kevin Travers**
Lead Audit Engagement Partner
Tel: 416-228-7994
ktravers@kpmg.ca

**Ana Chan**
Audit Senior Manager
Tel: 416-224-4655
anachan@kpmg.ca

# Table of Contents

# 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, 2017.

This Audit Findings Report builds on the Audit Plan we presented to the Audit Committee on December 4, 2017.

## Changes from the Audit Plan

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

## Adjustments and differences

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

## 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 23, 2018.

## Control and other observations

We did not identify any control deficiencies that we determined to be significant deficiencies in ICFR.

## Critical accounting estimates

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

The critical areas of estimates relate to the carrying value of tangible capital assets, provisions for accrued liabilities, obligations related to employee future benefits, self-insurance liability and provisions for liabilities arising from legal claims.

## Other matters

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

See pages 5 and 6.

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

# Technology in the audit

As previously communicated in our Audit Planning Report, we have utilized Data & Analytics (D&A) and other technologies in order to enhance the quality and effectiveness of the audit.

We have summarized the areas of focus as follows:

| Areas of focus | D&A tools and routines | Our results and insights |
|---|---|---|
| Journal entry testing | • KPMG application software to evaluate the completeness of the journal entry population through a roll-forward of all accounts.<br>• Using technology in the audit to analyze journal entries and apply certain criteria to identify potential high-risk journal entries for further testing. | • KPMG noted no issues with respect to the completeness of the journal entry population.<br>• KPMG was satisfied with the results of our testing of specific relevant journal entries, which were identified for testing using the computer assisted auditing techniques.<br>• We shared the findings with management to enable to identify certain trends and efficiencies in their accounting processes with regards to manual journal entries. |
| Development charges – Unspent DCA | • Utilized D&A to evaluate the year-over-year change on all capital projects for which developer charges (“DC”) have been applied as funding. In particular, we analyzed projects whereby:<br>- The total DC recognized into revenue exceeded total project costs incurred;<br>- Change in unspent DC for fiscal year 2016 and 2017 exceeded total projects costs incurred.<br>- Total projects costs incurred in 2017 compared to prior year. | • Based on the data analytics performed, we did not identify any material discrepancies. |
| Sharefile | • KPMG application to share information, audit schedules and reconciliations electronically with City staff in a secured environment. | • The aligns with the City’s goals to reduce carbon footprint. |

# 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 City'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 2017, the City, through the Regional Municipality of Peel (the "Region"), issued $38.8 million of debenture debt.<br>• 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 2016 are detailed in financial statements note 7.<br>• KPMG obtained and reviewed the by-laws both from the City and the Region in the issuance of the debenture debt.<br>• 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.<br>• In 2017, the City's share of Enersource's net income and dividends paid out totalled $14.2M and 12.9M, respectively (2016 - $26.9M and $12.8M respectively).<br>• These transactions are described in financial statements note 4. |
| Alectra Inc. | • On February 1, 2017, through a series of transactions, Enersource's wholly owned operating company, Enersource Holidngs Inc., was merged with certain utility holding companies in Ontario to form a new entity, known as Alectra Inc.<br>• As part of the merger, Enersource disposed all of the outstanding shares of Enersource Holdings Inc. in exchange for 31% ownership interest in Alectra Inc. As this transaction is considered to be a non-monetary transaction, the event is required to be valued at the fair value of the proceeds of disposition. Accordingly, the investment in Alectra Inc. is valued at 31% of the fair value of the opening position of Alectra Inc. The fair value was determined from an independent appraisal of each of the amalgamating entities. This calculation resulted in Enersource recognizing a gain on disposal.<br>• The City's share of this gain totalled $202.7M. The transaction is described in financial statements note 4. The gain on sale is reported as a separate line item in the statement of operations to highlight the impact of this transaction.<br>• We reviewed the transactions and disclosure in Enersource 2017 draft financial statements and is satisfied that the transaction is appropriately reported within the City's 2017 financial statements. |

| Matter | KPMG comment |
| --- | --- |
| 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.”<br>• 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 collectibiltiy of certain accounts receivable, legal claims, contract settlement accruals etc.<br>• 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.<br>• 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. |

# Adjustments and differences

Adjustments and differences identified during the audit have been categorized as “Corrected adjustments” or “Uncorrected differences”. These include disclosure adjustments and differences. Professional standards require that we request of management and the audit committee that all identified differences be corrected. We have already made this request of management.

## 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

# Appendices

# 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 auditors' report.
- **Management representation letter** – In accordance with professional standards, copies of the management representation letter are provided to the Audit Committee.

# 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 our [Audit Quality Resources page]() for more information including access to our audit quality report, [Audit quality: Our hands-on process.]()

- 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.

# 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: Audit trends

KPMG understands the wide range of challenges and evolving trends that you face as an audit committee of the City. We also understand that sometimes keeping up with critical issues as they emerge can be difficult.

As your auditors, it is incumbent upon us to provide you with any information that will help you further strengthen corporate governance, enhance your oversight and add greater value within your organization.

As such, KPMG's Audit Committee Institute (ACI) provides information, resources and opportunities for you to share knowledge with your peers. First, you are welcome to attend our Audit Committee Roundtable sessions, which are held in major cities across the country. In addition, you will also benefit from our monthly article series (Audit Point of View) and quarterly videos (FrontPage Video Series) that focus on the most pressing audit committee agenda items.

More information on all of these can easily be found at www.kpmg.ca/audit.

Our discussions with you, our audit opinion and what KPMG is seeing in the marketplace—both from an audit and industry perspective—indicate the following is specific information that will be of particular interest to the City. We would, of course, be happy to further discuss this information with you at your convenience.

| Thought Leadership | Overview |
|---|---|
| Benchmarking City Services | This city benchmarking report examines the performance of city services around the world to uncover insights and help create real value.<br>https://home.kpmg.com/xx/en/home/insights/2017/09/finding-the-courage-to-improve-benchmarking-city-services.html |

# Appendix 5: Management representation letter

MISSISSAUGA

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

April 23, 2018

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 City of Mississauga ("the Entity") as at and for the period ended December 31, 2017.

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.

*Employee future benefits:*

11) The employee future benefits costs, assets and obligation, if any, have been determined, accounted for and disclosed in accordance with the financial reporting framework.

12) There are no arrangements (contractual or otherwise) by which programs have been established to provide employee future benefits.

13) All arrangements (contractual or otherwise) by which programs have been established to provide employee benefits, which include post-employment benefits, and that are funded or unfunded have been disclosed to you and included in the determination of employee benefit liabilities.

14) The extrapolations are accurate and properly reflect the effects of changes and events that occurred subsequent to the most recent valuation and that had a material effect on the extrapolation.

15) All material events and changes to the plan subsequent to the most recent actuarial valuation have been properly reflected in the extrapolation.

16) Each actuarial assumption used reflects management's best estimate solely with respect to that individual assumption, determined on a basis that the plan will continue to be in effect in the absence of evidence to the contrary.

17) Each of the best estimate assumptions used reflects management's judgment of the most likely set of conditions affecting future events.

*Management's Use of Specialists:*

18) We agree with the findings of J.S Cheng & Partners Inc. as management's expert in performing the actuarial assessment of the self-insured retention levels and reserve funds. We did not give or cause any instructions to be given to specialists 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 or objectivity of the specialists.

Yours very truly,

THE CORPORATION OF THE CITY OF MISSISSAUGA

By: Ms. Janice Baker, City Manager and CAO

By: Mr. Gary Kent, Commissioner of Corporate Services and CFO

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.

**RELATED PARTIES**

In accordance with Canadian accounting standards for the public sector (PSAB) *related party* is defined as:

- Related parties exist when one party has the ability to exercise, directly or indirectly, control, joint control or significant influence over the other. Two or more parties are related when they are subject to common control, joint control or common significant influence. Two not for profit organizations are related parties if one has an economic interest in the other. Related parties also include management and immediate family members

In accordance with Canadian accounting standards for the public sector (PSAB) a *related party transaction* is defined as:

- A related party transaction is a transfer of economic resources or obligations between related parties, or the provision of services by one party to a related party, regardless of whether any consideration is exchanged. The parties to the transaction are related prior to the transaction. When the relationship arises as a result of the transaction, the transaction is not one between related parties.

**kpmg.ca/audit**

City of Mississauga
# Corporate Report

MISSISSAUGA

| | |
|---|---|
| Date: 2018/04/23<br>To: Chair and Members of Audit Committee<br>From: Al Steinbach, CPA, CMA, CRMA<br>Director, Internal Audit | Originator's files:<br><br>Meeting date:<br>2018/05/07 |

## Subject
**Final Audit Reports:**
1. **Corporate Services Department, Finance Division, Investments Section – 2017 Investment Audit; and,**
2. **Corporate Services Department, Facilities and Property Management Division – Capital Projects Contracts Audit.**

## Recommendation
That the report dated April 23, 2018 from the Director of Internal Audit with respect to final audit reports:

1. Corporate Services Department, Finance Division, Investments Section – 2017 Investment Audit, and,
2. Corporate Services Department, Facilities and Property Management Division – Capital Projects Contracts 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. Corporate Services Department, Finance Division, Investments Section – 2017 Investment Audit, and,
2. Corporate Services Department, Facilities and Property Management Division – Capital Projects Contracts Audit.

The report for the Capital Projects Contracts Audit is separately bound and is hereby submitted to the Audit Committee for consideration.

Internal Audit has also completed the 2017 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 2017 Investment Audit covered activities from January 1 to December 31, 2017. 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 2017 Investment Audit.

## Financial Impact

Not applicable.

## Conclusion

The final reports for Corporate Services Department, Finance Division, Investments Section – 2017 Investment Audit, and Corporate Services Department, Facilities and Property Management Division – Capital Projects Contracts Audit are now complete and are submitted for consideration by the Audit Committee.

## Attachments

Appendix 1: Corporate Services Department, Facilities and Property Management Division – Capital Projects Contracts Audit

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

Prepared by: Karen Hobbs, Administrative Coordinator

City of Mississauga
# Corporate Report

MISSISSAUGA

| | |
|---|---|
| Date: 2018/04/23<br>To: Chair and Members of Audit Committee<br>From: Al Steinbach, CPA, CMA, CRMA<br>Director, Internal Audit | Originator's files:<br><br>Meeting date:<br>2018/05/07 |

## Subject
**Status of Recommendations from the External Quality Assurance Review of the Internal Audit Function**

## Recommendation
That the report dated April 23, 2018 from the Director, Internal Audit with respect to the Status of Recommendations from the External Quality Assurance Review of the Internal Audit Function be received for information.

## Report Highlights
- The *Standards for the Professional Practice of Internal Auditing* of the Institute of Internal Auditors (IIA) requires the internal audit activity to "develop and maintain a quality assurance and improvement program" which "includes periodic internal and external quality assessments and ongoing internal monitoring."
- In October 2017, Internal Audit completed a self-assessment and found that the internal audit activities of the City "generally conform" to the *Standards*, Code of Ethics and the City's Internal Audit Charter (By-law 0065-2013).
- BDO Canada LLP, a qualified independent reviewer, was subsequently engaged to conduct an external quality assessment to validate the results of Internal Audit's assessment.
- The independent validation confirmed Internal Audit's self-assessment results and found that the City's Internal Audit function is "positioned to assist management in evaluating the risks and challenges of the City's operations."

## Background
The International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors (IIA) requires the development and maintenance of a quality assurance and improvement program which includes periodic internal and external quality assessments. An

external assessment was completed in January 2018 by BDO Canada LLP and confirmed that the Internal Audit Division of the City operates in accordance with the IIA's Professional Standards and Code of Ethics, as well as the City's Internal Audit Charter. Results of the assessment were presented at the March 5, 2018 Audit Committee meeting.

As part of the report of the External Quality Assessment Review, the consultant presented 17 recommendations to Internal Audit for consideration to enhance the audit process.

## Comments

Appendix 1 details the Recommendations, Rating and Status of Implementation. In summary, 13 of the 17 recommendations have been completed, and of the four (4) remaining, one (1) will be completed by May 31, 2018 and the remaining three (3) prior to September 30, 2018.

## Financial Impact

None.

## Conclusion

Implementation of the recommendations offered by the independent consultant as part of the External Quality Assessment Review of the Internal Audit Division is progressing. Thirteen of the recommendations have been implemented and progress continues for the remaining four. All recommendations will be addressed by September 30, 2018.

## Attachments

Appendix 1: Status of Recommendations from External Quality Assessment Review

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

Prepared by: Amy Truong, Senior Internal Auditor

**Appendix 1**

## Status of Recommendations from the 2017 External Quality Assurance Review

| | Current State of the IAD | Observation and Recommendation | Rating[1] | Internal Audit Comment/Status | Due Date |
|---|---|---|---|---|---|
| 1 | In 2017, the Internal Audit Division identified the need to solicit feedback from auditees to gain a deeper understanding of the quality of services provided. A client feedback survey has been developed and implemented in early 2018. | To achieve leading practices in performance, it is recommended that Internal Audit seek formal feedback from their auditees in the form of surveys post audit completion. | Moderate | Internal Audit is now soliciting feedback from auditees regarding the services provided. In addition, an annual survey will be conducted with both the Audit Committee and Leadership Team to obtain their valued opinion of the quality of services provided by IA. | Completed |
| 2 | Internal Audit has established informal KPI's for the Division and is transitioning to formal KPI's. | KPI's (Key Performance Indicators) for Internal Audit are not formally defined. It is recommended that formal KPI's be developed and defined for monitoring effectiveness. | Moderate | Internal Audit has volunteered to participate in the performance measures pilot program initiated by the City's Corporate Performance & Innovation Team. This will provide the foundation to develop formal KPI's within our division. | May 31, 2018 |
| 3 | There is an established expectation that key steps are undertaken during audits including documentation as part of the audit working papers. | Each auditor should summarize the work program and test steps for every audit. | Moderate | This expectation has been reinforced with all auditors and during review of working papers; review notes will reflect areas where additional reinforcement is required. | Completed |
| 4 | The Internal Audit procedures manual is comprehensive but our self-assessment identified the need for formalizing documentation regarding requirements for consulting engagements. | Internal Audit should document detailed requirements, criteria, objectives and status tracking for consulting engagements to ensure these assignments follow a prescribed set of procedures and adhere to defined standards as required for assurance engagements. | Moderate | We agree and will update the Internal Audit Manual to reflect the requirements for consulting engagements. | September 30, 2018 |
| 5 | Internal Audit as a matter of business practice tracks all outstanding recommendations and formally reports on the status semi-annually. The reporting and sign-off process has recently been streamlined. | Develop a master listing of all recommendations from each audit engagement to track and monitor the status of management's implementation plan. | Low | The current outstanding recommendations follow-up and reporting process meets the requirements for this recommendation. | Completed |
| 6 | Internal Audit staff turnover has been very low. Established corporate termination and recruitment processes are followed when turnover occurs. | That the Internal Audit Procedures Manual includes procedures for transition when staff turn over. | Low | We will continue to adhere to the standard protocols established by Corporate Human Resources related to terminations and recruitment. Going forward, more audits will be conducted by more than one auditor in order to ensure continuity of assignments. | Completed |
| 7 | The control environment is assessed within each audit against the risks | Control maturity is not assessed within each process/cycle. It is | Low | The internal audit work plan does not operate cyclically (i.e. audits are not performed on a | Completed |

## Status of Recommendations from the 2017 External Quality Assurance Review

| | Current State of the IAD | Observation and Recommendation | Rating[1] | Internal Audit Comment/Status | Due Date |
|---|---|---|---|---|---|
| | associated with the absence or ineffectiveness of controls. | recommended that a control maturity assessment be completed to evaluate the control environment for each cycle. | | rotational schedule) since audit assignments are determined based on a risks assessment. An effective control maturity model requires a periodic comparison to evaluate progression within a process.<br><br>We determined that our current process of examining control risks and its effectiveness is more valuable to the corporation than assessment of the control's maturity. | |
| 8 | Although rare, we are aware of the appropriate protocol to follow if there are errors and omissions. | Internal Audit Procedures Manual does not address how to handle errors and omissions. It is recommended to have a standardized procedure documented to ensure that these situations are handled timely. | Low | Errors and omissions would follow the protocol prescribed by the Clerk's office. The Director, Internal Audit is charged with the responsibility to amend any material errors or omissions. | Completed |
| 9 | Internal Audit does not employ an overall rating system for each audit. Ratings are applied to individual recommendations and categorized as: a) Operational Control and Financial Reporting, b) Compliance with and Clarification of Corporate Requirements, c) Safeguarding of Assets and Information, and, d) Efficiency/Effectiveness. | An overall reporting rating system does not exist. It is recommended that a reporting rating system be implemented to communicate new audit findings and to assist in prioritizing their implementation. | Low | Internal Audit has considered an overall report rating system in the past but has determined that the subjectivity in the rating scales may cause management to concentrate on the rating rather than the observations and recommendations made. Internal Audit will continue with the current rating system. | Completed |
| 10 | All auditors are required to conclude on each objective of their audit as to whether the audit objectives and accompanying audit criteria were met. | There is a lack of consistency in addressing objectives in each audit. An improvement to consider is to increase the consistency across working papers and to conclude on each objective of the audit. | Low | This recommendation is already an audit requirement and we believe this is a training opportunity. We will address the observation as part of the individual audit working paper review. | Completed |
| 11 | Internal Audit considers risks in setting the Annual Audit Work Plan relying on the Corporate Risk Assessment, interviews with senior management and gauging previous audits and reviews. | To achieve leading practices, it is recommended that Internal Audit attempt to reintroduce the Enterprise Risk Management (ERM) program to link audit findings back to the CRA assessment risks. | Moderate | As Internal Audit resources are limited, we will communicate with the Project Management Support Office to gauge the corporate appetite for the reintroduction of the ERM program. | Completed |

**Appendix 1**

## Status of Recommendations from the 2017 External Quality Assurance Review

| | Current State of the IAD | Observation and Recommendation | Rating[1] | Internal Audit Comment/Status | Due Date |
|---|---|---|---|---|---|
| 12 | Training programs are currently based on individual staff and audit program needs. Internal Audit does strive to offer training elements such as workshops, conferences and webinars that benefit individual and group staff needs. | It is recommended that a formal training process be developed to ensure staff have appropriate knowledge to carry out their audits and provide consistent quality in services. | Low | Internal Audit offers an effective training program for all Internal Audit staff that considers budgetary and resource allocation constraints. | Completed |
| 13 | Career paths are based on individual goals. | To enhance the career progression for Internal Audit staff and reach leading practice, career plans can be structured and include a career path for staff to have careers within Internal Audit or that lead to opportunities elsewhere within the organization (including placements in departments or help with process implementations). | Low | Careers plans are discussed and documented for individual staff members as part of the Performance Management Program (PMP) and staff development process. | Completed |
| 14 | Through a visioning exercise we have identified a shared vision and developed action items to achieve IAD's objectives. | While employees are appraised against personal objectives, performance and achievement of Internal Audit's work plan, defining KPI's will foster a clearer alignment of staff and departmental objectives to achieve leading practices in this area. | Low | We intend to identify and implement a more robust and formally defined set of KPI's for our Division. | September 30, 2018 |
| 15 | Certain components of the Field Work of the Audit (Section IV Internal Audit Manual) are documented and included in the working papers. | To ensure consistency across all audits, providing examples of documentation that meets the desired quality can ensure that all audits are completely and accurately documented. In addition, the system of auditors shadowing experienced auditors will assist in enhancing the quality of working papers. | Moderate | Agreed. The Director, Internal Audit will ensure consistency and quality of working papers through ongoing file review. | Completed |
| 16 | The outstanding recommendations log is utilized to track active issues and recommendations. | Creation of an active log of issues and recommendations is not formalized. | Low | We believe that we have an effective log of issues and recommendations as identified through the outstanding recommendations log and follow-up process. Through our Sharepoint site we will endeavour to track all issues and recommendations identified through the course of our audits and reviews. | Completed |

**Appendix 1**

## Status of Recommendations from the 2017 External Quality Assurance Review

| | Current State of the IAD | Observation and Recommendation | Rating[1] | Internal Audit Comment/Status | Due Date |
|---|---|---|---|---|---|
| 17 | The Internal Audit work plan is shared with the City's Leadership Team and Audit Committee (AC). All audit reports are presented to the Audit Committee for their information. Internal Audit meets with the AC quarterly. | Look for opportunities to increase the communication and information sharing between Internal Audit and the Audit Committee. | High | Plans are underway to increase the communication effectiveness between Internal Audit and the Audit Committee members, City Manager and Leadership Team.<br><br>This communication will include the use of annual surveys to ensure that feedback is obtained concerning the effectiveness of the Internal Audit Program. | September 30, 2018 |

[1]**Legend of Rating:**

High – Recommended action should be implemented immediately.

Moderate – Recommended action requires management attention and should be implemented within a reasonable time period (180 days).

Low – Recommended action presented for management consideration but not critical to overall process.

City of Mississauga
# Corporate Report

| | |
|---|---|
| Date: 2018/04/18 | Originator's files: |
| To: Chair and Members of Audit Committee | |
| From: Janice Baker, FCPA, FCA<br>City Manager and Chief Administrative Officer | Meeting date:<br>2018/05/07 |

## Subject
**Status of Outstanding Audit Recommendations as of March 31, 2018**

## Recommendation
That the report dated April 18, 2018 from the City Manager & Chief Administrative Officer regarding the status of outstanding audit recommendations as of March 31, 2018 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, 2018.

## Comments
A summary of recommendations which were outstanding as of September 30, 2017 (the effective date of the previous status report to the Audit Committee) and new recommendations which were scheduled for completion from October 1, 2017 to March 31, 2018 is attached as Appendix 1.

Twelve (12) of the twenty (20) recommendations which were previously outstanding as at September 30, 2017 have since been completed and implementation of these recommendations has been verified by Internal Audit. Detailed comments and status for the eight (8) recommendations that are still outstanding are attached in Appendix 2. Of the eight (8) recommendations, three (3) entail documentation of business processes. The remainder of the outstanding recommendations, five (5), involve review and updating of business processes which are in progress.

Forty-five (45) new recommendations that were due between October 1, 2017 and March 31, 2018 were added to the list. Sixteen (16) have been completed and implementation of these recommendations has been verified by Internal Audit. The remaining twenty-nine (29) recommendations are in various stages of implementation. In addition, one (1) recommendation due after March 31, 2018 has been completed ahead of the scheduled due date.

## Financial Impact

None.

## Conclusion

In summary, sixty-five (65) recommendations were scheduled for implementation prior to March 31, 2018 (effective date of this report). Twelve (12) of the recommendations that were outstanding from the previous status report of September 30, 2017 and sixteen (16) with due dates between October 1, 2017 and March 31, 2018 were completed. An additional one (1) recommendation with a due date after March 31, 2018 was completed ahead of schedule. Work continues with implementation of the thirty-seven (37) recommendations that were outstanding as at March 31, 2018 and will be closely monitored to ensure timely implementation.

## Attachments

Appendix 1: Status of Outstanding Audit Recommendations as at March 31, 2018
Appendix 2: Status of Audit Recommendations Outstanding as at October 1, 2017 and Still in Progress as of March 31, 2018

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

Prepared by: Tara Zammit, Senior Internal Auditor

**Appendix 1**

**STATUS OF OUTSTANDING AUDIT RECOMMENDATIONS**
**AS AT MARCH 31, 2018**

| (1) Audit | (2) Date Issued (MM/YY) | (3) Outstanding September 30, 2017 * | (4) New ** | (5) Implemented/ Resolved | (6) In Progress March 31, 2018 | (7) Due After March 31, 2018 and completed *** |
|---|---|---|---|---|---|---|
| Mississauga Transit Union Payroll | 08/14 | 2 | 0 | 1 | 1 | 0 |
| Animal Services E3 Review | 12/14 | 1 | 0 | 1 | 0 | 0 |
| Business Continuity and Disaster Recovery Plan Review | 02/15 | 2 | 0 | 2 | 0 | 0 |
| F&PM Current Maintenance Contracts | 10/15 | 2 | 0 | 0 | 2 | 0 |
| Rental and Lease Agreements | 10/15 | 2 | 0 | 1 | 1 | 0 |
| Mississauga Sport Zone Cash Handling | 01/16 | 1 | 0 | 0 | 1 | 0 |
| Corporate Fleet | 04/16 | 1 | 0 | 1 | 0 | 0 |
| POA Revenue and Cash Handling | 08/16 | 4 | 0 | 1 | 3 | 0 |
| Mississauga Spectator Arena Complex Management Agreement | 09/16 | 1 | 0 | 1 | 0 | 0 |
| Administrative Penalty System | 11/16 | 3 | 0 | 3 | 0 | 0 |
| Meadowvale Theatre | 11/16 | 0 | 2 | 0 | 2 | 0 |
| F&PM Capital Maintenance Contracts | 02/17 | 0 | 2 | 0 | 2 | 0 |
| MFES Building and Fleet Maintenance | 04/17 | 0 | 7 | 1 | 6 | 0 |
| CLASS Facilities Rental | 08/17 | 0 | 7 | 2 | 5 | 0 |
| Works Operations Payroll | 08/17 | 1 | 5 | 3 | 3 | 0 |
| MiWay Transit Maintenance Audit | 11/17 | 0 | 12 | 3 | 9 | 0 |
| Food Services Audit | 11/17 | 0 | 10 | 8 | 2 | 1 |
| **TOTAL** | | **20** | **45** | **28** | **37** | **1** |

* This column includes recommendations which were originally scheduled for implementation on or prior to September 30, 2017 (effective date of the previous status report to Audit Committee).

** This column includes recommendations which were originally scheduled for implementation between October 1, 2017 and March 31, 2018 (effective date of the current status report to Audit Committee).

*** This column indicates recommendations which were originally scheduled to be implemented after March 31, 2018 but have already been completed.

STATUS OF AUDIT RECOMMENDATIONS
OUTSTANDING AS OF SEPTEMBER 30, 2017 AND
STILL IN PROGRESS AS OF MARCH 31, 2018



| Audit | No. of Recommendations | Comments/Status |
|---|---|---|
| Business Process Documentation | | |
| 2016 POA Revenue and Cash Handling Audit | 3 | Completion of the recommendations has been delayed. The manager in the business area is new and is working on the recommendations. These recommendations are expected to be completed by December 31, 2018. |
| Review and Update of Business Processes | | |
| 2014 Mississauga Transit Payroll | 1 | The HR and Operations manual is complete. The new Maintenance Manager is currently reviewing the current processes; once the review is completed a Maintenance procedure manual will be completed. Expected to be completed by November 30, 2018. |
| 2015 F&PM Current Maintenance Contracts | 2 | Business area is reviewing the option to set up contracts and labour rates in the Enterprise Infor system. Additionally, for managing work schedules and work completed electronically, IT is working on a solution which has a revised completion date of June 2018. |
| 2015 Rental and Lease Agreements | 1 | Working with an Agreement Abstract to clearly define roles and responsibilities regarding the agreements. Realty is working on identifying stakeholders and informing them with the requirement to collect. Approximately 60% of this process has been completed. Expected to be completed by end of 2018. |
| 2016 Mississauga Sport Zone Cash Handling | 1 | The initial stage of the policy is in development. Handling of electronic devices is outstanding and team is working to resolve. Expected to be completed by end of 2018. |
| **Total** | **8** | |