City of Mississauga
Agenda

Audit Committee

Date
2019/05/06

Time
9:00 AM

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

Members

Mayor Bonnie Crombie	
Councillor Stephen Dasko	Ward 1
Councillor Karen Ras	Ward 2
Councillor Ron Starr (Chair)	Ward 6
Councillor Dipika Damerla	Ward 7

Contact
Krystal Christopher, Legislative Coordinator, Legislative Services
905-615-3200 ext. 5411
krystal.christopher@mississauga.ca

Find it Online

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

1. **CALL TO ORDER**

2. **APPROVAL OF AGENDA**

3. **DECLARATION OF CONFLICT OF INTEREST**

4. **MINUTES OF PREVIOUS MEETING**

4.1. Audit Committee Draft Minutes - March 4, 2019

5. **DEPUTATIONS**

5.1. Mark Beauparlant, Manager, Financial and Treasury Services on an update of the 2019 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 22, 2019 from the Commissioner of Corporate Services and Chief Financial Officer: **2018 Audit Findings Report**

Recommendation
That the 2018 External Audit Findings Report dated April 22, 2019 from the Commissioner of Corporate Services and Chief Financial Officer, which includes the Audit Findings Report from KPMG for the fiscal year 2018 for the City of Mississauga (City), be received for information.

Recommended Receipt

7.2. Report dated April 26, 2019 from the Director of Internal Audit: **Final Audit Reports**:

1. **Corporate Services Department, Finance Division, Payroll Section – Non-Union Payroll Audit;**
2. **Community Services Department, Library Services Division, Digital Library Services & Collections Section – Library Acquisitions Audit; and,**
3. **Corporate Services Department, Finance Division, Financial & Treasury Services Section – 2018 Investments Audit.**

Recommendation
That the report dated April 26, 2019 from the Director of Internal Audit with respect to final audit reports:

1. Corporate Services Department, Finance Division, Payroll Section – Non-Union Payroll Audit;
2. Community Services Department, Library Services Division, Digital Library Services & Collections Section – Library Acquisitions Audit; and,
3. Corporate Services Department, Finance Division, Financial & Treasury Services Section – 2018 Investments Audit.

be received for information.

Recommended Receipt

7.3. Report dated April 22, 2019 from the Commissioner of Corporate Services and Chief Financial Officer: **2018 Audited Financial Statements**

Recommendation
That the 2018 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

Recommended Receipt

8. **ENQUIRIES**

9. **ADJOURNMENT**

City of Mississauga
Minutes

Audit Committee

Date
2019/03/04

Time
9:01 AM

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

Members Present
Councillor Stephen Dasko
Councillor Karen Ras
Councillor Ron Starr (Chair)
Councillor Dipika Damerla

Members Absent
Mayor Bonnie Crombie

Staff Present
Janice Baker, City Manager and Chief Administrative Officer
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
Craig Emick, Information Technology Auditor
Andy Bate, Manager Traffic Services and Road Safety
Wendy Law, Deputy City Solicitor
Kevin M. Travers, Partner, KPMG, External Auditor
Krystal Christopher, Legislative Coordinator, Office of the City Clerk
Karen Morden, Legislative Coordinator, Office of the City Clerk

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1. **CALL TO ORDER** – 9:01 A.M.

Karen Morden, Legislative Coordinator, called the meeting to order at 9:01 a.m.

2. **APPOINTMENT OF CHAIR**

Councillor Stephen Dasko nominated Councillor Ron Starr as Chair of the Audit Committee. Councillor Ron Starr accepted the nomination and proposed that the role of Chair be divided between himself and Councillor Dipika Damerla.

RECOMMENDATION
AC-0001-2019
That Councillor Ron Starr be appointed as Chair of the Audit Committee for a term ending December 31, 2020 and that Councillor Dipika Damerla be appointed as Chair of the Audit Committee for a term beginning January 1, 2021 to November 14, 2022.

Recorded Vote	YES	NO	ABSENT	ABSTAIN
Mayor B. Crombie			X	
Councillor S. Dasko	X			
Councillor K.Ras	X			
Councillor R.Starr	X			
Councillor D. Damerla	X			

Approved (Councillor Dasko) (4, 0, 1 Absent)

3. **APPROVAL OF AGENDA**

Councillor Ron Starr took over as Chair of the meeting.

Approved (Councillor Ras)

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

5. **MINUTES OF PREVIOUS MEETING**

5.1. Audit Committee Minutes - November 12, 2018

Approved (Councillor Ras)

6. **DEPUTATIONS**

6.1. Al Steinbach, Director Internal Audit, on an Overview of Internal Audit

Al Steinbach, Director of Internal Audit, outlined what Internal Audit is, the Internal Audit Charter, scope of work, reporting structure, staff qualifications/experience, work plan, Corporate Risk Assessment categories and external quality assessment reviews.

Mr. Steinbach explained the different types of audit recommendations, the audit process as well as the follow up process for outstanding recommendations. Mr. Steinbach also spoke to consulting and assurance projects and the future direction of Internal Audit.

Councillor Damerla asked that Mr. Steinbach provide a further explanation regarding the context of the word progressive used in the presentation to describe Internal Audit. Mr. Steinbach responded by explaining what is being done such as maintaining a digital focus, lean projects to ensure effectiveness and efficiency and remaining up to date on technology and business processes.

RECOMMENDATION
AC-0002-2019
That the deputation from Al Steinbach, Director, Internal Audit, regarding an Overview of Internal Audit be received.

Received (Councillor Dasko)

7. **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:

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.

8. **MATTERS CONSIDERED**

8.1. 2019-2020 Internal Audit Work Plan Report

Al Steinbach, Director Internal Audit, spoke to the continuation of the 2019-2020 Internal Audit Work Plan Report that was presented to the Audit Committee last year. Mr. Steinbach spoke to the minor changes in the assignments, the Corporate Payroll Audit for part time and full time staff being combined into one Audit and the work plan going as scheduled.

Councillor Ras requested that more details on the work plan for an Audit be provided. Mr. Steinbach responded by stating that due to the complexity of the Audit, they do not know the full scope of the Audit at the time its planned and a preliminary survey is done to identify areas that are risks.

RECOMMENDATION
AC-0003-2019
That the report dated February 12, 2019 from the Director, Internal Audit, with respect to the 2019 to 2020 Internal Audit Work Plan be approved.

Recorded Vote	YES	NO	ABSENT	ABSTAIN
Mayor B. Crombie			X	
Councillor S. Dasko	X			
Councillor K.Ras	X			
Councillor R.Starr	X			
Councillor D. Damerla	X			

Approved (Councillor Damerla) (4, 0, 1- Absent)

8.2. Community Services Compliance Project Progress Update

Paul Mitcham, Commissioner of Community Services, spoke to the progress of the Community Services Compliance Project. Mr. Mitcham spoke to the compliance in high priority/risk areas that were outlined in an audit and how they are being addressed.

Councillor Ras raised a question regarding compliance reporting in daily duties for staff. Mr. Mitcham responded by stating that it is a part of front line staff responsibilities to ensure compliance and to be accountable for discrepancies. Mr. Mitcham spoke to the balance between the time of reporting compliance, periodic reporting and a dashboard that was created to show compliance statistics.

Janice Baker, City Manager, spoke to having better technology to make information more readily available, challenges around compliance, integrating responsibilities in technology and digital services. Ms. Baker agreed that more work is to be done in this area.

Councillor Starr agreed that changes in processes can be difficult but are currently being worked on.

RECOMMENDATION
AC-0004-2019
That the report dated February 4, 2019 entitled Community Services Compliance Project Progress Update from the Commissioner of Community Services be received for information.

Recorded Vote	YES	NO	ABSENT	ABSTAIN
Mayor B. Crombie			X	
Councillor S. Dasko	X			
Councillor K. Ras	X			
Councillor R. Starr	X			
Councillor D. Damerla	X			

Received (Councillor Ras) (4, 0, 1 Absent)

9. **ENQUIRIES** Nil.

10. **CLOSED SESSION**

Whereas the *Municipal Act, 2001*, as amended, a motion to be passed prior to closing part of a meeting to the public;

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

Now therefore be it resolved that a portion of the Audit Committee meeting to be held on March 4, 2019 shall be closed to the public to deal with the following matter:

The Committee moved into Closed Session at 9:26 a.m.

(Pursuant to Subsection 239 (3.1) of the Municipal Act, 2001)

The security of the property of the municipality or local board - **In Camera #18: Final Audit Report: Transportation & Works Department, Works Operations and Maintenance Division, Traffic Management Section, Traffic Signals and Street Lighting Unit - Street Lighting Program Audit.**

Al Steinbach, Director Internal Audit and Geoff Wright, Commissioner, Transportation and Works spoke to the results of the street lighting audit.

Members of the Committee asked questions related to the subject matter. Janice Baker, City Manager; Wendy Law, Deputy Solicitor; Craig Emick, Information Technology Auditor; and Andy Bate, Manager Traffic Safety answered questions arising from the report.

The committee moved out of closed session at 10:20 A.M.

As a result of the Closed Session, the following recommendation was voted on during public session:

<u>RECOMMENDATION</u>
AC-0005-2019
That the report dated February 20, 2019 from the Director of Internal Audit with respect to final audit report, Transportation & Works Department, Works Operations and Maintenance Division, Traffic Management Section, Traffic Signals and Street Lighting Unit – Street Lighting Program Audit be received for information.

Recorded Vote	YES	NO	ABSENT	ABSTAIN
Mayor B. Crombie			X	
Councillor S. Dasko	X			
Councillor K.Ras	X			
Councillor R.Starr	X			
Councillor D. Damerla	X			

<u>Received</u> (Councillor Ras) (4, 0, 1 – Absent)

11. **<u>ADJOURNMENT</u>** – 10:25 A.M. (Councillor Ras)

City of Mississauga
Corporate Report

Date: 2019/04/22 To: Chair and Members of Audit Committee From: Gary Kent, CPA, CGA, ICD.D, Commissioner of Corporate Services and Chief Financial Officer	Originator's files:
	Meeting date: 2019/05/06

Subject
2018 Audit Findings Report

Recommendation
That the 2018 External Audit Findings Report dated April 22, 2019 from the Commissioner of Corporate Services and Chief Financial Officer, which includes the Audit Findings Report from KPMG for the fiscal year 2018 for the City of Mississauga (City), be received for information.

Report Highlights
- The 2018 External Audit Findings Report provides an overview of the 2018 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.
- There was one corrected audit adjustment for the City and two for the Library. Yearend processes will be adjusted to accomodate these accruals in future.
- There were two uncorrected audit differences for the City. Management have decided not to correct these differences and represented to the auditors that the differences, individually and in the aggregate, in their judgment, are not material to the financial statements.
- There were three process improvement recommendations, completeness of accruals, capitalization of TCA, and cut-off of revenues. Management agrees with the auditor recommendations and will amend yearend financial reporting processes accordingly.
- In 2017, there were no process improvement recommendations.

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 2018, 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 2018 and have issued an Audit Findings Report for information.

The 2018 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.

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.

2018 Corrected Adjustments

City consolidated financial statements

- There was one corrected adjustment to record additional vacation liability of $1.4 million for the outstanding fire collective agreement. Yearend processes will be revised to identify this accrual in future.

Library financial statements

- A corrected adjustment to vacation liability of $882 thousand was recasted in 2017 and also reflected in 2018. This liability was never captured in prior year Library financial statement reporting and was identified by management during the 2018 financial statement process. Yearend processes will be adjusted to prevent this adjustment in future.
- A corrected adjustment to reduce library books tangible capital asset by $1.8 million was recasted in 2017 and also reflected in 2018. The auditors recommend that magazines and other library documents be separated from books for capital asset reporting and amortized at a faster rate.

2018 Uncorrected Differences

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

City consolidated financial statements

- The adjustment of $1.8M to reduce tangible capital assets in the Library's financial statements was not reflected in the City's consolidated financial statements. This adjustment will be corrected in the 2019 financial statements.
- There was a cut-off difference totalling $1.1M of revenues recorded in 2018 but pertaining to the 2017 year. Capital project managers will be reminded to accrue any revenues that have not been received by yearend.

2018 Process Improvement Recommendations

In 2018, there were 3 process improvement recommendations:

1. *Completeness of accruals*:

Potential effect and recommendations:

In order to ensure completeness of liabilities, the auditors recommend that management enhance its year-end close-out process. The use of a rigorous checklist for each of the statutory financial statements should be implemented similar to the checklist process undertaken for the City's consolidated financial statements.

Management should verify that all required liabilities and accounts are considered when determining the elements belonging to each entity's Financial Statements.

Significant collective agreement contracts should be summarized for financial implications upon execution of contracts and catalogued immediately for financial recordkeeping.

The auditors also recommend that management incorporate analytical reviews as a reasonability check on the accuracy and completeness of financial statement elements and ensure the financial impact of past events have been fully accounted for.

Management comments:

During each year end close, Accounting, Payroll, Accounts Payable, and Tangible Capital asset staff meet with both Departmental Finance staff and Departmental Project Managers to reinforce year end schedule and accounting requirements, including both revenue and expenses. Finance staff will continue to hold these departmental sessions each year end reinforcing the year end accounting requirements as required.

Management will incorporate a review of all liabilities for the City, Trust, and Library financial statements to ensure all relevant liabilities are captured in financial statement reporting for each of the entities.

Management will review collective agreement contracts to ensure all financial implications are identified. Accruing for vacation liability on collective agreement settlements will be added to the year-end checklist.

Management will add, where feasible, prior year results as a gauge of reasonability for current year liability calculations.

2. *Capitalization of TCA:*

The Library's TCA includes assets that have shorter periods of benefit relative to the asset categories in which they have been included.

Potential effect and recommendations:

In order to ensure TCA is not overstated for assets that no longer provide a useful benefit, the auditors recommend that management review its practices and internal procedural documents that guide the capitalization of expenditures. When including items in TCA asset categories, the underlying items must have a useful life matching the period of amortization for that asset category.

The auditors also recommend that management review its amortization policies periodically to ensure they continue to reflect the useful lives of its asset pool and incorporates, as necessary, changes in the Library's retention periods.

Management comments:

Management agrees with the recommendations and will review practices and useful lives of library assets and update the Tangible Capital Asset Policy as required.

Management will also review its amortization policy with Departments on an annual basis to ensure they continue to reflect the useful lives of the related assets.

3. *Cut-off of revenue:*

Potential effect and recommendations:

Ensuring revenues are recorded in the correct fiscal period is critical to the integrity of financial reporting.

In light of the cut-off errors identified, the auditors recommend that management update and enhance the instructions and guidelines provided to the various City departments that issue invoices. Instructions should clearly identify the need to analyze and assess charges and earned amounts within a reasonable timeframe after year-end to ensure amounts are either invoiced timely or estimated amounts are accrued for in the appropriate period.

Communications should be issued to departments prior to the start of the year-end close and repeated as necessary to support compliance.

The auditors also recommend that management continue to work with and educate the various departments on maintaining proper cut-off and completeness of revenues to minimize or eliminate future cut-off errors.

Management comments:

Similar to the recommendation on completeness of accruals, Accounting, Payroll, Accounts Payable, and Tangible Capital Asset staff currently meets with both Departmental Finance staff and Departmental Project Managers to reinforce year end schedule and accounting requirements including both revenue and expenses. Finance staff will continue to hold these departmental sessions each year end reinforcing the year end accounting requirements and responsibilities as required.

2017 Process Improvement Recommendations

In 2017, there were no identified process improvement recommendations.

Financial Impact

In 2019, Library books capital asset will be written down by $1.8 Million to reflect the amended useful lifes of books versus magazines and other media publications. Asset write-downs are a common industry practice with tangible capital asset reporting when useful lives change or assets are impaired.

Conclusion

The 2018 External Audit Findings Report complements the financial statement audit.

The 2018 External Audit Findings Report provides an overview of the 2018 audit process. The report highlights any audit findings and/or audit observations and recommendations for the Audit Committee's review and consideration.

There was one corrected audit adjustment for the City and two for the library. Yearend processes will be revised to identify this accrual in future.

There were two uncorrected audit differences for the City. Management have decided not to correct these differences and represented to the auditors that the differences, individually and in the aggregate, in their judgment, are not material to the financial statements.

There were three process improvement recommendations, completeness of accruals, capitalization of TCA, and cut-off of revenues. Management agrees with the recommendations and will amend yearend financial reporting processes.

The auditors had no concerns with management's feedback and responses to the recommendations.

Attachments

Appendix 1: 2018 Mississauga Audit Findings Report

G. Kent.

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

Prepared by: Mark Beauparlant, Manager Financial & Treasury Services

Appendix 1

The Corporation of the City of Mississauga

Audit Findings Report
for the year ended December 31, 2018

KPMG LLP

Licensed Public Accountants

April 9, 2019

kpmg.ca/audit

KPMG

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The contacts at KPMG in connection with this report are:

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Audit Senior Manager
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shelyaneli@kpmg.ca

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 of the City of Mississauga as at and for the year ended December 31, 2018.

This Audit Findings Report builds on the Audit Plan we presented to you on November 12, 2018.

Changes from the Audit Plan

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

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 with authority to approve the financial statements).

Our audit report is dated the date of approval of the financial statements by the Treasurer, April 12, 2019.

*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.

Executive summary

Adjustments and differences

For the City's financial statements, there was one corrected adjustment and two differences that remain uncorrected. See page 13.

Significant accounting policies and practices

The City adopted 5 new public sector accounting standards in the current year: See page 9 for considerations regarding the implementation of the new standards in the current year financial statements.

Financial statement presentation and disclosure

The presentation and disclosure of the financial statements are, in all material respects, in accordance with the City's relevant financial reporting framework.

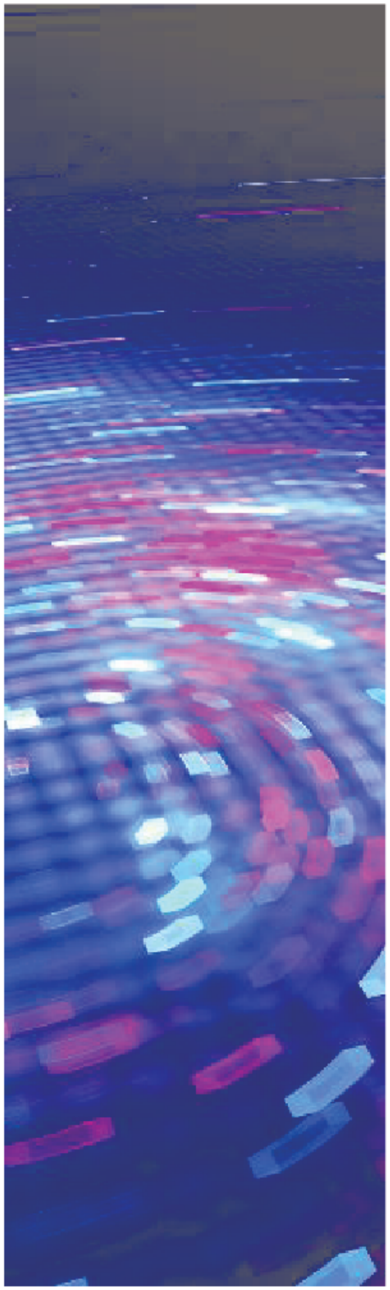
Control and other observations

We did not identify any control deficiencies that we determined to be significant deficiencies in ICFR. We do, however, provide our observations and recommendations on certain processes on page 14.

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.



Audit risks and results

We highlight our significant findings in respect of significant financial reporting risks as identified in our discussion with you in the Audit Plan, as well as any additional significant risks identified.

Other area of focus

Fraud risk from revenue recognition

Our response and significant findings

In order to address the presumed fraud risk from revenue recognition, we performed various audit procedures over the City's process for recognizing revenue, including:

- Evaluated the design and implementation and tested the operating effectiveness of selected relevant controls, including those relating to the tracking and reporting of development charges cash receipts.
- Evaluated the design and implementation of selected relevant controls over manual journal entries and other adjustments for revenue transactions.

Other audit procedures included:

- Tested development charges cash receipts and analyzed unspent development charges. See further details on page 12.
- Tested journal entries that are susceptible to manipulation through management override and unusual journal entries. See further details on page 12.
- Substantively tested revenues (both recognized and amounts held as deferred at year end) and recalculated management's determination of deferred revenue obligatory reserve funds through auditing management's methodology.

We did not identify any issues related to fraud risk associated with revenue recognition.

Other area of focus

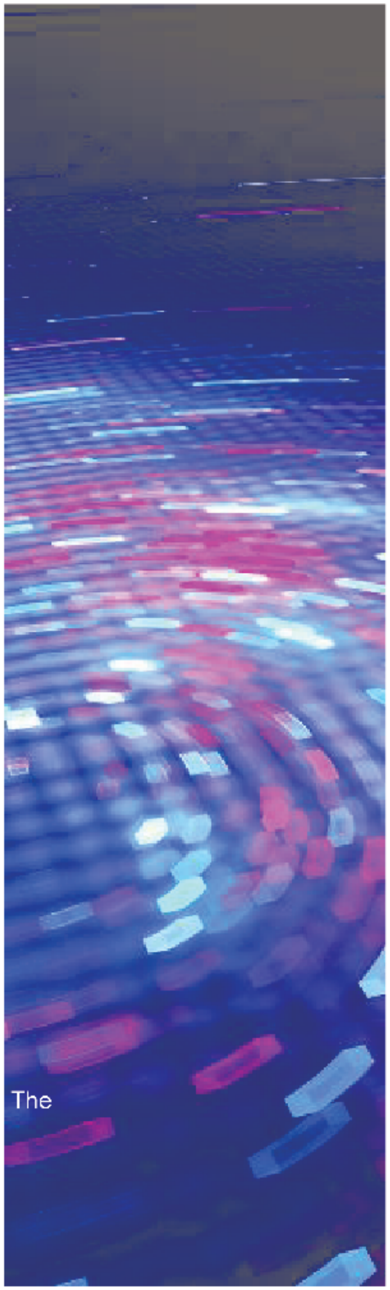
Fraud risk from management override of controls

Our response and significant findings

Professional standards require certain procedures to be performed to address the presumed risks of management override of controls.

- Using our Data & Analytics software, we tested manual and automated journal entries. See further details on page 12.
- We evaluated the reasonableness of estimates. We found that management's process for identifying accounting estimates is considered adequate.
- We did not identify any significant unusual transactions or any specific additional risks of management override during our audit.

We did not identify any issues related to fraud risk associated with management override of controls.



Other areas of focus

Significant findings from the audit regarding other areas of focus are as follows:

Other area of focus

Vacation liability

Our response and significant findings

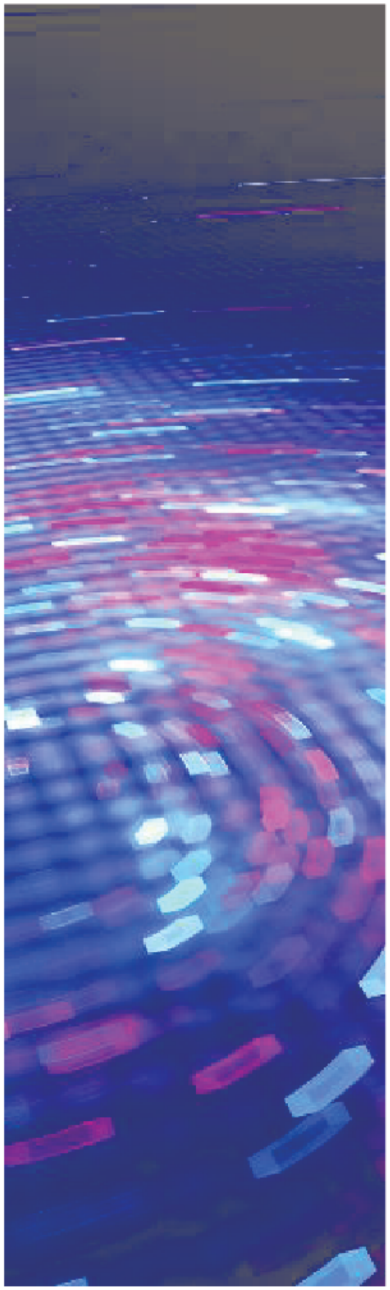
- During the course of the audit, it was discovered that the vacation accrual related to the both the City and Library were understated.

City's consolidated financial statements

- In calculating the City's vacation liability at the end of 2018, a required adjustment to record vacation on the retroactive payment owing in relation to the 2018 settlement with the Fire Fighters Local 1212 union was inadvertently omitted from the calculation due to an oversight when the initial system report was generated. Upon investigation, management recorded an additional accrual of $1.4M, which is reflected in the consolidated financial statements.
- We performed predictive analysis and trend analysis on vacation liability and found the total liability, after the adjustment was recorded, to be reasonable.

Library's standalone financial statements

- In their review, management discovered that the vacation liability specific to the Library's employees was recorded in the City's cost centre in the general ledger rather than the Library's. The result of this misclassification is that the Library's standalone financial statements presented a liability for vacation pay which was understated. However, on a consolidated basis, the City's financial statements were inclusive of the liability.
- The Library's adjusted vacation liability as at December 31, 2018 is $882K.
- We obtained the details of the vacation liability and selected a sample of employees and validated the vacation liability owing to the selected individuals. No exceptions were found in our testing.
- Refer also to our process improvement observations on page 14 for more details.



Other area of focus

Library's Tangible Capital Assets (TCA)

Our response and significant findings

– In our testing of the Library's TCA, we noted that TCA includes periodicals and online subscriptions. The amortization period of 10 years applied on these assets exceed their useful lives, which range from 6 months to 2 years in most cases. Management has analyzed the pool of TCA and determined that $1.8M of periodicals and online subscriptions have no benefit to the Library and has thus written these amounts off in 2018 in the Library's financial statements. The adjustment remains uncorrected in the City's financial statements.

– We reviewed management's analysis and we concur with the write off recorded. Refer also to our process improvement observations on page 14 for more details.

Other area of focus

Municipal Accommodation Tax

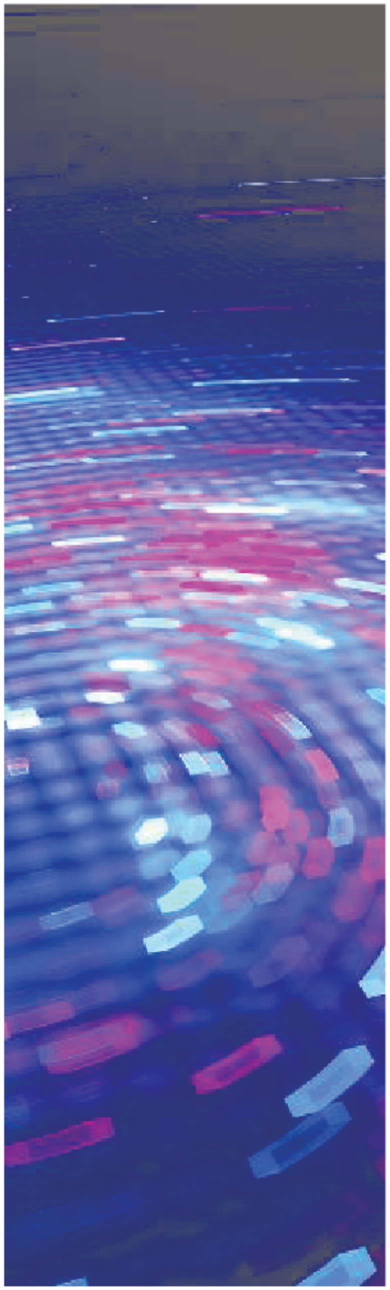
Our response and significant findings

– The Municipal Act allows a local municipality to impose a transient accommodation tax and the City has done so by passing By-Law 0023-2018, which, effective April 1, 2018, requires accommodation providers to charge a 4% municipal accommodation tax (MAT).

– For the 2018 period, the total amount recorded as revenue to the City is $8.99M, including $1.1M accrued in 2018 but received in 2019.

– In the Municipal Act, the Government of Ontario reserves the right to impose regulations that will require a municipality to share its MAT with not-for-profit organizations who are in the business of tourism promotion. At the current time, there is no such regulation. Therefore, the City has determined that the entire amount of revenue collected is earned by the City (recognized as revenue) and there are no obligations to any third parties. Accordingly, no liability has been recorded to account for any potential future sharing of these funds.

– Currently, the City intends to use these funds towards promoting tourism, as described in the By-Law, and has set aside $8.7M in a discretionary reserve fund, which has been disclosed as part of Other Reserve Funds in note 9 to the financial statements.



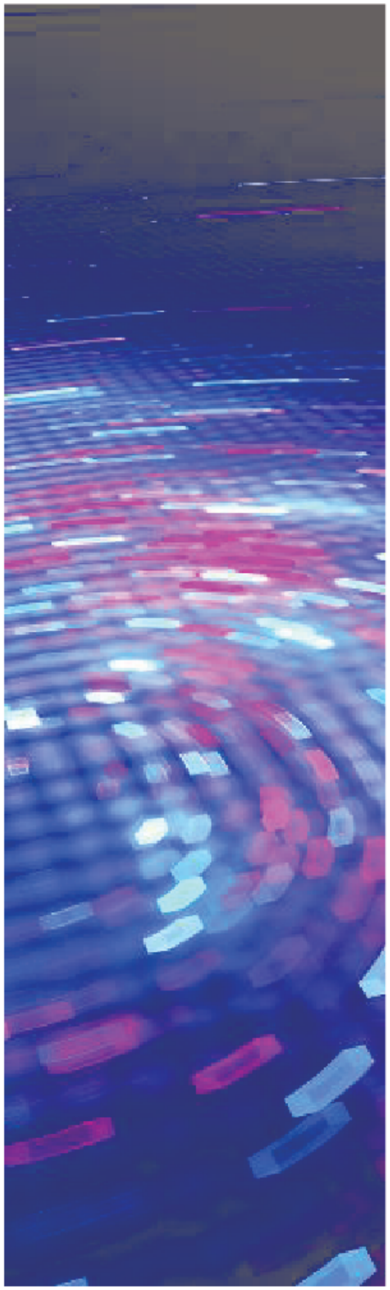
Other area of focus

Adoption of public sector accounting standards

Our response and significant findings

Beginning in fiscal 2018, the City is now required to adopt the following new public sector accounting standards (PSAS) :

- **PS 2200 Related Party Disclosures**
  - This standard defines related parties and requires disclosure of material transactions occurring between related parties at a value that is different from that which would have been arrived at if the parties were unrelated.
  - The City has internal policies over procurement and conduct that address conflicts of interest and transactions with individuals or parties at non-arms' length. We held discussions with management who informed us that there were no material related party transactions that were not at fair value during the year. Our findings from our review of Council and committee meeting minutes were consistent in this regard. At the completion of the audit, we obtained from management a signed representation letter indicating that there were no related parties or transactions not identified to us or disclosed in the financial statements.
- **PS 3420 Inter-Entity Transactions**
  - These are transactions occurring between commonly controlled entities. There are no inter-entity transactions to consider as there are no commonly-controlled entities to the City.
- **PS 3380 Contractual Rights**
  - Contractual rights, which are rights to economic resources arising from contracts or agreements that will result in both an asset and revenue in the future, must be disclosed and described. As at December 31, 2018, there were a number of contracts and commitments for funding support, shared services, and leases. The aggregate amounts for each of these types of arrangements are disclosed in note 20 to the financial statements.
  - For a sample of contracts and commitments, we verified the maximum amount available to the City, ensured that amounts are to be earned in future periods, and recalculated the future portions by deducting actual revenues earned to date on the contracts.
- **PS 3320 Contingent Assets**
  - Contingent assets, which exist when an unresolved existing condition exists and an expected future event will resolve that uncertainty as to whether an asset exists, must be disclosed. Management has considered a number of circumstances, including litigation where the City is the plaintiff and situations with the potential for recoveries. Management has not identified any contingent assets, which is supported by the City Solicitor. No disclosures are required.
- **PS 3210 Assets**
  - Items meeting the expanded definition of assets must be recorded as assets in the statement of financial position. The City has recorded all such assets. This standard does not have a significant impact on the financial statements.



Other area of focus

Debenture Debt

Our response and significant findings

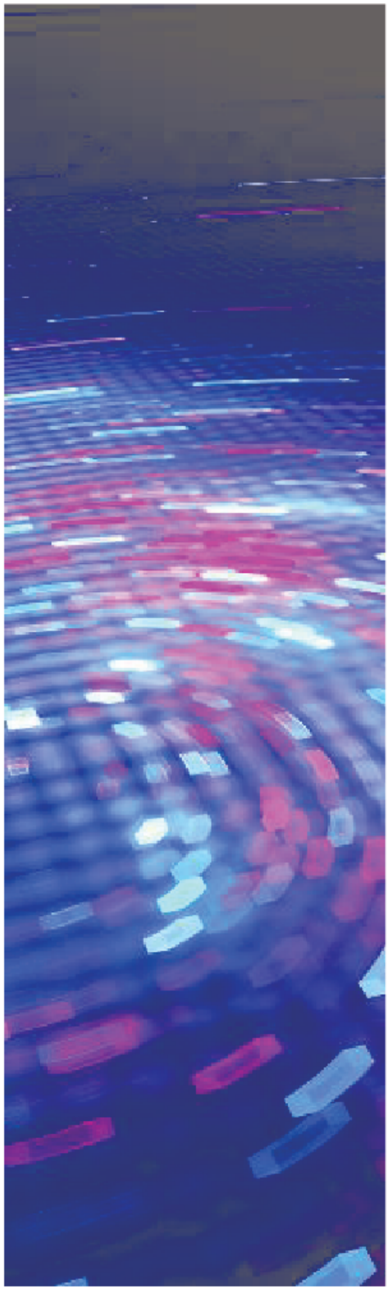
- In 2018, the City, through the Regional Municipality of Peel (the Region), issued $46.27M of debenture debt.
- The interest rate, principal repayment requirements and other related terms and conditions of the debenture debt, along with the debenture debt issued from 2013 to 2017 are detailed in note 7 to the financial statements.
- We obtained and reviewed the By-Laws both from the City and the Region in the issuance of the debenture debt.
- We performed audit verifications over total debenture debt and repayment schedule to confirm existence and accuracy.

Other area of focus

Enersource Corporation

Our response and significant findings

- As noted in our Audit Planning Report, we assessed Enersource Corporation (Enersource) as a significant component to the City's financial statements.
- In 2018, the City's share of Enersource's net income and dividends paid out totalled $30.3M and $12.9M, respectively (2017 - $14.2M and $12.9M respectively).
- These transactions are described in note 4 to the financial statements.



Other area of focus

Contingent Liabilities

Our response and significant findings

- The Chartered Professional Accountants Handbook section PS3300 - Contingent Liabilities requires that the City recognize a liability when it is likely that a future event will confirm that a liability has been incurred at the date of the financial statements, and the amount can be reasonably estimated.
- At any point in time, the City is subject to a number of matters which could potentially result in the determination of a contingent liability as defined above, including, but not limited to matters such as collectability of certain accounts receivable, legal claims, contract settlement accruals, etc.
- KPMG has reviewed the City's assessments, including evaluation by the City Solicitor, of contingent liabilities and the process employed to develop and record the related estimated liabilities. Where applicable, KPMG discussed with the individuals responsible for the process and is satisfied that the methodology used is rational, consistent with the approach taken in prior years, and has been appropriately reviewed.
- As these items are resolved, it is possible that the final amounts recorded for these liabilities may change, however the amounts currently recorded represent management's best estimates of exposure given the information presently available.

Other area of focus

Cut-off of Revenue

Our response and significant findings

- In our testing of revenues, we selected a sample of revenues recorded in 2018. In our sample, we found 3 invoices for cost sharing charges and 1 invoice for licensing fees that were invoiced and collected in 2018 but were for charges that were earned in 2017. We obtained from management a complete listing of 2018 invoices for these two matters and found that the total charges that were recorded in 2018 but should have been recorded in 2017 is $1.1M. We proposed audit adjustments to reflect the rollover impact to 2018. Given that the amount is not material overall, the difference remains uncorrected and there is no impact on our auditors' report.
- We also obtained a listing of 2019 invoices and inspected for 2018 charges and found insignificant invoices of this nature. However, we inquired about 2018 cost recoveries that were not yet invoiced and accrued and found that there remains approximately $600K to be invoiced and were not recorded. This amount is less than our audit posting threshold but we identify this as a cut-off issue.
- Refer also to our recommendation and performance improvement observations on page 14.

Technology in the audit

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

Areas of the audit where Technology and D&A routines were used

Area	Our results and insights
Journal entry testing	We utilized our proprietary D&A tool, IDEA, to evaluate the completeness of the journal entry population through a roll-forward of all accounts, analyze journal entries and determine sub-populations for more focused and risk-based testing, and apply certain criteria to sub-populations to identify potential high-risk journal entries for further testing. We did not identify any issues with completeness through our roll-forward procedures. We are satisfied with the results of our testing of specific relevant journal entries, which were identified for testing using the computer assisted auditing techniques. We shared the findings with management to enable management to identify certain trends and efficiencies in their accounting processes with regards to manual journal entries.
Development charges: Unspent DC	We 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: Total DC recognized into revenue exceeded total project costs incurred; Change in unspent DC for fiscal years 2017 and 2018 exceeded total projects costs incurred; Total projects costs incurred in 2018 compared to prior year. Based on the data & analytics performed, we did not identify any material discrepancies.
Vendor files	We utilized D&A to perform routines over procurement and vendor set-up to identify unusual vendor/payment activity, specifically: We identified a number of vendors with blank addresses, which were all identified as legacy accounts that are no longer used. New vendors created in 2018 for which there was no payment activity, which were attributed to reasons such as recent setups for term contracts or payments due later upon completion of long-term projects. We shared the findings with management and provided recommendations on removing inactive vendor files from the system. We understand that management will be undertaking a change in system platform in 2019 and will clean up the vendor database.

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 that all identified adjustments or differences be corrected. We have already made this request of management.

Corrected adjustments

The management representation letter includes all adjustments identified as a result of the audit, communicated to management and subsequently corrected in the financial statements. Please refer to the management representation letter distributed along with this audit findings report.

City consolidated financial statements

There was one corrected adjustment to record additional vacation liability of $1,448K, as described on page 7.

Library financial statements

A corrected adjustment to vacation liability in 2018 of $882K, as described on page 7.

A corrected adjustment to reduce tangible capital assets in 2018 by $1.8M, as described on page 8.

Uncorrected difference

The following differences remain uncorrected:

City consolidated financial statements

As described on page 8, the adjustment of $1.8M to reduce tangible capital assets in the Library's financial statements was not reflected in the City's consolidated financial statements.

As described on page 11, there was a cut-off difference totalling $1.1M of revenues recorded in 2018 but pertaining to the 2017 year.

The management representation letter includes the Summary of Uncorrected Audit Misstatements, which disclose the impact of all uncorrected differences considered to be other than clearly trivial.

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

Performance improvement observations

Other control deficiencies may be identified during the audit that do not rise to the level of material weakness or significant deficiency.

We have previously communicated to management other performance improvement observations and control deficiencies identified during the audit.

Below is a summary of these other observations and control deficiencies that we identified during the audit:

Description	Potential effect and recommendations	Management comments
Completeness of accruals: Given that there were adjustments required in both the City and Library financial statements, we identified an opportunity for improvement in the process of ensuring the completeness of liabilities at year end.	In order to ensure completeness of liabilities, we recommend that management enhance its year-end close-out process. The use of a rigorous checklist for each of the statutory financial statements should be implemented similar to the process undertaken for the City's consolidated financial statements. This is an important process given the lower level of materiality of the subsidiary financial statements.	During each year end close, Accounting, Payroll, Accounts Payable, and Tangible Capital asset staff meet with both Departmental Finance staff and Departmental Project Managers to reinforce year end schedule and accounting requirements, including both revenue and expenses. Finance staff will continue to hold these departmental sessions each year end reinforcing the year end accounting requirements as required.
	Management should verify that all required liabilities and accounts are considered when determining the elements belonging to each entity's FS.	Management will incorporate a review of all liabilities for the City, Trust, and Library financial statements to ensure all relevant liabilities are captured in financial statement reporting for each of entities.
	Significant contracts should be summarized for financial implications upon execution of contracts and catalogued immediately for financial recordkeeping.	Management will review collective agreement contracts to ensure all financial implications are identified. Accruing for vacation liability on collective agreement settlements will be added to the year end checklist.
	We also recommend that management incorporate analytical reviews as a reasonableness check on the accuracy and completeness of financial statement elements and ensure the financial impact of past events have been fully accounted for.	Management will add, where feasible, prior year results as a gauge of reasonability for current year liability calculations.

Description	Potential effect and recommendations	Management comments
Capitalization of TCA: The Library's TCA includes assets that have shorter periods of benefit relative to the asset categories in which they have been included.	In order to ensure TCA is not overstated for assets that no longer provide a useful benefit, we recommend that management review its practices and internal procedural documents that guide the capitalization of expenditures. When including items in TCA asset categories, the underlying items must have a useful life matching the period of amortization for that asset category. We also recommend that management review its amortization policies periodically to ensure they continue to reflect the useful lives of its asset pool and incorporates, as necessary, changes in the Library's retention periods.	Management agrees with the recommendation and will review practices and useful lives of library assets and update the Tangible Capital Asset Policy as required. Management will also review its amortization policy with Departments on an annual basis to ensure they continue to reflect the useful lives of the related assets.
Cut-off of revenue: As described in this report, we identified cut-off errors in the following areas: - Cost recoveries in a shared-cost project - Licensing fee	Ensuring revenues are recorded in the correct fiscal period is critical to the integrity of financial reporting. In light of the cut-off errors identified, we recommend that management update and enhance the instructions and guidelines provided to the various City departments that issue invoices. Instructions should clearly identify the need to analyze and assess charges and earned amounts within a reasonable timeframe after year-end to ensure amounts are either invoiced timely or estimated amounts are accrued for in the appropriate period. Communications should be issued to departments prior to the start of the year-end close and repeated as necessary to support compliance. We also recommend that management continue to work with and educate the various departments on maintaining proper cut-off and completeness of revenues to minimize or eliminate future cut-off errors.	Similar to the recommendation on completeness of accruals, Accounting, Payroll, Accounts Payable, and Tangible Capital Asset staff currently meets with both Departmental Finance staff and Departmental Project Managers to reinforce year end schedule and accounting requirements including both revenue and expenses. Finance staff will continue to hold these departmental sessions each year end reinforcing the year end accounting requirements and responsibilities as required.

Audit trends

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 you. We would, of course, be happy to further discuss this information with you at your convenience.

Thought Leadership	Overview	Links
Accelerate	Accelerate is a KPMG trends report and video series that includes the perspective of subject matter leaders from across KPMG in Canada on seven key issues impacting organizations today that are disrupting the audit committee mandate.	Link to report
The Blockchain shift will be seismic	Blockchain technology is a focused disruptor of the very foundations of external and internal audit: financial recordkeeping and reporting. This Audit Point of View article offers insight on how blockchain technology is impacting business and what audit committees should be thinking about to prepare for certain risks.	Link to report
Audit Quality 2018	Learn about KPMG s ongoing commitment to continuous audit quality improvement. We are investing in new innovative technologies and building strategic alliances with leading technology companies that will have a transformative impact on the auditing process and profession. How do we seek to make an impact on society through the work that we do?	Link to report
Cyber defense in depth	High walls alone won't defend the castle. Assume that you have been compromised and work on what needs to be done to address it.	Link to report

Current developments

Public Sector Accounting Standards

The following are upcoming changes that will be effective in future periods. We have provided an overview of what these standards are and what they mean to your financial reporting so that you may evaluate any impact to your future financial statements.

Standard	Summary and implications
Asset Retirement Obligations	A new standard has been approved that is effective for fiscal years beginning on or after April 1, 2021 (the City's 2022 year-end). The new standard addresses the recognition, measurement, presentation and disclosure of legal obligations associated with retirement of tangible capital assets in productive use. Retirement costs would be recognized as an integral cost of owning and operating tangible capital assets. PSAB currently contains no specific guidance in this area. The ARO standard would require the public sector entity to record a liability related to future costs of any legal obligations to be incurred upon retirement of any controlled tangible capital assets (TCA). The amount of the initial liability would be added to the historical cost of the asset and amortized over its useful life. As a result of the new standard, the public sector entity would have to: • consider how the additional liability will impact net debt, as a new liability will be recognized with no corresponding increase in a financial asset; • carefully review legal agreements, senior government directives and legislation in relation to all controlled TCA to determine if any legal obligations exist with respect to asset retirements; • begin considering the potential effects on the organization as soon as possible to coordinate with resources outside the finance department to identify AROs and obtain information to estimate the value of potential AROs to avoid unexpected issues.
Revenue	A new standard has been approved that is effective for fiscal years beginning on or after April 1, 2022 (the City's 2023 year-end). The new standard establishes a single framework to categorize revenues to enhance the consistency of revenue recognition and its measurement. The standard notes that in the case of revenues arising from an exchange, a public sector entity must ensure the recognition of revenue aligns with the satisfaction of related performance obligations. The standard notes that unilateral revenues arise when no performance obligations are present, and recognition occurs when there is authority to record the revenue and an event has happened that gives the public sector entity the right to the revenue.

Financial Instruments and Foreign Currency Translation	New accounting standards, PS3450 *Financial Instruments*, PS2601 *Foreign Currency Translation*, PS1201 *Financial Statement Presentation* and PS3041 *Portfolio Investments* have been approved by PSAB and are effective for years commencing on or after April 1, 2021 (the City's 2022 year-end). Equity instruments quoted in an active market and free-standing derivatives are to be carried at fair value. All other financial instruments, including bonds, can be carried at cost or fair value depending on the government's choice and this choice must be made on initial recognition of the financial instrument and is irrevocable. Hedge accounting is not permitted. A new statement, the Statement of Remeasurement Gains and Losses, will be included in the financial statements. Unrealized gains and losses incurred on fair value accounted financial instruments will be presented in this statement. Realized gains and losses will continue to be presented in the statement of operations. Based on stakeholder feedback received, PSAB is considering certain scope amendments to PS 3450 *Financial Instruments*. An exposure draft with the amendments is expected to be issued in December 2018. The proposed amendments are expected to include the accounting treatment of bond repurchases, scope exclusions for certain activities by the federal government, and improvements to the transitional provisions.
Employee Future Benefit Obligations	PSAB has initiated a review of sections PS3250 *Retirement Benefits* and PS3255 *Post-Employment Benefits, Compensated Absences and Termination Benefits*. Given the complexity of issues involved and potential implications of any changes that may arise from this review, the project will be undertaken in phases. Phase I will address specific issues related to measurement of employment benefits. Phase II will address accounting for plans with risk sharing features, multi-employer defined benefit plans and sick leave benefits. Three Invitations to Comment were issued and have closed. The first Invitation to Comment sought guidance on whether the deferral provisions in existing public sector standards remain appropriate and justified and the appropriateness of accounting for various components of changes in the value of the accrued benefit obligation and plan assets. The second Invitation to Comment sought guidance on the present value measurement of accrued benefit obligations. A third Invitation to Comment sought guidance on non-traditional pension plans. The ultimate objective of this project is to issue a new employment benefits section to replace existing guidance.
Public Private Partnerships (P3)	A taskforce was established in 2016 as a result of increasing use of public private partnerships for the delivery of services and provision of assets. A Statement of Principles (SOP) was issued in August 2017 which proposes new requirements for recognizing, measuring and classifying infrastructure procured through a public private partnership. The SOP proposes that recognition of infrastructure by the public sector entity would occur when it controls the purpose and use of the infrastructure, when it controls access and the price, if any, charged for use, and it controls any significant interest accumulated in the infrastructure when the P3 ends. The SOP proposes the public sector entity recognize a liability when it needs to pay cash or non-cash consideration to the private sector partner for the infrastructure. The infrastructure would be valued at cost, with a liability of the same amount if one exists. Cost would be measured by discounting the expected cash flows by a discount rate that reflects the time value of money and risks specific to the project.

Concepts Underlying Financial Performance	PSAB is in the process of reviewing the conceptual framework that provides the core concepts and objectives underlying Canadian public sector accounting standards. A Statement of Concepts (SOC) and Statement of Principles (SOP) were issued for comment in May 2018 and has closed. The SOC proposes a revised, ten chapter conceptual framework intended to replace PS 1000 *Financial Statement Concepts* and PS 1100 *Financial Statement Objectives*. The revised conceptual framework would be defined and elaborate on the characteristics of public sector entities and their financial reporting objectives. Additional information would be provided about financial statement objectives, qualitative characteristics and elements. General recognition and measurement criteria, and presentation concepts would be introduced. The SOP includes principles intended to replace PS 1201 *Financial Statement Presentation*. The SOP proposes: • Removal of the net debt indicator, except for on the statement of net debt where it would be calculated exclusive of financial assets and liabilities that are externally restricted and/or not available to settle the liabilities or financial assets. • Changes to common terminology used in the financial statements, including re-naming accumulated surplus (deficit) to net assets (liabilities). • Restructuring the statement of financial position to present non-financial assets before liabilities. • Removal of the statement of remeasurement gains (losses) with the information instead included on a new statement called the statement of changes in net assets (liabilities). This new statement would present the changes in each component of net assets (liabilities). • A new provision whereby an entity can use an amended budget in certain circumstances. Inclusion of disclosures related to risks and uncertainties that could affect the entity's financial position.
International Strategy	PSAB is in the process of reviewing its current approach towards International Public Sector Accounting Standards. This project may result in changes to the role PSAB plays in setting standards in Canada. A consultation paper was released for comment in May 2018 and has closed. The consultation paper described the decision-making criteria PSAB expects to consider in evaluating the international strategy that best serves the public sector. It also introduced four proposed international strategies that PSAB considers to be viable.

Appendices

Appendix 1: Required communications

Appendix 2: Audit Quality and Risk Management

Appendix 3: Background and professional standards

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 attached to the consolidated financial statements.

Management representation letter

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

Audit findings report

As attached.

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 summarizes the six key elements of our quality control system.

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
- 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 or material weaknesses and therefore, there can be no assurance that all significant deficiencies or material weaknesses 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.

kpmg.ca/audit

City of Mississauga
Corporate Report

Date: 2019/04/26 To: Chair and Members of Audit Committee From: Al Steinbach, CPA, CMA, CRMA Director, Internal Audit	Originator's files: Meeting date: 2019/05/06

Subject
Final Audit Reports:
1. **Corporate Services Department, Finance Division, Payroll Section – Non-Union Payroll Audit;**
2. **Community Services Department, Library Services Division, Digital Library Services & Collections Section – Library Acquisitions Audit; and,**
3. **Corporate Services Department, Finance Division, Financial & Treasury Services Section – 2018 Investments Audit.**

Recommendation
That the report dated April 26, 2019 from the Director of Internal Audit with respect to final audit reports:

1. Corporate Services Department, Finance Division, Payroll Section – Non-Union Payroll Audit;
2. Community Services Department, Library Services Division, Digital Library Services & Collections Section – Library Acquisitions Audit; and,
3. Corporate Services Department, Finance Division, Financial & Treasury Services Section – 2018 Investments 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 three audits, being:

1. Corporate Services Department, Finance Division, Payroll Section – Non-Union Payroll Audit;
2. Community Services Department, Library Services Division, Digital Library Services & Collections Section – Library Acquisitions Audit; and,
3. Corporate Services Department, Finance Division, Financial & Treasury Services Section – 2018 Investments Audit.

The three audit reports are hereby submitted to the Audit Committee for consideration.

Financial Impact

There are no financial impacts resulting from the Recommendation in this report.

Conclusion

The final reports for Corporate Services Department, Finance Division, Payroll Section – Non-Union Payroll Audit; Community Services Department, Library Services Division, Digital Library Services & Collections Section – Library Acquisitions Audit; and Corporate Services Department, Finance Division, Financial & Treasury Services Section – 2018 Investments Audit are now complete and are submitted for consideration by the Audit Committee.

Attachments

Appendix 1: Corporate Services Department, Finance Division, Payroll Section - Non-Union Payroll Audit

Appendix 2: Community Services Department, Library Services Division, Digital Library Services & Collections Section - Library Acquisitions Audit

Appendix 3: Corporate Services Department, Finance Division, Financial & Treasury Services Section - 2018 Investments Audit

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

Prepared by: Karen Hobbs, Administrative Coordinator

APPENDIX 1

City of Mississauga

Internal Audit Report

CORPORATE SERVICES DEPARTMENT
FINANCE DIVISION
PAYROLL SECTION
NON-UNION PAYROLL AUDIT

April 24, 2019

City Manager's Department
Internal Audit Division

TABLE OF CONTENTS

Distribution List

Report on Corporate Services Department, Finance Division, Payroll Section – Non-Union Payroll Audit

Appendix A – Summary of Recommendations

CORPORATE SERVICES DEPARTMENT
FINANCE DIVISION
PAYROLL SECTION
NON-UNION PAYROLL AUDIT

Distribution List

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- Director, Human Resources
- Manager, Financial & Treasury Services
- Senior Manager, Total Rewards

KPMG LLP, Chartered Accountants, External Auditor

Corporate Services Department
Finance Division
Payroll Section
Non-Union Payroll Audit

BACKGROUND

The Payroll function is governed by a number of Federal and Provincial Legislations prescribed by the Canada Revenue Agency, Ministry of Finance, and Ministry of Labour such as the Income Tax Act, Pensions Benefit Act, Employment Standards Act, Workers' Compensation, etc. The City's Corporate Policies and Procedures related to Compensation, Employment Standards and Payroll support compliance with these requirements.

As of December 31, 2018, the City had 5,955 active employees in its database, of which 3,729 were non-union employees. Of that, 43% were full-time salaried employees, and the remainder were temporary staff employed on an hourly full-time, part-time or contractual basis. In 2018, labour costs constituted approximately 56% of the City's total operating expenditures (i.e. $508 million). Salaries, wages, and fringe benefits for non-union employees represent approximately $382 million.

The Payroll Unit of the Finance Division, Corporate Services uses SAP Human Capital Management (HCM) Payroll to process payments to employees based on the time and attendance data received through SAP CATS (Cross Application Time Sheet). Entries to CATS are performed by designated time reporters and subsequently approved by authorized staff. There are approximately 300 time reporters and 473 time approvers. Time and labour input for permanent staff is processed on an exceptions basis, while the actual time worked by hourly paid employees is entered into the system.

In addition to HCM, other SAP modules facilitate the payroll process, including:

- Employee Self Service (ESS), where employees are able to update personal information and view pay statements;
- Manager Self Service (MSS), which allows designated managers to approve time entered; and
- Fiori, which provides mobile capabilities to create leave requests (e.g. vacation, medical appointments, etc.). Fiori was introduced in 2015.

Prior to this audit, a number of Payroll audits have been conducted. The most recent audits completed for non-union employees were the 2017 Works Operations & Maintenance Payroll Audit and the 2015 Overtime/Lieu Time (Non-Union) Audit.

SCOPE

This audit focused on payroll transactions in 2017 and 2018.

The areas covered in the audit included a review of the Payroll process from the employee's initial setup in the SAP HCM system (e.g. position, salary base, benefits entitlement, etc.) to changes in payroll data (e.g. performance pay, salary increases, terminations, etc.) to recording of payroll costs and liabilities in the general ledger. In addition, we reviewed management oversight controls around the processing of payroll.

Specifically excluded from the scope of the audit were union employees and processes covered under the Overtime Policy, as this audit was conducted in 2015.

OBJECTIVES AND CRITERIA

The audit was performed in accordance with the International Standards for the Professional Practice of Internal Auditing. The purpose of the audit was to ensure that:

A. Applicable legislation and Corporate and Departmental Policies and Procedures are adhered to with respect to the processing of payroll.

B. Access to system for data input, approval and review is restricted to authorized staff.

C. There is proper and accurate reporting of time and attendance and employees are paid only for work authorized and performed.

D. Payroll is not inflated by fictitious or terminated employees.

E. Payroll and deductions from gross pay are properly calculated and paid.

F. Remittances to third parties for payroll and benefit-related expenses are timely and accurate.

G. Payroll and benefit-related expenses are properly recorded in the General Ledger.

SUMMARY OF OBSERVATIONS

Based on our assessment of the Payroll process and underlying processes and systems, our view is that there is effective governance to align with applicable legislation (Objective A), systems and security controls are adequate (Objective B), remittances to third parties are timely and accurate (Objective F), and payroll expenses are properly reflected in the general ledger (Objective G).

However, there are areas where core control elements need to be considered and incorporated into Payroll's current practices in order to provide reasonable assurance that processing of the payroll information and associated risks are effectively managed. These include documenting Standard Operating Procedures that reflect current practices (Objective A), approvers being accountable for approving time (Objective C), management oversight over terminations and final payments to these employees (Objective D), and effectively managing payments to employees in line with Corporate Policies and Procedures (Objective E).

Timeliness of Terminations (Objectives A and D)

The audit found that terminations of permanent salaried employees were effectively communicated to ensure employees were not paid subsequent to their last effective date of work. However, we noted a number of instances where it took as long as 100 to 307 days to terminate temporary hourly, contract and seasonal employees in the system. As a result, records of employment (ROE) were not filed for these employees within the five days of interrupted earnings as required by Service Canada.

We inquired with Human Resources with respect to these prolonged terminations and it was explained that these were a result of departments not filing the proper paperwork to have these employees formally terminated. Management needs to initiate these terminations in order for HR to perform their role of deactivating the employee. HR recognized this as a systemic issue and has taken the lead to reduce the amount of inactive employees by performing a semi-annual review that identifies employees who have three months of inactivity (i.e. no Time and Labour entries have been entered). The list is provided to management to confirm the employees' termination. Each round of terminations results in approximately 300 to 400 employees being removed from the system. In order to streamline the termination process, ensure accurate statistics on the number of employees employed at the City and comply with Service Canada requirements, management needs to be at the forefront of this change. As such, we are recommending that the Corporation establish a policy and procedure(s) on terminations to govern the termination process.

A termination policy should provide direction to department management and staff when a decision is made by either party to end the employment relationship. It should include, but not be limited to, the roles and responsibilities of employees and managers in effectively communicating terminations to Human Resources and Payroll; the timely submission of records of employment that align with Service Canada requirements; authorization levels for terminations (dependent on the nature of termination); and standards to uphold that align with the Employment Standards Act for dismissals and terminations. Human Resources has also committed to providing managers with a termination checklist that will assist with collecting City-owned property (e.g. access badge, devices, etc.), and identification of programs the employee may have been reimbursed for, such as tuition reimbursement programs, transit discount passes, etc. which require a stoppage or recovery of funds.

Other Payments to Employees (Objective A and E)

Other than salary and wages, Payroll processes a number of other payments (e.g. honorariums, allowances, loan advances, gifts and awards, reimbursements for bring your own device, etc.). Internal Audit reviewed some of these other payments to determine adherence to applicable Corporate Policies and Procedures, and observed the following:

a) Employee Loans
Employee loans are interest-free loans provided to employees as a result of administrative errors (e.g. overpayments or late enrolment into OMERS) that could impact the employee's net take-home pay. In order to alleviate undue financial hardship to the employee by requiring employees to repay a lump sum amount, Finance provides an option for employees to repay the amount through scheduled payroll deductions.

In 2017-2018, Payroll issued 24 loans (for non-union and union employees). Internal Audit reviewed all these loans to determine whether a consistent approach was applied. We noted the following inconsistencies:

i) The use of promissory notes and repayment schedules;
ii) Level of approval;
iii) Nature of loans; and
iv) Term of loan.

With the exception of two loans, promissory notes and repayment schedules were found. However, we also noted that in two other instances where the employee missed payments, updated repayment schedules were not obtained. It is important to have a signed promissory note and updated repayment schedule in order for the City to legally recoup payments in arrears through wage deductions. Furthermore, we found that the level of approval for issuance of these loans varied, from Director level (i.e. eight loans), other than Director level (i.e. 14 loans) and two without approvals. The loans were mainly provided as a result of administrative errors, with the exception of two cases. All loans with the exception of one were short-term loans (i.e. one year or less). As of December 31, 2018, approximately $16,000 remained outstanding to be collected.

Formal documented procedures were not available for the issuance of employee loans; therefore, the parameters were not clear. We recommend, as part of Finance's initiative to create standard operating procedures within their division, that this process be appropriately defined to include, at minimum, the aforementioned criteria.

b) Gifts and Awards

Payment in the gifts and awards wage category was a result of safety awards issued to employees, including drivers, mechanics, general service persons, trainers, and route supervisors who operate vehicles in the Transit Division. In 2017-2018, a total of $8,450 was paid to non-union transit employees for amounts ranging from $100 to $500 per employee. The award system is based on the number of years of service, combined with the number of years the employee maintains a clean `preventable accidents' record. It appears that the program has been a long-standing practice. However, Internal Audit was unable to confirm the endorsement of the program for non-union Transit staff.

For the period under review, the Employee Recognition/Appreciation/Team Building Expenses Corporate Policy and Procedure (04-05-08), which applies to all non-union staff, prohibited the use of cash awards for recognition, appreciation or team building due to the taxable benefit implications. In March 2019, the Policy was revised to exclude safety awards from the Policy; however, formal guidelines/policies for issuance of safety awards have not been provided.

We noted that Human Resources' Safety Awards Program uses annual recognition events to recognize the safety achievements of employees (i.e. Facilities and Property Management, Information Technology and Legal) who have not had a preventable vehicle accident or work-related lost time injury during the year. Employees who are recipients of the award are given non-monetary prizes such as duffle bags, BBQ tools, clocks, etc., which is aligned with the Recognition Policy and City-Wide Guidelines of no cash or cash-like awards. There seems to be a disparity between the practices in the Corporation where one division may receive a cash incentive for similar work performed in a different division, with no cash award. Human Resources Labour Relations recognizes that this is non-compliant with the current Policy and will discuss with the Director, Transit to determine the proper course of action.

c) Bring Your Own Device (BYOD)
The Bring Your Own Device Program as defined in the BYOD Corporate Policy and Procedure (03-05-06) has been in effect since 2013 and provides eligible employees the use of their personal device to conduct City business. Employees are reimbursed $20 for voice, $30 for data, $45 for voice and data or other specified amount per month subject to approval by their manager. In 2018, approximately $88,700 was reimbursed to employees.

In review of reimbursements made in 2018, we noted that out of four employees who were on active leave of absence with the City, three continued to be reimbursed. Managers are required to inform the BYOD team when participants are no longer using their devices primarily for City business communication. Continuing to provide employees with access to perform work while on paid leave raises some concerns, as it may be considered an interference with their leave. We are recommending that the BYOD team be informed of employees on leave in order to remove access and terminate reimbursements from reoccurring. Human Resources has agreed to work with the SAP team to develop a report that will provide the appropriate information to the BYOD team and IT Security.

Furthermore, our review showed that in most cases, when an employee transferred positions, the reimbursement forms were not approved by their new cost centre managers. The BYOD Policy stipulates that, "reimbursement does not continue if an employee no longer meets the reimbursement criteria (e.g. moves to another position in the City)." The Information Technology Division recognized that a review/renewal process was required to ensure participants are aware of the current BYOD policy and agreement, device information is up to date, participant information is correct, and reimbursement amounts are correct and charged to the correct cost centre/account. The process was initiated in the first quarter of 2019.

Payroll Approving Time and Labour (Objective C)

Time and Labour is entered by designated Time and Labour (T&L) Reporters and subsequently should be approved by the employee's direct Supervisor/Manager. In 2018, there were over 430,000 entries in CATS, and approximately 22% (i.e. ~95,000) were approved by Payroll on behalf of approvers. We understand that there are some situations that would warrant Payroll to perform the approvals; however, these situations should be rare. Payroll has been performing this duty on behalf of managers to ensure employees are paid on time despite the approver's lack of oversight. When Payroll approves time and labour entries on behalf of managers, they are doing so without validating entries are legitimate. The onus on approving time needs to be placed with the approvers. Subsequent to approving these entries, Payroll informs the approvers of the entries that were approved on their behalf and requests that these entries be reviewed for completeness and accuracy; however, there is no audit trail to verify if approvers reviewed the transactions.

We noted that part of the issue stems from approvers not setting up appropriate approver backups. We found a number of approvers did not have a backup approver assigned, had invalid backup approvers set up (e.g. employee no longer employed by the City) or backup approvers were delegated the responsibility at all times. Therefore, while an approver is on vacation or on leave, the responsibility transfers to Payroll for approval. HR noted this concern and has implemented a regular audit to ensure proper backups are set up for all Chiefs of Unit.

Currently, Finance and IT are piloting an SAP Fiori Time Attendance Reporting application which will have automated reminders and approval workflows built in. The system will notify the approver's manager if the approver has not approved their employee's time. The goal is to reinforce responsibilities with employees submitting time and approvers approving time and eventually eliminate Payroll approvals by December 2020.

Miscalculation of Leave Balances (Objective D)

We reviewed the accuracy of payments upon termination of employees and found two instances where vacation balances were left outstanding. Upon notifying Payroll, these were promptly paid to the employees. Internal Audit also confirmed that a review is completed with regard to outstanding leave balances; however these two instances were missed in error.

Our review also looked at employees who were placed on salary continuance to determine if their final payments were properly administered. When employees are placed on salary continuance, they are left active in the SAP system in order to continue to receive payment. As such, they continue to accrue vacation in their quota banks, despite not being eligible to accrue vacation during the period of time on salary continuance. We found that due to this system limitation, the calculations for some of these terminated employees were not properly assessed. In the sample that Internal Audit reviewed, we found that 4 out of the 6 were incorrectly calculated and the City owes between 21 and 93 hours of time.

A salary continuance module has been developed in SAP to stop accruals for paid time off for employees placed on salary continuance. This module should prevent future miscalculations of leave balance payouts. As part of Internal Audit's follow-up process on outstanding recommendations, we will verify that this module is working as intended.

CONCLUSION

Our review of the payroll process for non-union employees found that controls are in place for the setup and changes (e.g. salary adjustments, position transfers, terminations, etc.) to employee profiles in SAP HCM. Human Resources Analysts complete their review of the master data and Payroll conducts a number of audits using system-generated reports to ensure payroll anomalies are identified and corrected prior to executing pay. Furthermore, Finance ensures the general ledgers are appropriately reflected and third parties (e.g. United Way, Ministry of Finance, etc.) are paid accurately and timely.

The areas where the audit identified areas of improvement related to existing internal management control framework, which looks at the governance structure of the processes. For example, we found that the City would benefit from clearly defining the roles and responsibilities between Payroll, Human Resources and management in terms of the termination process. Also, with the introduction of more corporate-wide programs that require payment through Payroll, there needs to be defined standard operating procedures to ensure they are handled appropriately and approved at the appropriate levels of authority.

The concerns raised in the audit were primarily administrative in nature and management had identified many of the concerns prior to being raised in the audit, such as system limitations, structure around time-off requests and the need to create SOPs.

Details of the audit recommendations and management comments are presented in Appendix A to this report. In total, there are 20 recommendations, of which nine (9) address compliance with and clarification of corporate requirements, ten (10) enhance operational control and financial reporting, and one (1) improves safeguarding of assets and information.

Management has agreed with all of the recommendations and has completed one (1) at the time of writing. They have committed to completing 16 before the end of this year and the remaining three (3) within the next year.

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

Auditors: Amy Truong, CPA, CMA, CIA
Senior Internal Auditor

Tara Zammit, BBA, PMP
Senior Internal Auditor

Corporate Services Department
Finance Division
Non-Union Payroll Audit
Summary of Audit Recommendations

Rec	Recommendation	Priority (H/M/L)	Comments/Status	Classification
1	That a Corporate Policy and Procedure on Terminations be established.	H	Agreed. Due to a high number of employees who are seasonal within Recreation, Culture and Parks & Forestry divisions, supervisors are reluctant to terminate these employees' employment as many will be rehired within 3-18 months. Supervisors of these units find it challenging and time-consuming to go through a full mass rehire process as it currently stands. Review/streamline of the mass rehire process can be further explored as a long-term solution for this issue. December 31, 2019	Compliance with and Clarification of Corporate Requirements
2	That Payroll management develop an updated standard operating procedures manual to assist with training of and compliance with the Payroll function.	H	Payroll has a number of processing guidelines on various Payroll functions. These will need to be refreshed with the introduction of new SOPs. Payroll has also created a critical process inventory list in which SOPs will be developed. Payroll staff began preparing these SOPs in 2017 and will continue to complete the list of required SOPs. Items identified within audit will be added to the critical process inventory for SOP development. June 30, 2020	Compliance with and Clarification of Corporate Requirements
3	That proper segregation of duties be implemented for time entry and approval (i.e. not to be entered and approved by the same personnel).	H	Payroll will ensure segregation of duties (i.e. data entry and approval) on these special requests. Where possible, time entry and approval should be done at the department level. Immediate	Operational Control and Financial Reporting

Corporate Services Department
Finance Division
Non-Union Payroll Audit
Summary of Audit Recommendations

Rec	Recommendation	Priority (H/M/L)	Comments/Status	Classification
4	That Payroll not approve time on behalf of management, except under limited exceptions (e.g. employee has already been terminated and management cannot view employee's time entries).	H	SAP Fiori Time Attendance Reporting is currently being piloted and will include automated reminders and approval workflows built into the system. Payroll will need to continue to approve unapproved time to ensure all employees are paid on time. However, the goal is to reinforce responsibilities with employees submitting time and approvers approving time, and eventually eliminate Payroll approvals. December 31, 2019; Payroll approval cut off December 31, 2020	Operational Control and Financial Reporting
5	That a periodic review be conducted to ensure appropriate backup approvals are set up in Management Self-Service.	H	The issue of missing/incorrect backup approvals in MSS was also identified by HR, and going forward a regular audit will be run to ensure a proper backup is set up for all Chiefs of Unit. Payroll will send a reminder to all Time and Labour Approvers to ensure proper backup set up in SAP. September 30, 2019	Operational Control and Financial Reporting
6	That Payroll management work with IT Enterprise Business Solution team to implement a mandatory e-Learning module in SuccessFactors Learning Management System for Time and Labour reporters and approvers.	M	Agreed. IT will look into the feasibility of implementing a mandatory eLearning course for T&L reporters and approvers, and Payroll will develop the training content. June 30, 2020	Operational Control and Financial Reporting
7	That a vacation payout request form be developed that specifies Commissioner's authorization as a requirement.	H	HR will develop a vacation payout form to include the appropriate levels of authorization, as well as update the Policy to reflect those changes. December 31, 2019	Compliance with and Clarification of Corporate Requirements

Corporate Services Department
Finance Division
Non-Union Payroll Audit
Summary of Audit Recommendations

Rec	Recommendation	Priority (H/M/L)	Comments/Status	Classification
8	That the excess vacation reminder memorandum sent by HR be consistent with the timelines in the Vacation Policy.	M	This issue is being addressed via a corporate Time Off Review project; recommendations will be discussed at CSLT on May 9, 2019. It is recommended to eliminate HR initiating the exceptions process, and administering the banks in accordance with the Policy. December 31, 2019	Compliance with and Clarification of Corporate Requirements
9	That the request form for vacation carry-over be processed only: a) When received within the deadline specified in the Policy; b) When plans for utilizing the excess vacation are provided; and c) For the number of vacation hours requested on the form.	M	This issue is being addressed via corporate Time Off Review project; recommendations will be discussed at CSLT on May 9, 2019. December 31, 2019	Compliance with and Clarification of Corporate Requirements
10	That banked hours be monitored to ensure they comply with the Alternative Work Arrangements Policy.	H	This issue is being addressed via corporate Time Off Review project; recommendations will be discussed at CSLT on May 9, 2019. December 31, 2019	Compliance with and Clarification of Corporate Requirements
11	That the Vacation Policy be revised to require approval from Employee Health Services prior to payment of vacation balances to employees who have exhausted their STD entitlement.	H	This issue is being addressed via a Lean Review which has recently been completed and corporate Time Off Review project as mentioned above. December 31, 2019	Compliance with and Clarification of Corporate Requirements

Corporate Services Department
Finance Division
Non-Union Payroll Audit
Summary of Audit Recommendations

Rec	Recommendation	Priority (H/M/L)	Comments/Status	Classification
12	That Finance and Human Resources management complete a review of past employees who were placed on salary continuance to determine any incorrect payments.	M	A salary continuance module has been developed in SAP to stop accruals for paid time off for terminated employees placed on salary continuance. This module will prevent future miscalculations of leave balance payouts. December 31, 2019	Operational Control and Financial Reporting
13	That HR's termination checklist be provided along with the Termination Policy (in recommendation #1) to validate employee's participation in the tuition program and the amount owed to the City.	H	Agreed. This will be in conjunction with recommendation #1. December 31, 2019	Operational Control and Financial Reporting
14	That the cheque control register be amended to include sufficient space for a secondary designate.	M	Finance will review the process to determine if one signature is sufficient, along with the sign-off by the Payroll Supervisor on the supporting back-up. June 30, 2019	Compliance with and Clarification of Corporate Requirements
15	That Finance management confirm that only appropriate personnel have access to the cheque printer.	H	Finance will follow up with IT to ensure only the appropriate personnel have access to the cheque printer. Completed.	Operational Control and Financial Reporting
16	That the Pick Up and Distribution of Payroll Cheques and Direct Deposit Statements Policy (04-10-01) be updated to include proper safekeeping and identification requirements.	M	Finance will update the Corporate Policy and Procedure on Pick Up and Distribution of Payroll Cheques and Direct Deposit Statements (04-10-01) to reflect the changes. Cheques not picked up will be placed in Payroll storage room (locked) for security. June 30, 2019	Safeguarding of Assets and Information

Corporate Services Department
Finance Division
Non-Union Payroll Audit
Summary of Audit Recommendations

Rec	Recommendation	Priority (H/M/L)	Comments/Status	Classification
17	That the merits of the Transit safety awards program be investigated to ensure equity for all non-union staff.	H	The type and amount of Safety Awards in Transit is an established long-standing practice. Recognizing that it is not in compliance with the current policy, Labour Relations will work with the Director of Transit to determine the proper course to review the practice. September 30, 2019	Clarification with and Compliance with Corporate Requirements
18	That the BYOD team be informed of employees on leave in order to remove access and terminate reimbursement.	H	HR will work with the SAP team to develop a report for employees on leave of absence to be provided to the appropriate business units, including BYOD team and IT Security. June 30, 2020	Operational Control and Financial Reporting
19	That the BYOD team perform a periodic review that identifies participants who are no longer eligible for BYOD reimbursement as a result of transferring positions.	H	IT has developed standard operating procedures related to performing quarterly reviews on BYOD contracts greater than a year. Employees who do not submit the required documentation (e.g. recent bill, authorization from existing cost centre manager, etc.) will forfeit their BYOD reimbursement. September 30, 2019	Operational Control and Financial Reporting
20	That reconciliations for third-party vendor remittances and negative net pay be dated by the preparer and approver when completed.	M	Finance will enforce that the preparer and Approver date the reconciliations once completed. June 30, 2019	Operational Control and Financial Reporting

APPENDIX 2

City of Mississauga

Internal Audit Report

COMMUNITY SERVICES DEPARTMENT
LIBRARY SERVICES DIVISION
DIGITAL LIBRARY SERVICES & COLLECTIONS SECTION
LIBRARY ACQUISITIONS AUDIT

April 16, 2019

City Manager's Department
Internal Audit Division

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COMMUNITY SERVICES DEPARTMENT
LIBRARY SERVICES DIVISION
DIGITAL LIBRARY SERVICES & COLLECTIONS SECTION
LIBRARY ACQUISITIONS AUDIT

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KPMG LLP, Chartered Accountants, External Auditor

Community Services Department
Library Services Division
Digital Library Services & Collections Section
Library Acquisitions Audit

BACKGROUND

The Mississauga Library Systems Division consists of the Central Library and 17 library branch locations. These facilities provide physical spaces where the Library's services, programs and collection can be used and accessed. The Library also has many online services and resources through its website including access to its online catalogue, downloadable and streaming collections, electronic resources and information on a range of Library services and programs.

There are 4.9 million in-person visits to the Library on an annual basis. From the Library collection of 1.1 million items, over 6 million loans were recorded and over 930,000 visits made to the Library website.

Library materials are acquired on a regular basis to replenish and update the Library collection, including hardcopies of books and magazines; audio books; DVD's; CD's; video console games; as well as downloadable books, magazines and online databases. The 2018 annual operating budget for Library material acquisitions is $3.9 million which includes four (4) supplier contracts for hardcopy books and magazines valued at $2.2 million and 11 sole source contracts for electronic resources for streaming downloadable and database resources (e.g. downloadable books) at $1.1 million. The remaining $0.6 million is for smaller Library material purchases from various vendors.

Library material acquisitions are administered by the Library Collection and Material Handling Unit. This unit is part of the Digital Library Services and Collections Section, Library Systems Division, Community Services Department. There are 24 union and three non-union full-time staff members that report to the Manager, Library Collection and Material Handling. There are three main units within the Digital Library Services and Collection Section: the Collection Development Unit is primarily responsible for contract management and ordering; the second area is responsible for cataloguing; and the third area, Material Handling and Processing Unit, is responsible for receiving, payments, processing (preparing the material for circulation), and distributing library material to branches for circulation to the public.

Library materials are acquired through the Automatic Release Plan (ARP) and Firm Orders. Under ARP, materials are chosen by the vendors based on selection criteria established by Library staff (e.g. by popularity, reputation of author and/or publisher, customer demand, and suitability of subject). Firm Orders are selected by a committee of four Library staff members. They are responsible for specific categories of materials purchased by the Library (i.e. Adult Fiction; Adult Non-Fiction; Junior; Non Print (e.g. DVD's and music); French; and Multilingual (material in 15 different languages). Special requests can also be made by staff and library patrons by email or when visiting the library.

An Integrated Library System from Dynix was used prior to 2012 that contained modules for acquisitions, cataloguing, and circulation of materials offered to the public. An upgraded SirsiDynix Symphony system was implemented in 2012 that is using the same modules.

SCOPE

This audit focused on the purchasing, payment and receiving processes for Library material with emphasis on controls, compliance and mitigation of potential risk exposure. A sample of purchases and payments made during 2018 were selected for review.

OBJECTIVES

The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing. The purpose of the audit was to ensure that:

A) Acquisition of Library material is properly approved, documented and adheres to the City's Purchasing By-law, corporate requirements and/or good business practices;

B) Payments are properly approved, calculated, processed, adequately supported and made in accordance with contract requirements;

C) Changes are accurate, relevant and reasonable to the City and appropriately recorded;

D) Library materials acquired are properly secured, processed and ultimately placed in circulation to the public;

E) There is liability insurance coverage, WSIB coverage, contract performance securities, warranties, etc., where applicable, to mitigate any risk exposure to the City during and after the performance of the contract;

F) Departmental processes for the acquisition of Library materials are clearly and comprehensively documented; and,

G) Concerns raised in previous audits have been addressed.

SUMMARY OF OBSERVATIONS

Results from the audit identified that controls are in place for approving, calculating, processing and recording payments (Objective B). Payments were consistently charged to the correct cost centre and expenses were recorded against the budget to which they pertained (Objective C). There are comprehensive departmental procedure manuals and standard operating procedures that are current and up to date (Objective F).

We found that library materials acquired were properly catalogued, processed, recorded and secured upon receipt from the vendors and while awaiting transportation to the branch libraries. However, acknowledging receipt of new material by the branches was not properly reflected in the SirsiDynix system. Furthermore, inventory reports were not generated and reviewed to ensure purchases were delivered to the Library branches (Objective D). These are discussed in more detail further in the report. Access lists to the SirsiDynix system are not periodically reviewed to ensure that access is promptly removed from those who have left the Library Division. Although there was no evidence of inappropriate access, the potential for unauthorized access to the SirsiDynix system remains if access lists are not up to date. Library management agreed that user access lists would be reviewed annually and updated accordingly.

Results of the audit showed that controls were in place for the approval of contracts but further efforts are required for completing justification forms for single, sole source acquisitions; obtaining and including supporting documentation in the bid documents prior to entering into contracts; and converting United States currency contracts to Canadian currency to ensure the appropriate approvals are obtained (Objective A). Clarification is also required in the Purchasing By-law regarding approvals required when increasing expenditures for multi-year contracts, and tracking contract Procurement Card expenditures to ensure they do not exceed the upset limit of the contract. Similar observations were identified in previous audits and Materiel Management is addressing these concerns.

Insurance certificates and Workplace Safety and Insurance Board (WSIB) coverage from vendors to mitigate any risk exposure to the City are collected by Materiel Management upon execution of the contract. Any renewals during the term of the contract are the responsibility of the Library Acquisitions staff. Results of the audit showed that WSIB coverage and contractor insurance certificates were on hand and renewed as required, but some of the insurance certificates originally obtained by Materiel Management did not fully comply with the terms of the contracts (Objective E). Similar observations were identified in previous audits and Materiel Management is addressing these concerns as well.

The previous Library Acquisitions audit was completed in 2011 and resulted in nine recommendations. A follow-up of these recommendations showed that six of the recommendations have been implemented. Two similar concerns have resurfaced during the current audit (Objective G): one relating to investigating all items shown as “Available Soon” in the SirsiDynix system to determine their status; and secondly, the completion of justification forms and documentation to support that there are no other suitable service providers for single, sole sourced acquisitions.

Concerns relating to electronically monitoring acquired materials and reviewing users' system access (Objective D) and the acquisitions approvals and supporting documentation (Objective A) are discussed in more detail below.

Tracking Library Materials and System Access (Objective D)

Library materials that are ordered appear in the SirsiDynix system as “On Order.” The materials are delivered to the Central Library where they are verified to invoices before payment is made and they are entered as received. The status in the SirsiDynix then changes from “On Order” to “Available Soon.” These materials are catalogued and processed and then delivered to the library branches. Branch staff then scan the received items into the SirsiDynix system, the status is updated to “In Library” and items are made available to the public.

Prior to the 2012 system upgrade, a report was generated that would highlight materials that did not appear to be scanned as “Available Soon.” It is our understanding that with the upgrade, a report was no longer being produced and Library branches were not investigating materials that had a status of "Available Soon." In the summer of 2018, the Library Innovation and Technology group started generating a report of all items in the SirsiDynix system with a status of "Available Soon" for more than nine months, and Library branches have been actively investigating these items. We reviewed the February 2019 report which identified 7,025 items marked as "Available Soon," dating back to November 2013.

There is a risk that items purchased are either not being scanned properly when delivered to the branches, or are missing and not identified for follow-up purposes. We have recommended that the report be modified and that a review be undertaken of items with a status of "Available Soon" for less than nine months. We have also recommended that a report be produced to verify that all purchased materials have been received and scanned at the Library branches.

Contracts and Acquisitions of Library Materials (Objective A)

A review of 4 out of 12 vendor files identified discrepancies from the offers that were submitted. For example, the bid did not provide a breakdown of the amount that would be charged for each purchased book; the bid did not deduct the magazines that the vendor could not provide; the discount recorded by the vendor of 0.25% should have been 25%; and two vendors did not sign the Form of Offer. We identified that the Library paid the correct amount for the books and magazines but we recommended that all Forms of Offer be signed and include documentation to support the total amount of the bid.

Section 12 of the Purchasing By-law states that Medium and High-Value Non-Competitive Acquisitions require a written Bid Request to be issued prior to any negotiations or entering into any commitment, and to be used as a basis for determining terms and conditions. The audit found that Bid Requests could not be found for the eight contracts reviewed. We have recommended that bid requests be issued and received for all Medium and High-Value Non-Competitive Acquisitions.

The audit found that purchases for a five-year single, sole source contract for $3.3 million were being made by corporate credit card (Pcard). The audit found that these purchases were not tracked to ensure that the upset limit of the contract would not be exceeded. Also, a review of six out of eight single, sole source acquisitions identified that they were made without justification forms being completed by the Library. These observations and accompanying recommendations were also identified in the recent Single, Sole Source and Emergency Acquisition Audit.

The Purchasing By-law requires that a Materiel Management Manager is required to execute all single, sole source contracts with a value of $50,001 up to $100,000. We found that one contract for $42,784 USD (United States) was not converted to Canadian currency when determining the approval requirements. It is our understanding that Materiel Management is revising the Purchasing By-law and will be treating the United States currency at par with Canadian currency when determining the appropriate level of authorization.

CONCLUSION

Results from the audit showed that controls are in place for receiving and storing deliveries; approving and processing payments; and charging expenses to the correct cost centre in the SAP system. Reporting improvements are required when verifying that all materials have been received and scanned at the Library branches; reviewing and updating the Purchasing By-law and verifying compliance; and ensuring certificates of insurance are completed properly.

Details of the audit recommendations and management comments are presented in Appendix A to this report. In total, the audit resulted in seven (7) recommendations, of which four (4) relate to Safeguarding of Assets and Information, two (2) address concerns with Compliance with and Clarification of Corporate Requirements, and one (1) recommendation relates to improving the Efficiency and Effectiveness of business operations. Management has agreed with the recommendations; two (2) recommendations will be completed by September 30, 2019 and five (5) recommendations by December 31, 2019.

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

Appendix A

Community Services Department
Library Services Division
Digital Library Services & Collections Section
Library Acquisitions Audit
Summary of Audit Recommendations

Rec	Recommendation	Priority (H/M/L)	Comments/Status	Classification
1	That Materiel Management ensure all Forms of Offer from vendors are signed and include documentation to support the total bid amount.	M	Agreed. Materiel Management will remind staff at their April 18, 2019 meeting. An e-bidding solution will be implemented in 2019 that will not accept unsigned forms. This will be completed by December 31, 2019.	Compliance with and Clarification of Corporate Requirements
2	That Materiel Management ensure Bid Requests are issued and received for all Medium and High-Value Non-Competitive Acquisitions.	H	Agreed. Materiel Management is currently revising the Purchasing By-law #374-2006 and will not require bid requests for straightforward supply of goods and “off-the-shelf” products. This will be completed by December 31, 2019.	Compliance with and Clarification of Corporate Requirements
3	That the backlog of material shown as “Available Soon” but not scanned at the Library be continued to be investigated and resolved in a timely manner.	M	Agreed. The “Available Soon” reports will continue to be reviewed in all branches on a monthly basis as per current process to ensure they are investigated and resolved in a timely manner. This will be completed by September 30, 2019.	Safeguarding of Assets and Information
4	That a report of all material in the SirsiDynix system shown as “Available Soon” be modified so that necessary, timely, and corrective actions can be taken for any items shown as outstanding for an unusually long period of time.	M	Agreed. The “Available Soon” report will be modified to include items which have been outstanding for a shorter period of time. This will be completed by December 31, 2019.	Safeguarding of Assets and Information
5	That a report of material with a status of “Available Soon” but deleted from the system be generated and reviewed for reasonableness.	H	Agreed. The library will work with SirsiDynix to request a custom report be created to detail “Available Soon” deletions as long as this is possible in the system. This will be completed by December 31, 2019.	Safeguarding of Assets and Information

Community Services Department
Library Services Division
Digital Library Services & Collections Section
Library Acquisitions Audit
Summary of Audit Recommendations

6	That a SirsiDynix system summary report be generated periodically for measuring the time taken from receiving materials to being available for customers to check out at the branches.	M	Agreed. The library will work with SirsiDynix to request a custom report be created to manage materials receipt timelines. Should this not be feasible, the library will work to establish whether existing manual processes can be adapted. This will be completed by December 31, 2019.	Efficiency and Effectiveness
7	That Management periodically (annually) review a list of users who have access to the SirsiDynix system to confirm that access is granted only to those who require it for performance of their duties.	H	Agreed. An annual user review will be put in place to ensure user levels in the system are aligned with the performance of their duties. This will be completed by September 30, 2019.	Safeguarding of Assets and Information

APPENDIX 3

City of Mississauga

Internal Audit Report

CORPORATE SERVICES DEPARTMENT
FINANCE DIVISION
FINANCIAL & TREASURY SERVICES SECTION
2018 INVESTMENTS AUDIT

April 17, 2019

City Manager's Department
Internal Audit Division

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CORPORATE SERVICES DEPARTMENT
FINANCE DIVISION
FINANCIAL & TREASURY SERVICES SECTION
2018 INVESTMENTS AUDIT

Distribution List

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- Manager, Financial and Treasury Services
- Manager, Treasury

KPMG LLP, Chartered Accountants, External Auditor

Corporate Services Department
Finance Division
Financial & Treasury Services Section
2018 Investments Audit

BACKGROUND

The Financial and Treasury Services Section is part of the Finance Division within the Corporate Services Department. The Treasury Unit is responsible for cash flow forecasting, investing City funds and financial reporting of cash and investments.

The current Corporate Investments Policy (04-13-02) states that it is the City's objective to invest in "near risk-free investments to ensure security of capital." Ontario Regulation 438/97: Eligible Investments, Related Financial Agreements and Prudent Investments also sets out specific types of securities in which a municipality may invest. All investments must meet these criteria: investment quality, size limitations and term of investments. Emphasis is placed on securities offered by, or unconditionally guaranteed by, the Government of Canada, a province of Canada, or banks listed in Schedule I of the Bank Act. The Corporate Investments Policy broadly contains the same information as Ontario Regulation 438/97 that pertains to the specific types of securities in which a municipality may invest.

The net earnings from cash and investments held in the City Funds Portfolio are distributed amongst the Operating Fund and Reserve Funds as per Corporate Investments Policy requirements, broadly as follows:

- Net earnings are allocated to the Reserve Funds through a combination of fund balances and yield.
- Net earnings from cash and the City Funds Portfolio are allocated to the Operating Fund (as determined by both fund balances and the Annual Operating Budget). The current budgeted contribution to the Operating Fund is approximately $14.49 million.
- Reserve Funds receive any excess return (if it exists), over and above the Operating Fund distribution.

The Development Charges Act (DCA) Portfolio receives and invests DCA contributions and the Cemetery Trust Portfolio receives and invests Cemetery Trust contributions. Net earnings for those portfolios are distributed to their respective City accounts.

CIBC Mellon provides custody banking services to the City for transacting marketable securities, as well as the monthly accounting services related to the City Funds Portfolio. The City Funds Portfolio is comprised of two portfolios held on account with CIBC Mellon: the Bonds Portfolio and the Zeroes Portfolio. CIBC Mellon also provides custody banking services and transaction services for the DCA Portfolio and Cemetery Trust Portfolio.

For the City Funds Portfolio, CIBC Mellon also provides further enhanced services for accounting and securities lending. The enhanced accounting services include monthly book value accounting which calculates monthly amortization, accretion and accruals on a per security basis. Treasury is currently testing whether CIBC Mellon can provide enhanced accounting services for the DCA Portfolio or Cemetery Trust Fund in a cost effective and efficient manner.

The Treasury Unit conducts monthly verification of all CIBC Mellon accounting calculations for the City Funds Portfolio, as well as conducting all necessary book value accounting for the DCA Portfolio and the Cemetery Trust Portfolio.

CIBC Mellon forwards a monthly statement listing to the Accounting Unit within Finance. An Accounting Analyst from the Accounting Unit provides independent monthly reconciliations for transaction activity (cash for securities, securities for cash) that occurs between CIBC Mellon (the Custody Bank) and CIBC (the City's Corporate Bank).

The Investment Procedural Manual provides detailed narrative of all processes required to transact and maintain the City's investments.

SCOPE

The audit scope was limited to the period January 1, 2018 to December 31, 2018. The audit scope included investments made in the City Funds Portfolio (Bonds and Zeroes accounts) and the reconciliation of the Development Charges Reserve Fund and the Cemetery Trust Fund.

OBJECTIVES

The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing. The purpose of the audit was to ensure that:

A) Investments are in compliance with legislation, Council by-laws and City policy and procedures;
B) Return on investment is commensurate with a near risk-free rate of return, having regard to constraints imposed by legislation, Council by-laws and City policy;
C) There are good controls over the investment process; and
D) Investment commitments do not interfere with the required cash flow and that sufficient working funds are maintained.

SUMMARY OF OBSERVATIONS

All of the City's securities reviewed complied with the applicable requirements of the Municipal Act, Ontario Regulation, City By-law and Corporate Policy and Procedures (Objective A). The City's investment yield is affected by the constraints imposed by legislation, City By-law and Corporate Policy (Objective B). Nevertheless, the City's 2018 net yield was 3.06% which was consistently higher than the three month T-Bill rate of 1.65% and the bank rate of 2.05% (average) if the funds were left in the CIBC bank account.

Given the existing delivery and safekeeping arrangement for the investments and the bank and investment portfolio reconciliations performed by staff in the Finance Division, security and safeguarding of investments were considered satisfactory (Objective C). Based on the audit work performed, we found that investment purchases and sells were appropriately recorded in the General Ledger throughout the year.

The City has a contract with CIBC Mellon to provide additional accounting services to the Investment Unit. These services include transaction administration (calculating monthly earned revenue, amortization, and accretion for all investments), position-keeping, safe-keeping and securities lending. Reliance is placed on the information provided by CIBC Mellon's additional accounting services. Bank and investment portfolio reconciliations continue to be completed by staff in the Finance Division. We noted that the amendment to the agreement for fees was agreed upon by the Finance Division and CIBC Mellon effective April 1, 2018 but was not processed through a Purchasing Agent as per the Purchasing By-law. (This contract amendment is currently being updated and processed for tracking purposes by Materiel Management).

The audit found that there is an effective process for forecasting and monitoring cash flow which is primarily the responsibility of the Treasury Analyst (Objective D). The process includes the daily monitoring of cash flow requirements and periodic review of the timing of major expenditures (e.g. for capital projects).

There were no outstanding recommendations from previous audits that required follow-up during this audit.

CONCLUSION

Overall results of the audit showed that there are effective controls in place for the City's investments.

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

City of Mississauga
Corporate Report

MISSISSAUGA

Date: 2019/04/22 To: Chair and Members of Audit Committee From: Gary Kent, CPA, CGA, ICD.D, Commissioner of Corporate Services and Chief Financial Officer	Originator's files: Meeting date: 2019/05/06

Subject
2018 Audited Financial Statements

Recommendation
That the 2018 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 2018 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 fourth 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 2018 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 2018 audited financial statements have been prepared on a different basis from the 2018 Annual Budget. Note 14 (Segmented by Service Area) within the financial statements reconciles the actual revenues and expenses with the Service Areas adjusted budget. Note 15 (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 (2018 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 2018 Annual Financial Report and 2018 Annual Popular Report (Financial Highights) which will be available on the City's website.

For the 21st 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 2017 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 second year in 2017 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 2018 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 2018 financial statements were $129,250 plus applicable taxes. This audit included the City, Mississauga Public Library Board, Trust Funds, and four Business Improvement Areas.

Enersource Corporation is a 31% owner of Alectra Inc. ("Alectra") as of February 1, 2017, 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 a loan guarantee to Enersource Corporation of $70 million.

The City's 90% interest in Enersource Corporation in 2018 was $502.4 million (2017 $485.0 million), an increase of $17.4 million and has been reported as a financial asset on the Consolidated Statement of Financial Position. The $17.4 million increase relates to a $30.3

million share of net income in Enersource Corporation less the dividend paid to City of $12.9 million. This income has been reported as revenue on the City's Consolidated Statement of Financial Activities.

Conclusion

The 2018 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, 2018 and the results of operations for the year then ended.

There were no concerns identified with the 2018 audit or financial statements. The City financial position remains healthy and strong through sound managment practices and fiscal prudence.

Attachments

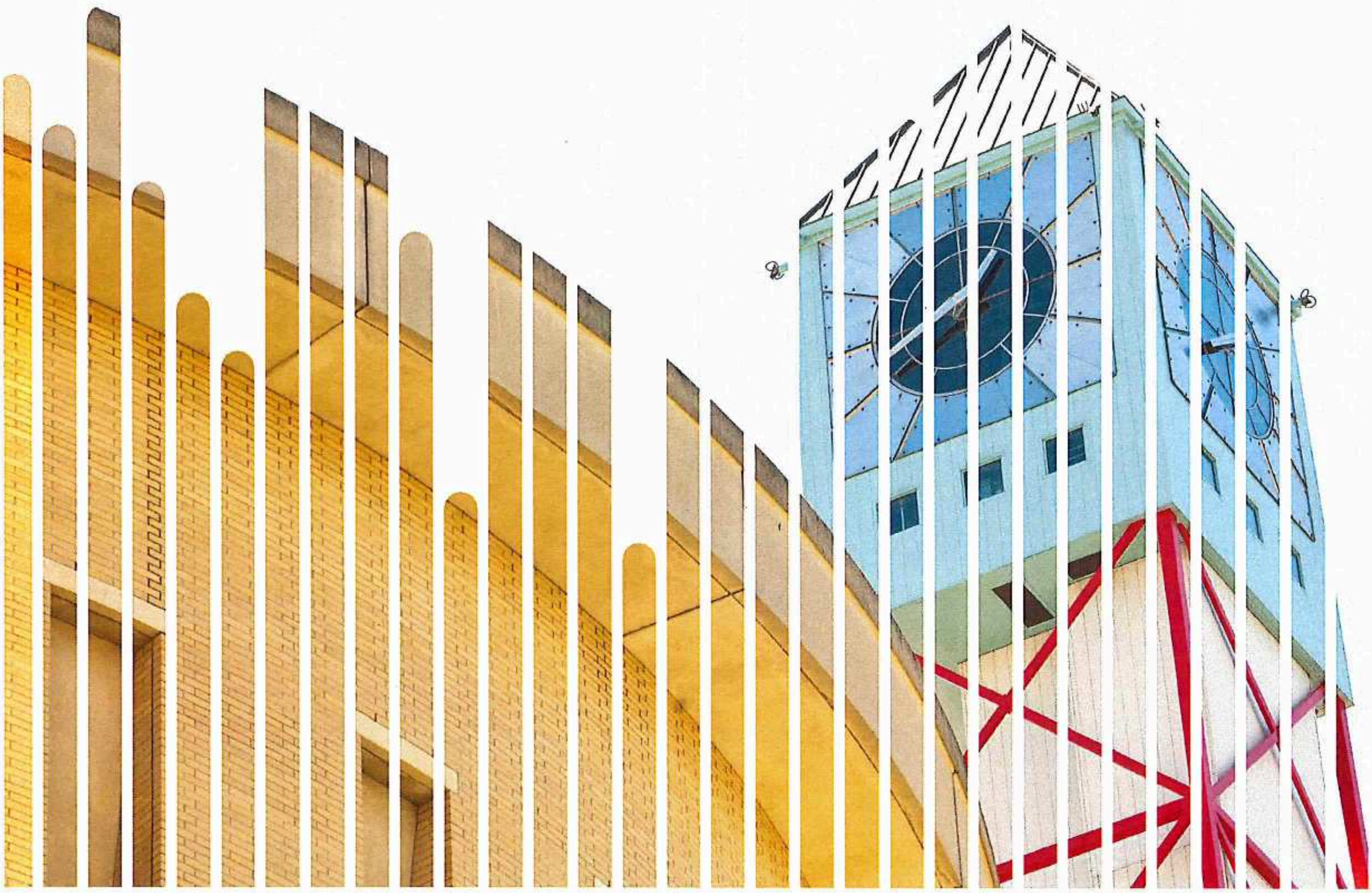
Appendix 1: 2018 Audited Financial Statements
Appendix 2: Financial Year In Review

G. Kent.

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

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

APPENDIX 1



2018 Audited Financial Statements

For the period ending December 31, 2018

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

MISSISSAUGA

City of Mississauga

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The Corporation of the City of Mississauga
Consolidated Financial Statements

December 31, 2018

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

Opinion

We have audited the consolidated financial statements of the Corporation of the City of Mississauga (the Entity), which comprise

- the consolidated statement of financial position as at December 31, 2018
- the consolidated statement of operations for the year then ended
- the consolidated statement of changes in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements")

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2018, and its consolidated results of operations, 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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards Our responsibilities under those standards are further described in the ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so

Those charged with governance are responsible for overseeing the Entity's financial reporting process

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit

We also

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.

KPMG

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion Our conclusions are based on the audit evidence obtained up to the date of our auditors' report However, future events or conditions may cause the Entity to cease to continue as a going concern
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements We are responsible for the direction, supervision and performance of the group audit We remain solely responsible for our audit opinion

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

April 12, 2019

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

as at December 31, 2018 with comparatives for 2017
(All dollar amounts are in $000)

	2018 $	2017 $
Financial Assets		
Cash	110,925	131,819
Taxes receivable (Note 2)	45,567	33,978
Accounts receivable (Note 2)	96,795	130,051
Loans and other receivables	500	550
Inventories for resale	173	225
Investments (Note 3)	1,020,141	872,367
Investment in Enersource Corporation (Note 4)	502,361	485,034
Total Financial Assets	**1,776,462**	**1,654,024**
Financial Liabilities		
Accounts payable and accrued liabilities	183,942	213,260
Deferred revenue - general	10,021	9,742
Deferred revenue - obligatory reserve funds (Note 5)	406,224	334,252
Employee benefits and other liabilities (Note 6)	209,650	209,231
Long-term debt (Note 7)	181,491	155,895
Total Financial Liabilities	**991,328**	**922,380**
Net Financial Assets	**785,134**	**731,644**
Non-Financial Assets		
Tangible capital assets (Note 8)	8,180,906	8,113,738
Inventories of supplies	7,616	6,670
Prepaid expenses	2,760	3,552
Total Non-Financial Assets	**8,191,282**	**8,123,960**
Accumulated Surplus (Note 9)	**8,976,416**	**8,855,604**

Contractual Rights (Note 19)

Commitments (Note 20)

Subsequent Event (Note 21)

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

The Corporation of the City of Mississauga
Consolidated Statement of Operations

for the year ended December 31, 2018 with comparatives for 2017
(All dollar amounts are in $000)

	Budget 2018 $ (Note 15)	Actual 2018 $	Actual 2017 $
Revenues (Notes 13 and 14)			
Taxation (Note 10)	521,734	525,782	500,149
Municipal Accommodation Tax	7,400	8,990	-
User charges	236,990	258,215	249,043
Recoveries from third parties	6,245	9,324	8,990
Funding transfers from other governments (Note 18)	1,802	34,964	42,927
Development and other contributions applied	-	73,265	90,547
Investment income	28,472	35,305	37,628
Penalties and interest on taxes	8,120	9,805	9,133
Contributed assets	-	49,581	11,732
Other	1,311	20,158	6,099
City's Share of Net Income in Enersource Corporation (Note 4)	-	30,268	14,194
City's Share of Equity in Gain on Exchange of Investment in Enersource Holdings (Note 4)	-	-	202,734
Total Revenues	**812,074**	**1,055,657**	**1,173,176**
Expenses (Note 13)			
General government services	175,582	196,251	192,616
Protection services	134,086	133,209	125,684
Transportation services	332,440	337,530	319,164
Environmental services	20,527	22,998	19,647
Health services	584	557	616
Social and family services	540	648	484
Recreation and cultural services	168,863	170,252	162,518
Planning and development services	23,444	23,406	22,600
Loss on disposal of tangible capital assets	-	49,994	2,544
Total Expenses (Note 14)	**856,066**	**934,845**	**845,873**
Annual Surplus/(Deficit)	**(43,992)**	***120,812***	**327,303**
Accumulated surplus, beginning of year	8,855,604	8,855,604	8,528,301
Accumulated Surplus, end of year (Note 9)	**8,811,612**	**8,976,416**	**8,855,604**

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, 2018 with comparatives for 2017
(All dollar amounts are in $000)

	Budget 2018 $	Actual 2018 $	Actual 2017 $
Annual Surplus/(Deficit)	**(43,992)**	**120,812**	**327,303**
Acquisition of tangible capital assets (Note 8)	-	(318,719)	(337,256)
Amortization (Note 8)	135,136	140,468	133,942
Loss on disposal of tangible capital assets (Note 8)	-	49,994	2,544
Transfer of assets under construction (Note 8)	-	61,089	107,582
	91,144	**53,644**	**234,115**
Acquisition of inventory of supplies	-	(7,616)	(6,670)
Acquisition of prepaid expenses	-	(2,760)	(3,552)
Consumption of inventory of supplies	-	6,670	6,901
Use of prepaid expenses	-	3,552	2,391
Change in Net Financial Assets	**91,144**	**53,490**	**233,185**
Net Financial Assets, beginning of year	731,644	731,644	498,459
Net Financial Assets, end of year	**822,788**	**785,134**	**731,644**

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, 2018 with comparatives for 2017
(All dollar amounts are in $000)

	2018 $	2017 $
Cash Provided By (Used In):		
Operating Activities		
Annual surplus/(deficit)	120,812	327,303
Items Not Involving Cash		
Amortization of tangible capital assets	140,468	133,942
Loss on disposal of tangible capital assets	49,994	2,544
Contributed assets	(49,581)	(11,732)
Change in employee benefits and other liabilities	419	(1,025)
Equity in income of Enersource Corporation	(30,268)	(216,928)
Change in Non-Cash Assets and Liabilities		
Accounts receivable	33,256	(55,922)
Taxes receivable	(11,589)	2,633
Accounts payable and accrued liabilities	(29,318)	37,348
Deferred revenue - general	279	729
Deferred revenue - obligatory reserve funds	71,972	8,957
Inventories for resale	52	59
Inventories of supplies	(946)	231
Prepaid expenses	792	(1,161)
Net Change in Cash from Operating Activities	**296,342**	**226,978**
Capital Activities		
Tangible capital asset additions	(269,138)	(325,524)
Transfer of assets under construction	61,089	107,582
Net Change in Cash from Capital Activities	**(208,049)**	**(217,942)**
Investing Activities		
Increase in investments	(147,774)	(15,425)
Decrease in loans and other receivables	50	50
Dividends from Enersource Corporation	12,941	12,906
Net Change in Cash from Investing Activities	**(134,783)**	**(2,469)**
Financing Activities		
Issuance of long-term debt	46,270	38,853
Repayment of long-term debt	(20,674)	(17,405)
Net Change in Cash from Financing Activities	**25,596**	**21,448**
Net Change in Cash	**(20,894)**	**28,015**
Cash, beginning of year	131,819	103,804
Cash, end of year	**110,925**	**131,819**

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, 2018
(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 comprises 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 included in the reporting entity are

- City of Mississauga Public Library Board
- Clarkson Village Business Improvement 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

The Corporation of the City of Mississauga
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2018
(All dollar amounts are in $000)

1. Significant Accounting Policies

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 measurable as a result of receipt of goods or services and/or the legal obligation to pay

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 and taxes receivable are recognized when they meet the definition of an asset, the tax is authorized and the taxable event has occurred 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) Municipal accommodation tax revenue

Municipal accommodation tax revenue is recognized as revenue in the period that the tax is levied on accommodations charges by accommodations providers

f) 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

g) Development charges

Development charges are charges imposed on land development or redevelopment projects. Fees are set out in a City by-law, which conforms to the requirements of the Development Charges Act, 1997 Development charges are collected when an above grade building permit is issued and recognized in revenues when used to fund the growth-related portion of qualifying capital projects

h) 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

i) Cash and cash equivalents

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

j) Loans and Other Receivables

Loans and other receivables are valued at cost Recoverability is reviewed annually and a valuation allowance is recorded when recoverability is impaired A loan receivable is written off when it is no longer recoverable Recoveries of loans receivable previously written off are recognized in the year received. Interest revenue is recognized as it is earned

k) 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

The Corporation of the City of Mississauga
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2018
(All dollar amounts are in $000)

1. Significant Accounting Policies

l) 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

m) 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 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 a 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

n) Loan guarantees:

Provisions for liabilities arising under the terms of a loan guarantee program are made when it is likely that a payment will be made and an amount can be estimated

o) 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

The Corporation of the City of Mississauga
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2018
(All dollar amounts are in $000)

1. Significant Accounting Policies

p) 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 as revenue at their fair market value at the date of receipt

(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) 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

(v) Inventories of supplies

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

q) 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

1. Significant Accounting Policies

r) Adoption of budgets

The 2018 operating and capital budgets, as approved by Council, were adopted by the City at the November 22, 2017 meeting.

s) Adoption of new accounting policies

The City has adopted the following PSAB Standards effective January 1, 2018:

i) Assets (PS 3210)

PS 3210 provides additional guidance on the definition of assets and what is meant by economic resources, control, past transactions and events and from which future economic benefits are to be obtained.

For the year ended December 31, 2018, all material assets have been disclosed and reported within this definition.

ii) Contingent Assets (PS 3320)

PS 3320 introduces a definition for possible assets arising from existing conditions or situations involving uncertainty which will be ultimately resolved when one or more future events occur that are not wholly within the government's control Disclosure of a contingent asset is required under this standard when the occurrence of a confirming future event is likely.

Government funding established through an agreement and not yet received at December 31, 2018 are included in receivables and do not fall within this standard

iii) Contractual Rights (PS 3380)

PS 3380 requires disclosure of information pertaining to future rights to economic resources arising from contracts or agreements that will result in both an asset and revenue in the future. Note 20 provides disclosure regarding the nature, extent and timing of contractual rights

iv) Related Party Disclosures (PS 2200)

A related party exists when one party has the ability to exercise control or shared control over the other. Related parties include key management personnel, their close family members and the entities they control or have shared control over. Related party transactions are disclosed if they occurred at a value different from that which would have been arrived at if parties were unrelated and the transaction has a material effect on the consolidated financial statements

For the year ended December 31, 2018, there are no such related party transactions to disclose. The City has a number of Corporate controls, guidelines and policies to mitigate risk that related party transactions are not identified or non-compliant, including policies covering conflicts of interest, use of City resources, and standard of behaviour

v) Inter-Entity Transactions (PS 3420)

PS 3420 provides guidance on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective The main features of this new standard deal with the measurement of these transactions

All City transactions are recorded at the exchange amount, being the amount agreed to by both parties. For the year ended December 31, 2018, there were no material inter-entity transactions to disclose

(All dollar amounts are in $000)

1. Significant Accounting Policies

t) Future accounting pronouncements

These standards and amendments were not yet effective for the year ended December 31, 2018, 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 3430, Restructuring Transactions, requires that assets and liabilities in restructuring transactions 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)

(ii) 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 (the City's December 31, 2020 year-end)

(iii) 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 been deferred and is now effective for fiscal periods beginning on or after April 1, 2021 (the City's December 31, 2022 year-end).

(iv) 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, 2021 (the City's December 31, 2022 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 $170 (2017 $796) Accounts receivable are reported net of a valuation allowance of $3,544 (2017 $425)

3. Investments

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

	2018		2017	
	Cost $	Market Value $	Cost $	Market Value $
Bank deposit notes and finance paper	186,031	185,949	64,886	64,179
Government and government guaranteed bonds	708,731	720,271	673,729	694,634
Municipal bonds	125,379	127,272	133,752	139,847
Total	**1,020,141**	**1,033,492**	**872,367**	**898,660**

(All dollar amounts are in $000)

4. Investment in Enersource Corporation

The City has a 90 per cent interest in Enersource Corporation which 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 the provision of 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 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

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 in 2017

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

The following table provides condensed financial information for Enersource Corporation for its 2018 fiscal year, together with comparative figures for 2017

Financial Position:	2018 $	2017 $
Assets:		
Current	4,378	3,634
Investment in Alectra Inc.	609,060	593,079
Other	405	422
Total Assets	**613,843**	**597,135**
Liabilities:		
Current	39	83
Non-current liabilities	55,625	58,125
Total Liabilities	**55,664**	**58,208**
Shareholders' Equity:		
Share capital	175,691	175,691
Accumulated other comprehensive income/(loss)	(1,672)	(3,532)
Retained earnings	384,160	366,768
Total Shareholders' Equity	**558,179**	**538,927**
Total Liabilities and Shareholders' Equity	**613,843**	**597,135**
Results of Operations and Non-Operations:		
Revenues	35,177	108,513
Expenses (including income tax provision)	1,546	92,742
Net Income	**33,631**	**15,771**
City's Share of Net Income in Enersource Corporation	**30,268**	**14,194**
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 $12,941 (2017 $12,906) declared by Enersource Corporation.

The Corporation of the City of Mississauga
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2018
(All dollar amounts are in $000)

4. Investment in Enersource Corporation

The City's investment in Enersource Corporation is reflected in the following table for its 2018 fiscal year together with comparative figures for 2017

Investment in Enersource Corporation	2018 $	2017 $
Opening Balance, Beginning of Year	485,034	281,012
City's Share of Net Income in Enersource Corporation	30,268	14,194
City's Share of Equity in Gain on Exchange of Investment in Enersource Holdings	-	202,734
City's Share of Dividend	(12,941)	(12,906)
Closing Balance, End of Year	**502,361**	**485,034**

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

	2018 $	2017 $
Development charges	167,117	138,424
CIL Parkland	103,974	70,982
CIL Parking	6,692	5,945
Bonus zoning	2,239	1,540
Provincial public transit funds	17,495	12,269
Federal public transit funds	2,302	1,985
Provincial gasoline tax	17,053	14,378
Federal gasoline tax	89,352	88,729
Total Deferred Revenue - Obligatory Reserve Funds	**406,224**	**334,252**

Deferred Revenue - Obligatory Reserve Funds Continuity Schedule

Source	Opening Balance $	Receipts and Interest Applied $	Recognized as Revenue $	Closing Balance $
Development charges	138,424	76,336	47,643	167,117
CIL Parkland	70,982	41,126	8,134	103,974
CIL Parking	5,945	1,653	906	6,692
Bonus zoning	1,540	1,359	660	2,239
Provincial public transit funds	12,269	5,226	-	17,495
Federal public transit funds	1,985	537	220	2,302
Provincial gasoline tax	14,378	19,335	16,660	17,053
Federal gasoline tax	88,729	51,113	50,490	89,352
Total	**334,252**	**196,685**	**124,713**	**406,224**

(All dollar amounts are in $000)

6. Employee Benefits and Other Liabilities

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

	2018 $	2017 $
WSIB	28,630	26,406
Sick leave benefits	14,414	13,614
Early retirement benefits	39,488	38,640
Post-employment benefits	9,279	10,313
Vacation pay	24,989	24,667
Developer charge credits	57,682	60,383
Contaminated sites liability	606	600
Other liabilities	34,562	34,608
Total	**209,650**	**209,231**

The City has established reserve funds of $136,210 (2017 $135,841) 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 $	2018 Total $	2017 Total $
Accrued Benefit Liability, Beginning of Year	26,406	13,614	38,640	10,313	88,973	85,104
Service cost	3,402	1,493	1,633	255	6,783	7,482
Interest cost	1,353	825	1,416	208	3,802	3,718
Amortization of actuarial (gain)/loss	1,084	1,115	(357)	(555)	1,287	962
Benefit payments	(3,615)	(2,633)	(1,844)	(942)	(9,034)	(8,293)
Accrued Benefit Liability, End of Year	**28,630**	**14,414**	**39,488**	**9,279**	**91,811**	**88,973**
Unamortized actuarial (gain)/loss	8,695	6,467	(2,771)	(3,449)	8,942	10,230
Actuarial valuation update, end of year	**37,325**	**20,881**	**36,717**	**5,830**	**100,753**	**99,203**
Expected average remaining service life	10 yrs	12 yrs	12 yrs	8 yrs	n/a	n/a

The Corporation of the City of Mississauga

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2018

(All dollar amounts are in $000)

6. Employee Benefits and Other Liabilities

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 - Health and Dental	Post Employment - Life Insurance
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%	4.00%	3.50%	3.50%
Expected health care increases	4.75%	n/a	4.75%	4.75%	n/a

e) Other pension plans:

The City makes contributions to OMERS, a multi-employer plan, on behalf of 4,792 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 $55,900 and at a rate of 14.6 per cent for earnings greater than the annual maximum pensionable earnings.

Contributions for employees with a normal retirement age of 60 (firefighters) are being made at a rate of 9.2 per cent up to the annual maximum pensionable earnings of $55,900 at a rate of 15.8 per cent for earnings greater than the annual maximum pensionable earnings.

The amount contributed to OMERS for 2018 was $41,328 (2017: $37,770) for current service and is included as an expense on the consolidated statement of operations. Employees' contributions to OMERS in 2018 totalled $41,331 (2017: $37,894).

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 2018 dropped to $4.2 billion (2017: $5.4 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 2018 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.

f) Developer charge credits are liabilities and obligations that arise through the Development Charges Act. For the year ended December 31, 2018, the developer charge credit liability is $57,682 (2017: $60,383).

7. Long-term Debt

The long-term debt reported on the consolidated statement of financial position of $181,491 was issued by the Region. Of the debt issued in 2013, $22,400 is outstanding, of the debt issued in 2014, $20,321 is outstanding, of the debt issued in 2015, $28,000 is outstanding, of the debt issued in 2016, $30,000 is outstanding, of the debt issued in 2017, $34,500 is outstanding, all of the debt issued in 2018, $46,270 is outstanding as at December 31, 2018.

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, principal payments on the 2017 debt are payable on September 28th, and principal payments on the 2018 debt are payable on March 27th.

The Corporation of the City of Mississauga
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2018
(All dollar amounts are in $000)

7. Long-term Debt

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 1 30 to 3 30 per cent

Principal payments are repayable annually as follows.

	Total $
2019	24,448
2020	24,109
2021	24,612
2022	25,427
2023	23,255
Thereafter	59,640
Total	**181,491**

Interest expense and fees of $4,467 (2017 $3,015) are reported in the consolidated statement of operations

8. Tangible Capital Assets

a) Assets under construction

Assets under construction having a value of $182,674 (2017 $174,075) 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 $49,581 (2017 $11,732) comprising infrastructure in the amount of $1,629 (2017 $167) and land in the amount of $47,952 (2017 $11,565)

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 (2017 $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 $88,864 (2017 $7,372) (land $46,061, buildings $66, land improvements $754; linear transportation $4, linear storm drainage $0 and vehicles $41,979) less the accumulated amortization of $38,870 (2017 $4,828) results in a loss on disposal of $49,994 (2017 $2,544)

f) Interest capitalization

The City does not capitalize interest costs associated with the acquisition or construction of a tangible capital asset relating to certain projects Rather, the interest costs are expensed within normal operations

The Corporation of the City of Mississauga
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2018
(All dollar amounts are in $000)

8. Tangible Capital Assets

2018 Tangible Capital Assets

Cost	December 31, 2017 $	Additions $	Disposals $	December 31, 2018 $
Land	5,168,192	50,948	46,061	5,173,079
Land improvements	198,432	9,851	754	207,529
Buildings	1,097,268	25,459	66	1,122,661
Equipment, books and other	270,853	31,552	-	302,405
Linear - storm drainage	848,675	14,593	-	863,268
Linear - transportation	2,100,608	59,054	4	2,159,658
Vehicles	291,087	57,574	41,979	306,682
Assets under construction	174,075	69,688	61,089	182,674
Total	**10,149,190**	**318,719**	**149,953**	**10,317,956**

Accumulated Amortization	December 31, 2017 $	Amortization Expense $	Disposals $	December 31, 2018 $
Land	-	-	-	-
Land improvements	100,887	7,765	386	108,266
Buildings	379,065	29,128	37	408,156
Equipment, books and other	175,421	22,080	-	197,501
Linear - storm drainage	237,048	11,224	-	248,272
Linear - transportation	936,426	49,316	-	985,742
Vehicles	206,605	20,955	38,447	189,113
Assets under construction	-	-	-	-
Total	**2,035,452**	**140,468**	**38,870**	**2,137,050**

Net Book Value	December 31, 2017 $	December 31, 2018 $
Land	5,168,192	5,173,079
Land Improvements	97,545	99,263
Buildings	718,203	714,505
Equipment, books and other	95,432	104,904
Linear - storm drainage	611,627	614,996
Linear - transportation	1,164,182	1,173,916
Vehicles	84,482	117,569
Assets under construction	174,075	182,674
Total	**8,113,738**	**8,180,906**

The Corporation of the City of Mississauga
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2018
(All dollar amounts are in $000)

9. Accumulated surplus

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

	2018 $	2017 $
Surplus:		
Invested in Tangible Capital Assets		
Invested in tangible capital assets	8,180,762	8,113,545
Business Improvement Area tangible capital assets	144	193
Total Invested in Tangible Capital Assets	**8,180,906**	**8,113,738**
Unexpended capital	211,874	228,092
Long-term debt	(181,491)	(155,895)
Enersource Corporation	502,361	485,034
Unfunded employee benefits	(209,650)	(209,231)
Total Surplus	**8,504,000**	**8,461,738**
Reserves Set Aside by Council:		
Fiscal Stability Reserve	46,773	41,542
Operating Reserves	27,059	23,202
Stormwater Reserve	6,684	6,306
BIA Reserves	354	267
Total Reserves	**80,870**	**71,317**
Reserve Funds Set Aside for Specific Purposes by Council:		
Tax Reserve Funds	174,385	131,333
Stormwater Reserve Funds	44,287	52,498
Lot Levy Reserve Funds	60,672	42,895
Insurance Reserve Funds	39,139	36,431
Employee Benefits Reserve Funds	36,399	35,386
Development Contributions	24,330	20,260
Other Reserve Funds	12,334	3,746
Total Reserve Funds	**391,546**	**322,549**
Total Accumulated Surplus	**8,976,416**	**8,855,604**

(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

	2018 $	2017 $
Municipal, region and school property taxes	1,677,554	1,624,089
Payments in lieu of property taxes	33,355	31,627
Total Property Taxes Collected	**1,710,909**	**1,655,716**
Payments to Region and school boards	(1,185,127)	(1,155,567)
Net Property Taxes and Payments in Lieu Available for Municipal Purposes	**525,782**	**500,149**

11. Trust funds

Trust funds administered by the City amounting to $900 (2017 $820) have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of operations Trust funds comprises perpetual care (cemeteries) of $900 (2017 $820) and election trust funds of $0 (2017 $0)

12. Contingent liabilities & guarantee

a) As at December 31, 2018, 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 likely 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, 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 The secured bank loan balance as at December 31, 2018 is $55,625 (2017 $58,125)

13. 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 Consolidated Statement of Operations 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 comprises 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 and 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

13. Segmented information

b) Protection Services:

The Protection Services segment comprises 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 comprises 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 comprises primarily 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 comprises primarily cemetery maintenance and management.

f) Social and Family Services

The Social and Family Services segment comprises primarily 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 comprises 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 comprises 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 area 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

(All dollar amounts are in $000)

13. Segmented information

	2018										
	General Government Services $	Protection Services $	Transportation Services $	Environmental Services $	Health Services $	Social and Family Services $	Recreation and Cultural Services $	Planning and Development Services $	Other $	2018 Total $	2017 Total $
Revenues:											
Taxation	524,418	-	-	-	-	-	-	1,364	-	525,782	500,149
Municipal Accommodation Tax	8,990	-	-	-	-	-	-	-	-	8,990	-
User charges	8,662	31,053	114,550	41,816	232	171	56,092	5,639	-	258,215	249,043
Recoveries from third parties	214	337	7,882	7	-	-	727	157	-	9,324	8,990
Funding transfers from other governments	2,353	10	20,943	6,263	3	52	5,114	226	-	34,964	42,927
Development and other contributions applied	-	-	-	-	-	-	-	-	73,265	73,265	90,547
Investment income	14,471	-	-	-	25	-	19	-	20,790	35,305	37,628
Penalties and interest on taxes	9,805	-	-	-	-	-	-	-	-	9,805	9,133
Contributed assets	-	-	-	-	-	-	-	-	49,581	49,581	11,732
Other	5,007	104	510	123	-	34	768	-	13,612	20,158	6,099
Equity in Enersource Corporation	-	-	-	-	-	-	-	-	30,268	30,268	216,928
Total Revenues	**573,920**	**31,504**	**143,885**	**48,209**	**260**	**257**	**62,720**	**7,386**	**187,516**	**1,055,657**	**1,173,176**
Expenses:											
Salaries, wages and employee benefits	107,222	121,221	171,438	5,436	446	302	91,754	15,901	-	513,720	491,101
Long-term debt interest	4,345	-	-	122	-	-	-	-	-	4,467	3,015
Materials and supplies	6,215	3,546	39,557	335	69	35	13,985	871	-	64,613	60,231
Contracted services	31,081	1,110	35,014	2,550	35	4	8,746	2,950	-	81,490	78,141
Rents and financial expenses	29,044	3,308	15,827	3,329	7	4	20,662	718	-	72,899	70,085
External transfers to others	888	-	-	-	-	19	3,543	2,744	-	7,194	6,814
Loss on disposal of tangible capital assets	-	-	-	-	-	-	-	-	49,994	49,994	2,544
Amortization	17,456	4,024	75,694	11,226	-	284	31,562	222	-	140,468	133,942
Total Expenses	**196,251**	**133,209**	**337,530**	**22,998**	**557**	**648**	**170,252**	**23,406**	**49,994**	**934,845**	**845,873**
Annual Surplus (Deficit)	**377,669**	**(101,705)**	**(193,645)**	**25,211**	**(297)**	**(391)**	**(107,532)**	**(16,020)**	**137,522**	**120,812**	**327,303**

14. Segmented Information 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 These services are not presented in the Consolidated Statement of Operations 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 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 operations 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 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 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

14. Segmented Information by Service Area

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

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 exists to provide library services to meet the life-long informational, educational, cultural and recreational needs of all citizens The Library'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 2022

m) Parks and Forestry

The Parks & Forestry Service 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 baseball diamonds In July 2018, the City took over control of Hershey Centre operations, now called the Paramount Fine Food Centre

14. Segmented Information by Service Area

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

Roads Services 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.

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, 2018
(All dollar amounts are in $000)

14. Segmented Information by Service Area

t) Revenues by Service Area

	Property Tax and MAT*	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	2018 Total	2018 Budget **	2017 Total
	$	$	$	$	$	$	$	$	$	$	$	$	$
Business Services	-	2,410	-	-	-	-	97	-	(3)	-	2,504	2,469	2,426
City Manager's Office	-	1,199	-	224	-	-	-	-	13	-	1,436	1,257	603
Culture	-	2,157	157	161	-	-	-	-	235	-	2,710	2,009	2,214
Environment	-	16	-	35	-	-	-	-	2	-	53	-	6
Facilities & Property Mgmt	-	704	-	-	-	-	-	-	334	-	1,038	660	926
Financial Transactions	534,772	6	-	-	-	14,465	9,708	49,581	14,857	-	623,389	552,035	538,723
Fire & Emergency Services	-	2,215	171	-	-	-	-	-	67	-	2,453	1,952	2,076
Information Technology	-	895	-	-	-	-	-	-	-	-	895	812	737
Legislative Services	-	10,158	-	-	-	-	-	-	8	-	10,166	10,263	12,880
Mississauga Library	-	1,214	-	858	-	1	-	-	1	-	2,074	1,949	2,147
Land Development Services	-	19,521	10	-	-	-	-	-	-	-	19,531	12,836	16,944
MiWay	-	91,343	1,717	-	-	-	-	-	100	-	93,160	89,482	89,529
Parks & Forestry	-	5,385	129	48	-	25	-	-	9	-	5,596	4,524	5,159
Recreation	-	49,055	-	1,458	-	25	-	-	584	-	51,122	48,462	49,569
Regulatory Services	-	15,494	-	-	-	-	-	-	36	-	15,530	15,234	15,127
Roads	-	11,581	5,155	7	-	-	-	-	(120)	-	16,623	13,535	15,624
Stormwater	-	41,726	7	-	-	-	-	-	123	-	41,856	40,215	40,625
Other	-	3,136	1,978	32,173	73,265	20,789	-	-	3,912	30,268	165,521	14,380	377,861
	534,772	**258,215**	**9,324**	**34,964**	**73,265**	**35,305**	**9,805**	**49,581**	**20,158**	**30,268**	**1,055,657**	**812,074**	**1,173,176**

* Municipal Accommodation Tax (MAT)

** 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, 2018
(All dollar amounts are in $000)

14. Segmented Information 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 $	2018 Total $	2018 Budget * $	2017 Total $
Business Services	29,228	-	556	1,350	1,616	-	-	-	32,750	33,099	31,467
City Manager's Office	10,029	-	154	2,095	501	1,175	-	-	13,954	13,459	14,244
Mayor & Members Of Council	4,065	-	361	1	252	-	-	-	4,679	5,063	4,700
Culture	5,298	-	668	427	1,087	2,719	-	-	10,199	10,064	9,616
Environment	1,108	-	12	37	166	83	-	-	1,406	1,284	1,175
Facilities & Property Management	14,612	-	499	2,025	6,293	-	-	-	23,429	23,910	22,119
Financial Transactions	10,579	4,345	299	619	11,562	2,393	49,994	-	79,791	38,236	34,636
Fire & Emergency Services	102,904	-	2,830	118	2,033	-	-	-	107,885	107,004	100,546
Information Technology	22,365	-	137	57	7,869	-	-	-	30,428	30,123	25,820
Legislative Services	7,009	-	823	1,811	(509)	-	-	-	9,134	11,049	7,714
Mississauga Library	21,587	-	4,388	39	2,104	-	-	-	28,118	28,897	27,262
Land Development Services	19,637	-	328	236	504	-	-	-	20,705	21,766	20,410
MiWay	139,839	-	33,824	1,447	9,021	-	-	-	184,131	183,459	171,388
Parks & Forestry	24,650	-	5,809	4,505	3,212	-	-	-	38,176	38,152	36,078
Recreation	50,673	-	4,117	6,467	14,526	824	-	-	76,607	75,319	72,914
Regulatory Services	13,113	-	845	1,278	310	-	-	-	15,546	15,488	14,134
Roads	30,063	-	5,318	31,951	7,536	-	-	-	74,868	74,909	77,283
Stormwater	4,690	122	400	2,997	3,322	-	-	-	11,531	9,647	8,707
Other	2,271	-	3,245	24,030	1,494	-	-	140,468	171,508	135,138	165,660
	513,720	**4,467**	**64,613**	**81,490**	**72,899**	**7,194**	**49,994**	**140,468**	**934,845**	**856,066**	**845,873**

* 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, 2018
(All dollar amounts are in $000)

15. Budget Data

Budget data presented in these consolidated financial statements are based upon the 2018 operating and capital budgets as approved by Council and adopted by the City on November 22, 2017 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	**859,420**
Adjustments:	
Assessment increase	131
Budget adjustments	7,382
Contributions from reserve funds	(57,522)
BIAs	1,806
BIAs contributions from reserve funds	(42)
City budgeted levy for BIAs	(1,371)
Enersource dividend	(12,750)
Adjusted Operating Budget	**797,054**
Approved Capital Budget	**180,211**
Adjustments for transfers from reserve funds	(132,907)
Adjustments for debt proceeds	(46,270)
Adjusted Capital Budget	**1,034**
Reserve funds interest and other revenue	13,986
Total Revenue	**812,074**
Expenses	
Approved Operating Budget	**859,420**
Adjustments:	
Assessment increase	131
Budget adjustments	7,382
BIA transfers to own	(13)
Transfers to own	(124,889)
BIA budgeted expenses	1,806
BIA budget on City's books	(1,371)
Amortization	135,136
Debt principal repayments, net of debt issuance	(21,536)
Adjusted Operating Budget	**856,066**
Approved Capital Budget	**180,211**
Adjustments:	
Eliminate capital expense budget	(180,211)
Adjusted Capital Budget	**-**
Total Expenses	**856,066**
Annual Deficit	**(43,992)**

(All dollar amounts are in $000)

16. Expenses by Object

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

	Budget 2018 $	Actual 2018 $	Actual 2017 $
Salaries, wages and employee benefits	515,412	513,720	491,101
Long-term debt interest and fees	4,573	4,467	3,015
Materials and supplies	58,717	64,613	60,231
Contracted services	56,161	81,490	78,141
Rents and financial expenses	75,213	72,899	70,085
External transfers to others	10,854	7,194	6,814
Loss on disposal of tangible capital assets	-	49,994	2,544
Amortization	135,136	140,468	133,942
Total	**856,066**	**934,845**	**845,873**

17. Provincial Offences Administration

The Ministry of the Attorney General in the Province of Ontario requires all municipal partners administering Provincial Offences Administration to disclose in 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 2018 fiscal year with comparative figures for 2017

	2018 $	2017 $
Revenues		
Gross revenues	10,049	11,730
Less refunds	73	140
Net Revenues	**9,976**	**11,590**
Expenses		
Provincial charges	747	933
City's operating expenses	3,547	3,560
Total Expenses	**4,294**	**4,493**
Net Contribution	**5,682**	**7,097**

18. Funding Transfers from Other Governments

	2018 $	2017 $
General government services	2,353	1,238
Protection services	10	-
Transportation services	20,943	33,289
Environmental services	6,263	671
Health services	3	5
Social and family services	52	59
Recreation and cultural services	5,114	7,028
Planning and development services	226	637
Total	**34,964**	**42,927**

(All dollar amounts are in $000)

19. Contractual Rights

The City is involved with various contracts and agreements arising in the ordinary course of business This results in contractual rights to economic resources, leading to both assets and revenue in the future

The City has a number of Federal and Provincial funding agreements with estimated future funding of $225 5 million (for the period 2019 to 2023) The City has also entered into a number of third party contracts to provide shared services with estimated future recoveries of $23 7 million (for the period 2019 to 2022) Future revenues from incoming lease agreements for City-owned properties are approximately $14 6 million (for the period 2019 to 2025)

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

2019	$	3,525
2020		2,788
2021		2,790
2022		2,421
2023		1,623
Total	**$**	**13,147**

21. Subsequent Event

On January 1, 2019, Alectra Inc amalgamated with Guelph Hydro Electric Systems Inc ("GHESI") Alectra Inc. issued 485,000 Class G Common Shares to Guelph Municipal Holdings Inc ("GMHI") in consideration for all the issued and outstanding shares of GHESI This common shares issuance by Alectra Inc represents an effective 4 6% interest in its aggregate issued and outstanding classes of common shares. The amalgamation is expected to result in more efficient and enhanced service delivery through lower operating costs, while providing significant benefits for communities and shareholders

The new shareholder ownership structure as a result of this merger is as follows Barrie Hydro Holdings - 8 4%, Enersource Corporation - 29 6%, Hamilton Utilities Corporation - 17 3%, Markham Enterprises Corporation - 15%, St Catharines Hydro Inc - 4 6%, Vaughan Holdings Inc - 20 5% and GMHI - 4 6%

The accounting and valuation for the amalgamation is still being finalized. Consequently, disclosures regarding the amount of the purchased assets and liabilities cannot be determined

22. Comparative Figures

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

City of Mississauga - Trust Funds

Financial Statements

Year Ended December 31, 2018

KPMG LLP
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Vaughan ON L4K 0J3
Canada
Tel 905-265-5900
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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of the trust funds of the Corporation of the City of Mississauga (the Entity), which comprise

- the statement of financial position as at December 31, 2018
- the statement of operations for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements")

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the trust funds of the Entity as at December 31, 2018, and its results of operations for the year then ended in accordance with Canadian public sector accounting standards

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards Our responsibilities under those standards are further described in the ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements

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

KPMG

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so

Those charged with governance are responsible for overseeing the Entity's financial reporting process

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit

We also

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control

- Obtain an understanding of internal control relevant to the audit 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

KPMG

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion Our conclusions are based on the audit evidence obtained up to the date of our auditors' report However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

April 12, 2019

City of Mississauga - Trust Funds
Statement of Financial Position

as at December 31, 2018 with comparatives for 2017
(All dollar amounts are in $000)

			2018	2017
	Perpetual Care $	Election Surplus $	Total $	Total $
Financial Assets				
Cash	34	-	34	16
Accounts Receivable	4	-	4	3
Due from City of Mississauga (Note 2)	55	-	55	67
Investments (Note 3)	807	-	807	734
Net Financial Assets and Accumulated Surplus	**900**	**-**	**900**	**820**

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, 2018 with comparatives for 2017
(All dollar amounts are in $000)

	2018			2017
	Perpetual Care $	Election Surplus $	Total $	Total $
Revenues				
Interest	25	-	25	21
Receipts	80	-	80	89
Total Revenues	**105**	-	**105**	**110**
Expenses				
Cemetery maintenance	25	-	25	21
Total Expenses	**25**	-	**25**	**21**
Annual surplus	**80**	-	**80**	**89**
Accumulated surplus, beginning of year	820	-	820	731
Accumulated surplus, end of year	**900**	-	**900**	**820**

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, 2018
(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 2018 and transferred to the Trust Fund on January 29, 2019 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 $807 (2017 $734) reported on the statement of financial position at cost, have a market value of $825 (2017 $765) 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 Trust Fund is established in accordance with the 2016 Municipal Elections Act ("Act") The Act states, per S 88.31(4), that if the financial statement or supplementary financial statement filed with the clerk shows a surplus and the campaign period has ended at the time the statement is filed, the candidate or registered third party shall, when the statement is filed, pay the surplus to the clerk Per S 88 31(5), the clerk shall hold the amount paid under subsection (4) in trust for the candidate or registered third party

Per S 88 31(8), for a candidate, the amount held in trust becomes the property of the municipality or local board, as the case may be, when all of the following conditions are satisfied.

1 The election campaign period has ended under paragraph 2, 3 or 4 of subsection 88.24 (1)
2 It is no longer possible to recommence the campaign period under paragraph 5 of subsection 88 24 (1)
3 No recount, proceeding under section 83 (controverted elections) or compliance audit has been commenced.
4. The period for commencing a recount, a proceeding under section 83 or a compliance audit has expired

Per S 88 31(9), for a registered third party, the amount held in trust becomes the property of the municipality when all of the following conditions are satisfied

1 The campaign period has ended under paragraph 2 or 3 of section 88 28
2 It is no longer possible to recommence the campaign period under paragraph 4 of section 88 28
3. No compliance audit has been commenced
4 The period for commencing a compliance audit has expired 2016, c 15, s. 62

Per S.88.32(2), if the candidate or registered third party notifies the clerk in writing that he, she or it is incurring subsequent expenses relating to a compliance audit, the clerk shall return the amount of the surplus, with interest, to the candidate or registered third party

Financial Statements of

CITY OF MISSISSAUGA CLARKSON VILLAGE BUSINESS IMPROVEMENT ASSOCIATION

Year ended December 31, 2018

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

Opinion

We have audited the financial statements of City of Mississauga Clarkson Village Business Improvement Association (the Entity), which comprise

- the statement of financial position as at December 31, 2018
- the statement of operations and accumulated surplus for the year then ended
- the statement of change in net financial assets for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements")

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of City of Mississauga Clarkson Village Business Improvement Association as at December 31, 2018, and its results of operations, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards Our responsibilities under those standards are further described in the ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so

Those charged with governance are responsible for overseeing the Entity's financial reporting process

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit

We also

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control

- Obtain an understanding of internal control relevant to the audit 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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion Our conclusions are based on the audit evidence obtained up to the date of our auditors' report However, future events or conditions may cause the Entity to cease to continue as a going concern

KPMG

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

April 2, 2019

CITY OF MISSISSAUGA CLARKSON VILLAGE BUSINESS IMPROVEMENT ASSOCIATION

Statement of Financial Position

December 31, 2018, with comparative information for 2017

		2018		2017
Financial assets:				
Current assets				
Cash	$	62,294	$	64,159
Accounts receivable and other assets		7,223		5,224
		69,517		69,383
Financial liabilities:				
Accounts payable and accrued liabilities	$	1,298	$	819
Due to The Corporation of the City of Mississauga (note 2)		1,100		2,989
		2,398		3,808
Net financial assets		67,119		65,575
Tangible capital assets (note 3)		8,585		10,731
Accumulated surplus (note 4)	$	75,704	$	76,306

See accompanying notes to financial statements

On behalf of the Board

_______________________ Director

_______________________ Treasurer

CITY OF MISSISSAUGA CLARKSON VILLAGE BUSINESS IMPROVEMENT ASSOCIATION

Statement of Operations and Deficit

Year ended December 31, 2018, with comparative information for 2017

	2018 Budget	2018	2017
Revenue			
Special levy on business assessment	$ 73,000	$ 71,900	$ 70,011
Sponsorship	7,000	1,000	7,650
Other	4,000	3,200	7,003
	84,000	76,100	84,664
Expenses			
Advertising and promotion	43,250	23,815	32,407
Beautification and maintenance	44,250	37,109	31,679
Office and general	2,800	6,188	17,092
Professional fees	3,200	2,951	2,900
Amortization	-	2,146	2,683
Insurance	2,000	2,233	2,217
Sponsorship	500	-	125
Other	-	2,260	-
	96,000	76,702	89,103
Annual deficit	(12,000)	(602)	(4,439)
Accumulated surplus, beginning of year	76,306	76,306	80,745
Accumulated surplus, end of year (note 4)	$ 64,306	$ 75,704	$ 76,306

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, 2018, with comparative information for 2017

		2018		2017
Annual deficit	$	(602)	$	(4,439)
Amortization of tangible capital assets		2,146		2,683
Change in net financial assets		1,544		(1,756)
Net financial assets, beginning of year		65,575		67,331
Net financial assets, end of year	$	67,119	$	65,575

See accompanying notes to financial statements

CITY OF MISSISSAUGA CLARKSON VILLAGE BUSINESS IMPROVEMENT ASSOCIATION

Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in)		
Operating activities		
Annual deficit	$ (602)	$ (4,439)
Items not involving cash		
Amortization of tangible capital assets	2,146	2,683
Changes in non-cash operating working capital		
Accounts receivable and other assets	(1,999)	(398)
Accounts payable and accrued liabilities	479	(1,046)
	24	(3,200)
Financing		
Due to the Corporation of the City of Mississauga	(1,889)	272
Decrease in cash	(1,865)	(2,928)
Cash, beginning of year	64,159	67,087
Cash, end of year	$ 62,294	$ 64,159

See accompanying notes to financial statements

CITY OF MISSISSAUGA CLARKSON VILLAGE BUSINESS IMPROVEMENT ASSOCIATION

Notes to Financial Statements

Year ended December 31, 2018

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 an 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 services acquired in the period whether or not payment has been made or invoices received

(b) Revenue

The special levy on business assessment represents the amounts levied by the City 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

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

(e) Adoption of new accounting policies

Effective January 1, 2018, the Association adopted the following standards issued by the Public Sector Accounting Board

(i) PS 2200 - Related party disclosures
(ii) PS 3420 - Inter-entity transactions
(iii) PS 3210 - Assets
(iv) PS 3320 - Contingent assets
(v) PS 3380 - Contractual rights

The adoption of these standards has not resulted in any significant impact to the financial statements

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, 2018 The amount is non-interest bearing and payable on demand

3. Tangible capital assets:

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Furniture and fixtures	$ 23,167	$ 14,582	$ 8,585	$ 10,731

4. Accumulated surplus:

Accumulated surplus at December 31 comprised the following

		2018		2017
Reserve for working capital needs	$	67,119	$	65,575
Invested in tangible capital assets		8,585		10,731
	$	75,704	$	76,306

Financial Statements of

CITY OF MISSISSAUGA PORT CREDIT BUSINESS IMPROVEMENT AREA

Year ended December 31, 2018

KPMG

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

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

Opinion

We have audited the financial statements of City of Mississauga Port Credit Business Improvement Area (the Entity), which comprise

- the statement of financial position as at December 31, 2018
- the statement of operations and accumulated surplus for the year then ended
- the statement of change in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements")

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of of City of Mississauga Port Credit Business Improvement Area as at December 31, 2018, and its results of operations, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards Our responsibilities under those standards are further described in the ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so

Those charged with governance are responsible for overseeing the Entity's financial reporting process

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit

We also

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control

- Obtain an understanding of internal control relevant to the audit 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
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion Our conclusions are based on the audit evidence obtained up to the date of our auditors' report However, future events or conditions may cause the Entity to cease to continue as a going concern
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

March 27, 2019

Vaughan, Canada

CITY OF MISSISSAUGA PORT CREDIT BUSINESS IMPROVEMENT AREA

Statement of Financial Position

December 31, 2018, with comparative information for 2017

		2018		2017
Financial Assets:				
Cash	$	112,707	$	96,121
Accounts receivable		44,895		42,430
		157,602		138,551
Financial Liabilities:				
Accounts payable and accrued liabilities	$	34,446	$	32,445
Due to The Corporation of the City of Mississauga (note 2)		15,189		44,697
		49,635		77,142
Net financial assets		107,967		61,409
Prepaid expenses		10,310		21,253
Tangible capital assets (note 3)		40,046		58,038
Commitments (note 5)				
Accumulated surplus (note 4)	$	158,323	$	140,700

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, 2018, with comparative information for 2017

	2018 Budget	2018	2017
Revenue			
Special levy on business assessment	$ 856,533	$ 841,342	$ 782,967
Fundraising	172,200	141,777	187,501
Other	-	1,534	-
	1,028,733	984,653	970,468
Expenses			
Office and general	271,861	257,750	264,112
Beautification and maintenance	250,000	252,015	219,722
Project expenses	247,500	191,513	242,596
Advertising and promotion	121,175	134,175	122,612
Sponsorships	79,000	79,534	77,525
Amortization	-	24,036	27,448
Business development	20,400	20,714	21,273
Information technology	2,500	4,422	6,841
Repairs and maintenance	1,600	2,871	3,187
	994,036	967,030	985,316
Annual surplus (deficit)	34,697	17,623	(14,848)
Accumulated surplus, beginning of year	140,700	140,700	155,548
Accumulated surplus, end of year (note 4)	$ 175,397	$ 158,323	$ 140,700

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, 2018, with comparative information for 2017

	2018	2017
Annual surplus (deficit)	$ 17,623	$ (14,848)
Additions to tangible capital assets	(6,044)	(17,295)
Amortization of tangible capital assets	24,036	27,448
Change in prepaid expenses	10,943	(2,810)
Change in net financial assets	46,558	(7,505)
Net financial assets, beginning of year	61,409	68,914
Net financial assets, end of year	$ 107,967	$ 61,409

See accompanying notes to financial statements

CITY OF MISSISSAUGA PORT CREDIT BUSINESS IMPROVEMENT AREA

Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

		2018		2017
Cash provided by (used in)				
Operating activities				
Annual surplus (deficit)	$	17,623	$	(14,848)
Item not involving cash				
Amortization of tangible capital assets		24,036		27,448
Changes in non-cash operating working capital				
Increase in accounts receivable		(2,465)		(2,619)
Decrease (increase) in prepaid expenses		10,943		(2,810)
Increase in accounts payable and accrued liabilities		2,001		6,750
Increase (decrease) in due to The Corporation of the City of Mississauga		(29,508)		7,546
		22,630		(21,467)
Capital activities				
Additions to tangible capital assets		(6,044)		(17,295)
Increase in cash		16,586		4,172
Cash, beginning of year		96,121		91,949
Cash, end of year	$	112,707	$	96,121

See accompanying notes to financial statements

CITY OF MISSISSAUGA PORT CREDIT BUSINESS IMPROVEMENT AREA

Notes to Financial Statements

Year ended December 31, 2018

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 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 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

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

(e) Adoption of new accounting policies

Effective January 1, 2018, the Organization adopted the following standards issued by the Public Sector Accounting Board

i PS 2200 - Related party disclosures

ii PS 3420 - Inter-entity transactions

iii PS 3210 - Assets

iv PS 3320 - Contingent assets

v PS 3380 - Contractual rights

The adoption of these standards did not result in any significant impact to the financial statements

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, 2018. The amount is non-interest bearing and payable on demand.

3. Tangible capital assets:

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Machinery and equipment	$ 80,603	$ 71,905	$ 8,698	$ 12,069
Furniture and fixtures	15,374	12,571	2,803	5,190
Leasehold improvements	86,675	58,130	28,545	40,779
	$ 182,652	$ 142,606	$ 40,046	$ 58,038

4. Accumulated surplus:

The accumulated surplus at December 31 comprised the following:

	2018	2017
Invested in tangible capital assets	$ 40,046	$ 58,038
Reserves for working capital needs	118,277	82,662
	$ 158,323	$ 140,700

CITY OF MISSISSAUGA PORT CREDIT BUSINESS IMPROVEMENT AREA

Notes to Financial Statements (continued)

Year ended December 31, 2018

5. Commitments:

The Organization has an operating lease arrangement with the City for its office premises, expiring in April 30, 2020

Amounts payable under these agreements are approximately as follows

2019	$	14,170
2020		4,760
	$	18,930

Financial Statements of

CITY OF MISSISSAUGA STREETSVILLE BUSINESS IMPROVEMENT DISTRICT ASSOCIATION

Year ended December 31, 2018

KPMG LLP
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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of City of Mississauga Streetsville Business Improvement District Association (the Entity), which comprise

- the statement of financial position as at December 31, 2018
- the statement of operations and accumulated surplus for the year then ended
- the statement of change in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements")

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of City of Mississauga Streetsville Business Improvement District Association as at December 31, 2018, and its results of operations, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards Our responsibilities under those standards are further described in the ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so

Those charged with governance are responsible for overseeing the Entity's financial reporting process

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit

We also

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control

- Obtain an understanding of internal control relevant to the audit 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
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion Our conclusions are based on the audit evidence obtained up to the date of our auditors' report However, future events or conditions may cause the Entity to cease to continue as a going concern
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

March 19, 2019

Vaughan, Canada

CITY OF MISSISSAUGA STREETSVILLE BUSINESS IMPROVEMENT DISTRICT ASSOCIATION

Statement of Financial Position

December 31, 2018, with comparative information for 2017

		2018		2017
Financial assets:				
Cash	$	30,393	$	18,438
Accounts receivable		20,979		29,300
	$	51,372	$	47,738
Financial liabilities:				
Accounts payable and accrued liabilities	$	11,224	$	9,950
Due to The Corporation of the City of Mississauga (note 2)		5,809		13,759
Deferred revenue		1,538		1,922
		18,571		25,631
Net financial assets		32,801		22,107
Tangible capital assets (note 3)		62,351		82,583
Commitment (note 5)				
Contractual rights (note 6)				
Accumulated surplus (note 4)	$	95,152	$	104,690

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, 2018, with comparative information for 2017

	2018 Budget	2018	2017
Revenue			
Special levy on business assessment	$ 324,353	$ 318,545	$ 286,707
Fundraising	66,000	82,959	126,018
Other income	7,500	-	35
	397,853	401,504	412,760
Expenses			
Advertising and promotion	125,250	121,722	163,919
Office and administration	152,559	154,784	152,060
Beautification and maintenance	107,544	114,304	99,351
Amortization of capital assets	-	20,232	23,060
	385,353	411,042	438,390
Annual surplus (deficit)	12,500	(9,538)	(25,630)
Accumulated surplus, beginning of year	95,152	104,690	130,320
Accumulated surplus, end of year (note 4)	$ 107,652	$ 95,152	$ 104,690

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, 2018, with comparative information for 2017

		2018		2017
Annual surplus (deficit)	$	(9,538)	$	(25,630)
Additions to tangible capital assets		-		(7,550)
Amortization of tangible capital assets		20,232		23,060
Change in net financial assets		10,694		(10,120)
Net financial assets, beginning of year		22,107		32,227
Net financial assets, end of year	$	32,801	$	22,107

See accompanying notes to financial statements

CITY OF MISSISSAUGA STREETSVILLE BUSINESS IMPROVEMENT DISTRICT ASSOCIATION

Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

		2018		2017
Cash provided by (used in)				
Operating activities				
Annual surplus (deficit)	$	(9,538)	$	(25,630)
Item not involving cash				
Amortization of tangible capital assets		20,232		23,060
Changes in non-cash operating working capital				
Decrease in accounts receivable		8,321		3,902
Increase in accounts payable and accrued liabilities		1,274		191
Increase (decrease) in due to The Corporation of the City of Mississauga		(7,950)		15,903
Increase (decrease) in deferred revenue		(384)		1,922
		11,955		19,348
Capital activities				
Additions to tangible capital assets		-		(7,550)
Increase in cash		11,955		11,798
Cash, beginning of year		18,438		6,640
Cash, end of year	$	30,393	$	18,438

See accompanying notes to financial statements

CITY OF MISSISSAUGA STREETSVILLE BUSINESS IMPROVEMENT DISTRICT ASSOCIATION

Notes to Financial Statements

Year ended December 31, 2018

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 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 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

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

(e) Adoption of new accounting policies

Effective January 1, 2018, the Association adopted the following standards issued by the Public Sector Accounting Board

(i) PS 2200 - Related party disclosures
(ii) PS 3420 - Inter-entity transactions
(iii) PS 3210 - Assets
(iv) PS 3320 - Contingent assets
(v) PS 3380 - Contractual rights

The adoption of these standards has resulted in additional note disclosures for contractual rights as described in note 6

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 - underlevy) The amount is non-interest bearing and payable on demand

CITY OF MISSISSAUGA STREETSVILLE BUSINESS IMPROVEMENT DISTRICT ASSOCIATION

3. Tangible capital assets:

		Cost		Accumulated amortization		2018 Net book value		2017 Net book value
Furniture, fixtures and decoratives	$	153,732	$	96,321	$	57,411	$	74,153
Benches		25,113		20,173		4,940		8,430
	$	178,845	$	116,494	$	62,351	$	82,583

4. Accumulated surplus:

The accumulated surplus as at December 31 comprises the following

		2018		2017
Reserve for working capital needs	$	32,801	$	22,107
Invested in tangible capital assets		62,351		82,583
	$	95,152	$	104,690

5. Commitment:

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

2019	$	16,500
2020		15,125
	$	31,625

6. Contractual rights:

As at December 31, 2018, the Association has a contract with The Corporation of the City of Mississauga to receive a $10,000 grant towards a 2019 special event

Financial Statements of

CITY OF MISSISSAUGA MALTON BUSINESS IMPROVEMENT AREA

Year ended December 31, 2018

KPMG LLP
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Vaughan ON L4K 0J3
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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of City of Mississauga Malton Business Improvement Area (the Entity), which comprise

- the statement of financial position as at December 31, 2018
- the statement of operations and accumulated surplus for the year then ended
- the statement of change in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements")

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of City of Mississauga Malton Business Improvement Area as at December 31, 2018, and its results of operations, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so

Those charged with governance are responsible for overseeing the Entity's financial reporting process

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit

We also

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control

KPMG

- Obtain an understanding of internal control relevant to the audit 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
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion Our conclusions are based on the audit evidence obtained up to the date of our auditors' report However, future events or conditions may cause the Entity to cease to continue as a going concern
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

March 13, 2019

Vaughan, Canada

CITY OF MISSISSAUGA MALTON BUSINESS IMPROVEMENT AREA

Statement of Financial Position

December 31, 2018, with comparative information for 2017

		2018		2017
Financial Assets:				
Cash	$	191,531	$	101,613
Accounts receivable and other assets		14,679		18,061
	$	206,210	$	119,674
Financial Liabilities:				
Accounts payable and accrued liabilities (note 2)	$	29,929	$	4,903
Deferred revenue		23,700		-
Due to The Corporation of the City of Mississauga (note 3)		16,845		18,479
		70,474		23,382
Net financial assets		135,736		96,292
Tangible capital assets (note 4)		33,069		41,301
Commitments (note 6)				
Accumulated surplus (note 5)	$	168,805	$	137,593

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, 2018, with comparative information for 2017

	2018 Budget	2018	2017
Revenue			
Special levy on business assessment	$ 146,140	$ 131,825	$ 101,521
Special event - Canada Day sponsorship revenue	64,300	36,600	41,700
Special event - CF-100 sponsorship revenue	-	-	38,645
Other grants revenue	30,000	29,250	31,739
Other revenue	13,300	4,900	2,750
	253,740	202,575	216,355
Expenses			
Special event - Canada Day expenses	98,900	80,498	78,392
Office and administration (note 2)	62,760	56,672	62,919
Special event - CF-100 expenses	-	-	46,667
Beautification and maintenance	25,000	22,904	23,817
Advertising and promotion	17,700	-	15,337
Amortization	-	10,289	7,896
Other event expense	-	-	3,253
Sponsorship expense	10,000	1,000	-
	214,360	171,363	238,281
Annual surplus (deficit)	39,380	31,212	(21,926)
Accumulated surplus, beginning of year	137,593	137,593	159,519
Accumulated surplus, end of year (note 5)	$ 176,973	$ 168,805	$ 137,593

See accompanying notes to financial statements

CITY OF MISSISSAUGA MALTON BUSINESS IMPROVEMENT AREA

Statement of Change in Net Financial Assets

Year ended December 31, 2018, with comparative information for 2017

		2018		2017
Annual surplus (deficit)	$	31,212	$	(21,926)
Additions to tangible capital assets		(2,057)		(12,395)
Amortization of tangible capital assets		10,289		7,896
Change in net financial assets		39,444		(26,425)
Net financial assets, beginning of year		96,292		122,717
Net financial assets, end of year	$	135,736	$	96,292

See accompanying notes to financial statements

CITY OF MISSISSAUGA MALTON BUSINESS IMPROVEMENT AREA

Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in)		
Operating activities		
Annual surplus	$ 31,212	$ (21,926)
Item not involving cash		
Amortization of tangible capital assets	10,289	7,896
Changes in non-cash operating working capital		
Decrease (increase) in accounts receivable and other assets	3,382	28,067
Increase in accounts payable and accrued liabilities	25,026	1,873
Increase (decrease) in due to The Corporation of the City of Mississauga	(1,634)	29,832
	68,275	45,742
Financing activities		
Additions to deferred revenue	23,700	-
Capital activities		
Additions to tangible capital assets	(2,057)	(12,395)
Increase (decrease) in cash	89,918	33,347
Cash, beginning of year	101,613	68,266
Cash, end of year	$ 191,531	$ 101,613

See accompanying notes to financial statements

CITY OF MISSISSAUGA MALTON BUSINESS IMPROVEMENT AREA

Notes to Financial Statements

Year ended December 31, 2018

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 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 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

Funds received in advance for specific purposes are deferred and recognized as revenue as the funds are spent in accordance with the funder's restrictions

(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 five years

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

(e) Adoption of new accounting policies

Effective January 1, 2018, the Association adopted the following standards issued by the Public Sector Accounting Board

(i) PS 2200 - Related party disclosures
(ii) PS 3420 - Inter-entity transactions
(iii) PS 3210 - Assets
(iv) PS 3320 - Contingent assets
(v) PS 3380 - Contractual rights

The adoption of these standards has not resulted in any significant impact to the financial statements

2. Related party transactions:

Included in office and administration expense are $3,768 (2017 - $11,212) of services provided by companies owned by members of the Board of Directors Accounts payable and accrued liabilities include $900 (2017 - nil) in respect of these related party transactions

3. 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 The amount is non-interest bearing and payable on demand

CITY OF MISSISSAUGA MALTON BUSINESS IMPROVEMENT AREA

4. Tangible capital assets:

			2018	2017
	Cost	Accumulated amortization	Net book value	Net book value
Fixtures and decorations	$ 119,613	$ 86,544	$ 33,069	$ 41,301

5. Accumulated surplus:

The accumulated surplus as at December 31 comprises the following

	2018	2017
Reserve for working capital needs	$ 135,736	$ 96,292
Invested in tangible capital assets	33,069	41,301
	$ 168,805	$ 137,593

6. Commitments:

The Association has entered into an operating agreement for utilities that expires in 2021 and a lease agreement for premises that expires in 2013 Both agreements are with the Corporation of the City of Mississauga The annual commitments are approximately as follows

2019	$ 3,450
2020	3,450
2021	3,115
2022	2,100
2023	525

Financial Statements of

ENERSOURCE CORPORATION

Years ended December 31, 2018 and December 31, 2017

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

Opinion

We have audited the financial statements of Enersource Corporation (the Entity), which comprise

- the statement of financial position as at December 31, 2018
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies (Hereinafter referred to as the "financial statements")

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS)

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so

Those charged with governance are responsible for overseeing the Entity's financial reporting process

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit

We also

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control

- Obtain an understanding of internal control relevant to the audit 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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion Our conclusions are based on the audit evidence obtained up to the date of our auditors' report However, future events or conditions may cause the Entity to cease to continue as a going concern

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represents the underlying transactions and events in a manner that achieves fair presentation

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada
April 16, 2019

ENERSOURCE CORPORATION

Statement of Financial Position
(In thousands of Canadian dollars)
As at December 31, 2018 and December 31, 2017

	Note	December 31, 2018	December 31, 2017
Assets			
Current assets			
Cash		$ 4,241	$ 3,533
Income taxes receivable	6	-	3
Prepaid expense		137	98
Total current assets		4,378	3,634
Non-current assets			
Investment in Alectra	5	609,060	593,079
Interest rate swaps	8	405	422
Total non-current assets		609,465	593,501
Total assets		**$ 613,843**	**$ 597,135**
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities	7	$ 39	$ 83
Loans and borrowings	8	2,500	2,500
Total current liabilities		2,539	2,583
Non-current liabilities			
Loans and borrowings	8	53,125	55,625
Total non-current liabilities		53,125	55,625
Total liabilities		55,664	58,208
Shareholders' equity			
Share capital	9	175,691	175,691
Accumulated other comprehensive income (loss)		(1,672)	(3,532)
Retained earnings		384,160	366,768
Total shareholders' equity		558,179	538,927
Total liabilities and shareholders' equity		**$ 613,843**	**$ 597,135**

The accompanying notes are an integral part of the financial statements

ENERSOURCE CORPORATION

Statement of Comprehensive Income
(In thousands of Canadian dollars)
Years ended December 31, 2018 and 2017

	Notes	December 31, 2018	December 31, 2017
REVENUE:			
Energy sales		$ -	$ 70,863
Distribution		-	10,607
Services		-	1,308
Other revenue		-	1,356
Total operating revenue		-	**84,134**
EXPENSES:			
Energy purchases		-	74,559
Employee salaries and benefits		-	3,523
Materials and transportation		-	788
Contract labor		-	814
Other expenses		-	1,870
Conservation and demand management		-	892
Depreciation of property, plant and equipment		-	2,457
Amortization of intangible assets		-	390
Total operating expenses		-	**85,293**
Results from operating activities		-	**(1,159)**
Non-operating revenue (expenses).			
Gain on investment in Enersource Holdings for investment in Alectra	5	-	225,260
Share of net income from investment in Alectra	5	32,917	23,330
Unrealized fair value (loss) gain on interest rate swap		(17)	422
Office supplies		(21)	-
Professional services fee		(86)	-
Board management fee		(74)	(80)
Finance income		111	134
Financial expenses		(1,348)	(2,700)
Interest expense on post-employment benefits		-	(19)
Non-operating revenue		**31,482**	**246,347**
Profit before income taxes		31,482	245,188
Income tax recovery	6	289	493
Profit for the year		**31,771**	**245,681**
Other comprehensive income/(loss), net of income tax			
Share of other comprehensive income/(loss) from investment in Alectra	5	1,860	(4,650)
Total comprehensive income for the year		**$ 33,631**	**$ 241,031**

The accompanying notes are an integral part of the financial statements

ENERSOURCE CORPORATION

Statement of Cash Flows
(In thousands of Canadian Dollars)
Years ended December 31, 2018 and 2017

	Notes	December 31, 2018	December 31, 2017
Cash flows from operating activities			
Comprehensive income for the year		$ 33,631	$ 241,031
Adjustments for			
Depreciation of property, plant and equipment		-	2,457
Amortization of intangible assets		-	390
Gain on investment in Alectra		-	(225,260)
Share of net income from investment in Alectra		(32,917)	(23,330)
Share of OCI from investment in Alectra		(1,860)	4,650
Amortization of deferred contributions		-	(53)
Loss/(gain) on disposals of property, plant and equipment		-	5
Post-employment benefits		-	27
Environmental provision		-	13
Interest rate swap		17	(422)
Income tax recovery		(289)	(493)
Non-operating income		(111)	(134)
Non-operating expense		1370	2,700
Promissory note		-	-
Income tax received (paid)		292	(55)
Changes in non-cash working capital balances	10	(83)	6,997
Cash (used in)/from operating activities		50	8,523
Cash flows from investing activities			
Customer deposits		-	261
Interest received		111	134
Additions to property, plant and equipment		-	(3,662)
Additions to intangible assets		-	(149)
Additions to deferred contributions		-	411
Proceeds from sales of property, plant and		-	15
equipment		-	-
Dividends from Alectra	5	18,796	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		18,907	3,092
Cash flows from financing activities			
Customer deposits		-	(261)
Proceeds from bank loans		-	69,836
Repayment of bank loans		(2,500)	(11,875)
Dividends paid		(14,379)	(14,340)
Interest paid		(1,370)	(1,284)
Cash (used in)/from financing activities		(18,249)	42,076
Increase in cash during the year		708	53,691
Cash, beginning of the year		3,533	(50,158)
Cash, end of the year		**$ 4,241**	**$ 3,533**

The accompanying notes are an integral part of the financial statements

ENERSOURCE CORPORATION

Statement of Changes in Equity
(In thousands of Canadian dollars)
Years ended December 31, 2018 and 2017

	Share Capital	Accumulated Other Comprehensive Income/(Loss)	Retained Earnings	Total Equity
Balance at January 1, 2018	$ 175,691	$ (3,532)	$ 366,768	$ 538,927
Profit for the year	-	-	31,771	31,771
Other comprehensive income (loss), net of tax	-	1,860	-	1,860
Dividends paid	-	-	(14,379)	(14,379)
Balance at December 31, 2018	**$ 175,691**	**$ (1,672)**	**$ 384,160**	**$ 558,179**

Balance at January 1, 2017	$ 175,691	$ 1,118	$ 135,427	$ 312,236
Profit for the year	-	-	245,681	245,681
Other comprehensive income (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**

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 Corporation's audited financial statements are presented Canadian dollars, which is the Corporation's functional currency

Further, all amounts contained herein are rounded to the nearest thousand, unless otherwise noted

Prior to January 31, 2017, the Corporation had the following wholly-owned subsidiaries 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")

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 5 for further details

As this transaction was effective January 31, 2017, the 2017 comparative figures contain one month of results where Enersource Holdings' operations were consolidated into the Corporation

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 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 16, 2019

Certain prior year figures have been reclassified to conform to the presentation of the current year

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 through profit and loss

3. Key Accounting Judgments, Estimates and Assumptions

The preparation of financial statements requires management to make judgments, 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

There were no key sources of estimation uncertainty and judgments at the end of the reporting period that could have a significant impact on the financial statements

4. Significant Accounting Policies

a) Changes in accounting policies

Effective January 1, 2018, the Corporation adopted new IFRS standards and applied the following new policies in preparing the financial statements

(In thousands of Canadian dollars)

Financial instruments

The Corporation adopted IFRS 9 *Finance Instruments* ("IFRS 9") with a date of initial application on January 1, 2018 IFRS 9 replaced IAS 39 - *Financial Instruments Recognition and Measurement* ("IAS 39") The Corporation adopted IFRS 9 retrospectively Despite the retrospective adoption of IFRS 9, the Corporation is not required, upon initial application, to restate comparative figures

IFRS 9 requires classification of financial assets as measured at amortized cost, fair value through profit or loss ("FVTPL") or fair value through other comprehensive income ("FVOCI") based on the business model in which they are held and the characteristics of their contractual cash flows IFRS 9 requires classification of financial liabilities as measured at amortized cost or fair value

The impact of IFRS 9 on the classification and measurement of the Corporation's financial instruments is set out below

Financial Instrument	**IAS 39 Measurement basis**	**IFRS 9 Measurement basis**
Cash	FVTPL	Amortized cost
Interest rate swaps	FVTPL	FVTPL
Accounts payable	Financial liability – amortized	Financial liability – amortized
Loans and borrowings	Financial liability – amortized	Financial liability – amortized

IFRS 9 also introduces a new single model for the measurement of impairment losses on all financial assets The IFRS 9 expected credit loss ("ECL") model replaces the current "incurred loss" model of IAS 39 The incurred loss model under IAS 39 recognizes impairment when there is objective evidence of deterioration in the credit quality of the asset Under IFRS 9, ECL will be recognized in the profit or loss before a loss event has occurred, which could result in earlier recognition of credit losses compared to IAS 39

The adoption of IFRS 9 did not have an impact on the financial statements

Revenue from Contracts with Customers

The Corporation adopted IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15") with an initial application date of January 1, 2018 which replaces IAS 11 *Construction Contracts* and IAS 18 *Revenue ("IAS 18")* IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments IFRS 15 uses a control-based approach to recognize revenue, which is a change from the risks and reward approach under previous standards

The Corporation applied IFRS 15 using the cumulative effect method recognizing the cumulative effect of initially applying IFRS 15 as an adjustment to the opening equity balance as at January 1, 2018 Therefore, the comparative information has not been restated and continues to be reported under IAS 18 The adoption of IFRS 15 had no impact on the Corporation's *financial statements as no revenue is currently being generated with* customers

b) Investment in Alectra

The Corporation's interest in Alectra is recognized and measured in line with IAS 28, *Investments in Associates and Joint Ventures* ("IAS 28")

Associates are those entities over which the Corporation has significant influence, but not control or joint control, over the financial and operating policies Significant influence is presumed to exist when the Corporation holds between 20% and 50% of the voting power of another entity, but can also arise where the Corporation holds less than 20%, if it has the power to be actively involved and influential in policy decisions affecting the entity

Investments in associates are accounted for using the equity method The equity method involves the recording of the initial investment at cost, which includes transaction costs Subsequent to initial recognition, the financial statements include the Corporation's share of profit or loss and any other changes in the associates' net assets, such as dividends of equity accounted investees, until the date on which significant influence ceases

Adjustments are made to align the accounting policies of the associate with those of the Corporation before applying the equity method When the Corporation's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Corporation has incurred legal or constructive obligations or made payments on behalf of the associate If the associate subsequently reports profits, the Corporation resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized

c) Revenue recognition

The Corporation's source of income is interest and investment income Interest income is recognized when earned, while investment income from Alectra is recorded as per Note 4 b) above

d) Income taxes

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 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

e) 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 judgment 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 financial statements However, a contingent asset is disclosed where an inflow of economic benefits is probable

f) New standards and interpretations not yet adopted

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting years beginning after January 1, 2019 or later

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 does not expect IFRS 16 to have any impact on its financial statements

IFRIC 23 *Uncertainty over Income Tax Treatments* provides guidance on recognition and measurement of uncertain income tax treatments The effective date of IFRIC 23 is January 1, 2019 The Corporation is in the process of evaluating the impact of this interpretation

(In thousands of Canadian dollars)

5. Investment in Alectra

	December 31,2018	December 31,2017
Investment in Alectra	$ 609,060	$ 593,079
Movement in equity accounted investee		
Opening investment	$ 593,079	$ -
Initial investment in Alectra	-	583,028
Share of net income from investment in Alectra	32,917	23,330
Share of OCI in Alectra	1,860	(4,650)
Dividends received from Alectra	(18,796)	(8,629)
Closing investment in Alectra as at December 31	$ 609,060	$ 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 business 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 in December 31, 2017

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

(In thousands of Canadian dollars)

	December 31, 2018	December 31, 2017
Percentage ownership interest	31%	31%
Current assets (including cash of $16,000 (2017 - $122,000))	$ 663,000	$ 702,000
Non-current assets	3,992,000	3,779,000
Current liabilities (including current liabilities excluding AP, accruals and provisions of $345,000 (2017 - $268,000))	(788,000)	(739,000)
Non-current liabilities (including non-current liabilities excluding AP, accruals and provisions of $2,175,000 (2017 - $2,089,000)	(2,178,000)	(2,094,000)
Net assets (100%)	1,689,000	1,648,000
Ring Fenced Solar Portfolio Net Assets	(20,209)	(30,974)
Fair value adjustments from purchase price	296,145	296,145
	1,964,936	1,913,171
Carrying value of investment in Alectra (31%)	$609,060	$ 593,079
Revenue	$ 3,452,000	$ 3,125,000
Depreciation and amortization	(140,000)	(124,000)
Other expenses	(3,101,000)	(2,844,000)
Finance expenses	(64,000)	(55,000)
Income tax expense	(39,000)	(30,000)
Net income	109,000	74,000
Other comprehensive loss	6,000	(15,000)
Total comprehensive income	115,000	59,000
Ring Fenced Solar Portfolio net gain (loss)	2,816	(1,257)
Ring fenced Solar Portfolio other comprehensive income	-	1
Share of income (31%)	$ 32,917	$ 23,330
Share of other comprehensive income (loss) (31%)	$ 1,860	$ (4,650)

(In thousands of Canadian dollars)

6. Income Taxes

The components of income tax expense for the years ended December 31, 2018 and 2017 were as follows

	December 31, 2018	December 31, 2017
Current income tax expense (recovery)		
Expense (recovery) for the year	$ (289)	$ 147
Total current Income tax expense (recovery)	(289)	147
Deferred income tax expense (recovery)		
Reversal of temporary differences	-	(640)
Total deferred Income tax expense (recovery)	-	(640)
Total income tax expense (recovery)	$ (289)	$ (493)

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, 2018	December 31, 2017
Federal and Ontario statutory income tax rate	26 50%	26 50%
Profit before provision for income taxes	$ 33,631	$ 241,031
Provision for income taxes at statutory rate	$ 8,912	$ 63,873
Increase/(decrease) resulting from		
Recovery of prior year's tax expense due to loss carryback	(289)	-
Differences between accounting net income and net income for tax purposes	(8,912)	(64,367)
Provision for income taxes	$ (289)	$ (493)
Effective income tax rate	0 86%	0 20%

(In thousands of Canadian dollars)

7. Accounts Payable and Accrued Liabilities

The components of accounts payable and accrued liabilities are as follows

	December 31, 2018	December 31, 2017
Trade payables	$ 39	$ 39
Interest owed on rate swap	-	44
Total accounts payable and accrued liabilities	$ 39	$ 83

8. Loans and Borrowings

Bank Loan	December 31, 2018	December 31, 2017
Current	$ 2,500	$ 2,500
Non-current	53,125	55,625
Net bank loan	$ 55,625	$ 58,125

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 2 807% on November 1, 2018 and is carried with quarterly interest payments Credit Facility B has a 10 year term to maturity and an outstanding balance $20,625 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 cannot 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 covenants have not been breached in 2018 or 2017 The secured bank loans are guaranteed by the City of Mississauga in the amount of $70,000

The Corporation included $17 of unrealized loss (2017 - $422 gain) in its financial statements $405 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, 2018 The notional value on the interest rate swap is $20,625

(In thousands of Canadian dollars)

Reconciliation of debt arising from financing activities

	December 31, 2018		December 31, 2017	
Balance beginning of the year	$	58,125	$	378,309
Net proceeds from loans		-		70,000
Principal repayment		(2,500)		(11,875)
Non Cash Changes				
Disposition of EHI debt at Jan 31, 2017		-		(378,309)
	$	55,625	$	58,125

The corporation made interest payments of $1,370 (2017 - $1,284)

9. Share Capital

	December 31, 2018		December 31, 2017	
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

(In thousands of Canadian dollars)

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, 2018, there were no cumulative preferential dividends outstanding (December 31, 2017 – $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 2018, dividends of $14,379 (2017 - $14,340) were declared and paid to the Shareholders of the Corporation

10. Change in Non-cash Working Capital Balances

	December 31, 2018	December 31, 2017
Accounts receivable	$ -	$ (7,973)
Unbilled revenue	-	17,639
Inventories	-	376
Prepaid expense	(39)	(270)
Accounts payable and accrued liabilities	(44)	(2,980)
Advance payments	-	205
Decrease in working capital	$ (83)	$ 6,997

11. Related Party Transactions

As at December 31, 2018, accounts payable and accrued liabilities include $Nil (2017 - $16) due to the Borealis

During the year, the Corporation incurred $Nil (2017 – $111) for property taxes to the City

The Corporation charged Borealis $Nil in 2018 (2017 – $1) for an access agreement These transactions are in the normal course of operations and were recorded at amounts agreed to by the parties

(In thousands of Canadian dollars)

For 2018, a dividend of $12,941 was declared and paid to the City (2017 - $12,906), and a dividend of $1,438 was declared and paid to Borealis (2017 - $1,434) 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, 2018	December 31, 2017
Salaries and short term employee benefits	$ -	$ 1,782
Retirement OMERS contributions	-	87
Other compensation	-	4
Directors honorarium and per diems	74	136
	$ 74	$ 2,009

12. 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, 2018 and 2017, there are no legal actions where the Corporation is a defendant

13. 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 There were no financial instruments carried at fair value categorized in Level 3 as at December 31, 2018 and 2017

(In thousands of Canadian dollars)

There were no transfers between levels during the year

The fair values of cash and accounts payable and accrued liabilities approximate their carrying values due to the immediate or short-term maturity of these financial instruments

The Corporation entered into an amortizing Interest Rate Swap (IRS) with CIBC on January 31 2017 The IRS is amortizing (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 8) and has the effect of locking in the interest rate associated with Credit Facility B at 2 414% As a stand-alone financial instrument, CIBC provides a month-end "fair market value (FMV)" associated with the IRS The FMV for the IRS as at December 31 2018 is $405 (2017 - $422) The interest rate swap is classified as a level 2 in the hierarchy

The Corporation considers its capital to be its shareholders' equity The Corporation manages its capital exposure to risk as described below 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 or foreign exchange risk at December 31, 2018 and 2017

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

The Corporation is not exposed to significant credit risk given then nature of its operations

(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 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
Accounts payable and accrued liabilities	$ 39	$ -	$ -
Bank loan (interest and principal)	3,946	15,148	45,723
Total	$ 3,985	$ 15,148	$ 45,723

14. Subsequent Events

Dividends

On March 15, 2019, the Corporation received a dividend of $10,055 from Alectra.

Merger

On January 1, 2019, Alectra Inc. amalgamated with Guelph Hydro Electric Systems Inc. ("GHESI"). Alectra Inc. issued 485,000 Class G Common Shares to Guelph Municipal Holdings Inc. ("GMHI") in consideration for all the issued and outstanding shares of GHESI. This common shares issuance by the Alectra Inc. represents an effective 4.6% interest in its aggregate issued and outstanding classes of common shares. The amalgamation is expected to result in more efficient and enhanced service delivery through lower operating costs, while providing significant benefits for communities and shareholders.

The new shareholder ownership structure as a result of this merger is as follows: Barrie Hydro Holdings – 8.4%, Enersource Corporation – 29.6%, Hamilton Utilities Corporation – 17.3%, Markham Enterprises Corporation – 15%, St. Catherines Hydro Inc. – 4.6%, Vaughan Holdings Inc. – 20.5% and GMHI – 4.6%.

The accounting and valuation for the amalgamation is still being finalized. Consequently, disclosures regarding the amount of the purchased assets and liabilities cannot be determined.

City of Mississauga - Public Library Board

Financial Statements

Year Ended December 31, 2018

KPMG LLP
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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of the City of Mississauga Public Library Board (the Entity), which comprise:

- the statement of financial position as at December 31, 2018
- the statement of operations for the year then ended
- the statement of changes in net debt for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2018, and its results of operations, its changes in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

May 1, 2019

City of Mississauga - Public Library Board
Statement of Financial Position

as at December 31, 2018 with comparatives for 2017
(All dollar amounts are in $000)

	2018 $	2017 $ (Recast Note 2)
Financial Assets		
Due from the City of Mississauga (Note 3)	2,439	2,424
Total Financial Assets	**2,439**	**2,424**
Financial Liabilities		
Accounts payable and accrued liabilities	1,056	766
Employee benefits and other liabilities (Note 5)	3,151	3,371
Total Financial Liabilities	**4,207**	**4,137**
Net Debt	**(1,768)**	**(1,713)**
Non-financial Assets		
Tangible capital assets (Note 8)	73,364	74,098
Accumulated Surplus	**71,596**	**72,385**

Commitments (Note 6)

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, 2018 with comparatives for 2017
(All dollar amounts are in $000)

	Budget 2018 $ Note 7	Actual 2018 $	Actual 2017 $ (Recast Note 2)
Revenues			
City of Mississauga	27,441	26,212	25,918
Funding transfers from other governments	715	858	943
Contributed assets by the City of Mississauga	-	1,305	707
Fines, service charges and rents	1,234	1,216	1,204
Total Revenues	**29,390**	**29,591**	**28,772**
Expenses			
Salaries, wages and employee benefits	22,424	21,367	21,181
Equipment	38	153	79
Materials and supplies	398	297	336
Communication	38	23	10
Staff development	86	112	111
Transportation	56	57	41
Professional Services	10	39	33
Advertising and promotion	48	13	36
Occupancy	1,814	1,747	1,709
Collection fees	50	56	60
Amortization of tangible capital assets (Note 8)	-	6,073	5,848
Administrative support charged by the City	430	443	438
Total Expenses	**25,392**	**30,380**	**29,882**
Annual surplus/(deficit)	**3,998**	**(789)**	**(1,110)**
Accumulated surplus, beginning of year		72,385	73,495
Accumulated surplus, end of year		**71,596**	**72,385**

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, 2018 with comparatives for 2017
(All dollar amounts are in $000)

	2018 Actual $	2017 Actual $ (Recast Note 2)
Annual surplus/(deficit)	(789)	(1,110)
Tangible capital asset additions	(5,339)	(4,386)
Amortization of tangible capital assets	6,073	5,848
(Increase)/Decrease in net debt	**(55)**	**352**
Net debt, beginning of year	(1,713)	(2,065)
Net debt, end of year	**(1,768)**	**(1,713)**

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, 2018 with comparatives for 2017
(All dollar amounts are in $000)

	2018 $	2017 $ (Recast Note 2)
Cash provided by (used in): Operating activities:		
Annual surplus/(deficit)	(789)	(1,110)
Items not involving cash:		
Amortization of tangible capital assets	6,073	5,848
Change in employee benefits and other liabilities	(220)	13
Change in non-cash working capital:		
Due from the City of Mississauga	(15)	(429)
Accounts payable and accrued liabilities	290	64
Net change in cash from operating activities	**5,339**	**4,386**
Capital Activities:		
Tangible capital asset additions	(5,339)	(4,386)
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, 2018
(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.

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 performing actuarial valuations of employee future benefits and determining useful lives of tangible capital assets.

Actual amounts could differ from these estimates.

f) Adoption of new accounting policies

The Board has adopted the following PSAB Standards effective January 1, 2018:

i) Assets (PS 3210)

PS 3210 provides additional guidance on the definition of assets and what is meant by economic resources, control, past transactions and events and from which future economic benefits are to be obtained.

For the year ended December 31, 2018, all material assets have been disclosed and reported within this definition.

ii) Contingent Assets (PS 3320)

PS 3320 introduces a definition for possible assets arising from existing conditions or situations involving uncertainty which will be ultimately resolved when one or more future events occur that are not wholly within the government's control. Disclosure of a contingent asset is required under this standard when the occurrence of a confirming future event is likely.

Government funding established through an agreement and not yet received at December 31, 2018 are included in receivables and do not fall within this standard.

iii) Contractual Rights (PS 3380)

PS 3380 requires disclosure of information pertaining to future rights to economic resources arising from contracts or agreements that will result in both an asset and revenue in the future. Such disclosure includes the nature, extent and timing of contractual rights.

The Board is involved with various contracts and agreements arising in the ordinary course of business. This results in contractual rights to economic resources, leading to both assets and revenue in the future. There are no contractual rights as at December 31, 2018.

1. Significant Accounting Policies

f) Adoption of new accounting policies

iv) Related Party disclosures (PS 2200)

A related party exists when one party has the ability to exercise control or shared control over the other. Related parties include key management personnel, their close family members and the entities they control or have shared control over. Related party transactions are disclosed if they occurred at a value different from that which would have been arrived at if parties were unrelated and the transaction has a material effect on the financial statements.

For the year ended December 31, 2018, there are no such material related party transactions to disclose. The Public Library Board follows the City of Mississauga's controls, guidelines and policies to mitigate risk that related party transactions are not identified or non-compliant, including policies covering conflicts of interest, use of City resources, and standard of behaviour.

v) Inter-Entity Transactions (PS 3420)

PS 3420 provides guidance on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective. The main features of this new section deal with the measurement of these transactions.

Within the Board, all inter-entity transactions are recorded at the exchange amount, being the amount agreed to by both parties. For the year ended December 31, 2018, there were no material inter-entity transactions to disclose.

g) Future accounting pronouncements

These standards and amendments were not effective for the year ended December 31, 2018, 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 3430, Restructuring Transactions, requires that assets and liabilities in restructuring transactions 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).

(ii) 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 statement of operations. 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 (the Board's December 31, 2020 year-end).

(iii) 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, 2021 (the Board's December 31, 2022 year-end).

(iv) 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, 2021 (the Board's December 31, 2022 year-end). Earlier adoption is permitted. A public sector entity adopting this standard must also adopt the new financial instruments standard.

(All dollar amounts are in $000)

2. Recast of Prior Year Comparative Figures

The 2017 comparative information provided in the 2017 financial statements has been adjusted for immaterial prior period errors relating to the following items:

a) The Employee benefits and other liabilities amount reported in 2017 has been adjusted to reflect an immaterial accrued vacation pay amount as at that date. The amount previously reported as employee benefits and other liabilities as at December 31, 2017 has been increased by $937 and the related expense for 2017 has been increased by $85.

b) The tangible capital asset inventories reported in 2017 have been adjusted to reflect an immaterial correction in accumulated amortization of $1,688 and amortization expense reported in 2017 has been increased by $31.

The impacts of these changes have been recorded retrospectively and prior periods have been recast as follows:

	As previously reported $	Recast $	As recasted $
Statement of Financial Position:			
Employee benefits and other liabilities at December 31, 2017	2,349	1,022	3,371
Tangible capital assets at December 31, 2017	75,817	(1,719)	74,098
Accumulated surplus at December 31, 2017	75,126	(2,741)	72,385
Statement of Operations:			
Salaries, wages and employee benefits for the year ended December 31, 2017	21,096	85	21,181
Amortization of tangible capital assets for the year ended December 31, 2017	5,817	31	5,848
2017 deficit as previously reported	(994)	(116)	(1,110)
Accumulated surplus at January 1, 2017	76,120	(2,625)	73,495
Accumulated surplus at December 31, 2017	75,126	(2,741)	72,385

3. 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.

4. 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 $1,449 (2017 $1,447) on behalf of these eligible employees and the employees contributed $1,450 (2017 $1,475).

5. Employee Benefits & other liabilities

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

	2018 $	2017 $ (Recast Note 2)
WSIB benefits	121	111
Accumulated sick leave benefit plan entitlements	174	206
Early retirement benefits	967	955
Post-employment benefits	1,007	1,077
Vacation Liability	882	1,022
Total	**3,151**	**3,371**

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

For the Year Ended December 31, 2018
(All dollar amounts are in $000)

5. Employee Benefits & other liabilities

(i) WSIB: The Board 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.

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

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

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

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

	2018					2017
	WSIB $	**Sick Leave $**	**Early Retirement $**	**Post-Employment $**	**Total $**	**Total $**
Accrued benefit obligation, beginning of year	**111**	**206**	**955**	**1,077**	**2,349**	**2,524**
Service cost	16	4	31	7	**58**	**56**
Interest cost	6	6	36	23	**71**	**72**
Amortization of actuarial (gain)/loss	5	(15)	(2)	(20)	**(32)**	**(91)**
Benefit payments	(17)	(27)	(53)	(80)	**(177)**	**(212)**
Accrued benefit obligation, end of year	**121**	**174**	**967**	**1,007**	**2,269**	**2,349**
Unamortized actuarial (gain)/loss	37	(35)	(43)	(362)	**(403)**	**(436)**
Actuarial valuation update, end of year	158	139	924	645	**1,866**	**1,913**
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	4.42 %	4.75 %

(All dollar amounts are in $000)

6. 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:

	$
2019	281
2020	291
2021	301
2022	166
2023	126
Total	**1,165**

7. Budget adoption

The 2018 budget, as approved by Council, was adopted by the Board at the January 17, 2018 meeting.

8. 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, 2017** $ (Recast Note 2)	**Additions** $	**Disposals** $	**December 31, 2018** $
Land	1,247	-	-	1,247
Land improvements	404	-	-	404
Buildings	98,200	1,288	-	99,488
Equipment, books and other	62,328	4,051	-	66,379
Vehicles	202	-	44	158
Total	**162,381**	**5,339**	**44**	**167,676**

Accumulated Amortization	**December 31, 2017** $ (Recast Note 2)	**Amortization Expense** $	**Disposals** $	**December 31, 2018** $
Land	-	-	-	-
Land improvements	327	11	-	338
Buildings	40,597	2,565	-	43,162
Equipment, books and other	47,218	3,481	-	50,699
Vehicles	141	16	44	113
Total	**88,283**	**6,073**	**44**	**94,312**

(All dollar amounts are in $000)

8. Tangible Capital Assets

Net Book Value	December 31, 2017 $ (Recast Note 2)	December 31, 2018 $
Land	1,247	1,247
Land Improvements	77	66
Buildings	57,603	56,326
Equipment, books and other	15,110	15,679
Vehicles	61	46
Total	**74,098**	**73,364**

2018 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 2018 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 2018 is $8.98 billion (2017 $8.85 billion). The City's 2018 accumulated surplus (Note 9) is comprised of the following balances:

($000s)

Item	2018 Actual	2017 Actual
Tangible Capital Assets	8,180,906	8,113,738
Unexpended Capital	211,874	228,092
Long-term Debt	(181,491)	(155,895)
Enersource Corporation	502,361	485,034
Unfunded Employee Benefits	(209,650)	(209,231)
Reserves	80,870	71,317
Reserve Funds	391,546	322,549
Total Accumulated Surplus	**8,976,416**	**8,855,604**

Financial Assets

Financial assets in 2018 were $1.78 billion (2017 $1.65 billion), an increase of $0.13 billion from the prior year.

($000s)

Item	Ref.#	2018 Actual	2017 Actual	$ change vs prior year	% change
Cash	1	110,925	131,819	(20,894)	(16%)
Taxes receivable	2	45,567	33,978	11,589	34%
Accounts receivable	3	96,795	130,051	(33,256)	(26%)
Loans and other receivables	4	500	550	(50)	(9%)
Inventories for resale	5	173	225	(52)	(23%)
Investments	6	1,020,141	872,367	147,774	17%
Investment in Enersource	7	502,361	485,034	17,327	4%
Total Financial Assets		**1,776,462**	**1,654,024**	**122,438**	

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 2018 and 2017* ($20.9 million decrease): 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 2018 and 2017* ($11.6 million increase): 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 items like damage expenses and HST rebates.
   - *Difference between 2018 and 2017* ($33.3 million decrease): The current year accounts receivable balance is significantly lower than last year's primarily due to the timing of collection and receipts. The major contributors to the decrease were amounts due from school boards for property tax adjustments were less than last year by $13.0 million). Other receivable (AR) balance decreases from last year in Hershey AR, yearend AR accruals (approx. $34 million) accounted for the majority of the remaining decrease. Other increases and decreases in other receivable accounts categories accounted for the balance of change.

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 2018 and 2017:* ($50 thousand decrease): Each December, a payment of $50,000 is applied against the Vic Johnston Community Centre $550,000 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 2018 and 2017 ($52 thousand 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 2018 and 2017* ($147.8 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 2018 and 2017* ($17.3 million increase): This net increase is the share of net income from operations of $30.2 million less the dividend paid to the City of $12.9 million.

Financial Liabilities

Financial liabilities in 2018 were $991.3 million (2017 $922.4 million), an increase of $68.9 million from the prior year.

($000s)

Item	Ref.#	2018 Actual	2017 Actual	$ change vs prior year	% change
Accounts Payable and Accrued Liabilities	1	183,942	213,260	(29,318)	(14%)
Deferred revenue-general	2	10,021	9,742	279	3%
Deferred revenue-obligatory reserve funds	3	406,224	334,252	71,972	22%
Employee benefits and other liabilities	4	209,650	209,231	419	0%
Long-term debt	5	181,491	155,895	25,596	16%
Total Financial Liabilities		**991,328**	**922,380**	**68.948**	

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 2018 and 2017* ($29.3 million decrease): 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 2018 and 2017* ($279 thousand 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 Reserve 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 reserve 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 2018 and 2017* ($72.0 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 2018 and 2017* ($419 thousand increase): Increases in the actuarial assessments for WSIB, vacation, sick leave, and early retirement were offset by decreases in post-employment and developer contribution credit liabilities occurring because of changes in trends and claims. Together, all resulted in a net increase 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 2018 and 2017* ($25.6 million net increase): In 2018, $46.3 million of new debt was added. This new debt was offset by a pay down of $20.7 million in prior year debt.

Non-Financial Assets

Non-financial assets in 2018 were $8.191 billion (2017 $8.124 billion), an increase of $67.2 million. Non-financial assets are comprised primarily of tangible capital assets, as well as inventories of supplies, and prepaid expenses.

($000s)

Item	Ref.#	2018 Actual	2017 Actual	$ change vs prior year	% change
Tangible Capital Assets	1	8,180,906	8,113,738	67,168	1%
Inventories of supplies	2	7,616	6,670	946	14%
Prepaid Expenses	3	2,760	3,552	(792)	(22%)
Total Non-Financial Assets		8,191,282	8,123,960	67,322	

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 an 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 2018 and 2017* ($67.2 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 2018 and 2017* ($946 thousand increase): The increase was attributable to a growth in salt and sand inventory of $452 thousand and growth in traffic signal inventory of $443 thousand. Other increases and decreases in other inventory categories accounted for the balance of change.

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 2018 and 2017* ($792 thousand decrease): The net decrease 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 2018 were $1,056 million (2017 $1,173 million), a decrease of $117 million.

($000s)

Item	Ref. #	2018 Actual	2018 Adjusted Budget	2017 Actual	$ change vs Adjusted Budget	% change	$ change vs prior year	% change
Taxation	1	525,782	521,734	500,149	4,048	1%	25,633	5%
Municipal Accommodation Tax	2	8,990	7,400		1,590	21%	8,990	
User charges	3	258,215	236,990	249,043	21,225	9%	9,172	4%
Recoveries from third parties	4	9,324	6,245	8,990	3,079	49%	334	4%
Funding transfers from other governments	5	34,964	1,802	42,927	33,162		(7,963)	(19%)
Development and other contributions applied	6	73,265	0	90,547	73,265		(17,282)	(19%)
Investment income	7	35,305	28,472	37,628	6,833	24%	(2,323)	(6%)
Penalties and interest on taxes	8	9,805	8,120	9,133	1,685	21%	672	7%
Contributed assets	9	49,581	0	11,732	49,581		37,849	
Other Revenues	10	20,158	1,311	6,099	18,847		14,059	
City Share of net income in Enersource Corporation	11	30,268	0	14,194	30,268		16,074	
City share of equity in gain on exchange of Investment in Enersource Holdings Inc.	11	0	0	202,734	0		(202,734)	
Total Revenues		**1,055,657**	**812,074**	**1,173,176**	**243,583**		**(117,519)**	

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 2018 and 2017* ($25.6 million increase): Two things influence this number: assessment growth, and the annual Business Plan & Budget. In 2018, assessment growth was 0.457 per cent (0.444 per cent in 2017). For the 2018 Business Plan & Budget, Council approved a 4.6 per cent increase over 2017 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* ($4.0 million surplus): The variance is due to additional supplementary taxes and payments in lieu of taxes.

2. Municipal Accommodation Tax
    - *What it is: A mandatory 4% Municipal Accommodation Tax (MAT) effective April 1, 2018 that applies to the purchase of accommodations provided for a continuous period of 30 days or less in a motel, hotel, lodge, inn, bed and breakfast, dwelling unit or any place that provides accommodation.* Online private short-term rentals through Airbnb are also subject to the MAT starting on October 1, 2018.
    - *Why it's important: It is a new revenue tool that provides the City with an opportunity to generate funds that will be used for future tourism related initiatives.*
    - *Difference between 2018 and 2017* ($9.0 million increase): This is a new fee in 2018.
    - *Difference between Actual and Budget* ($1.6 million surplus): The surplus in this newly budgeted revenue is due to higher than estimated occupancy.

3. 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 2018.
    - *Difference between 2018 and 2017* ($9.2 million increase): There were four key contributors to this increase: general fees increased by $2.9 million; transit fares by $4.9 million; building permits by $2.8 million. Provincial Offence fines decreased by $1.5 million. Increases and decreases in other user fee categories accounted for the balance of the net increase.
    - *Difference between Actual and Budget* ($21.2 million surplus): $18.4 million of this surplus relates to various City-wide general fees ($8.1 million); transit revenue ($4.9 million); licenses and permits ($4.9 million); by-law fines ($0.5 million). The remaining balance ($2.8 million) is attributed to increases and decreases versus budget in other departmental user fee areas.

4. 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 2018 and 2017* ($0.3 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* ($3.1 million surplus): Higher than expected capital recoveries account for this surplus against budget.

5. 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 2018 and 2017* ($8.0 million decrease): There was a modest decrease in some provincial-related grants in 2018.
    - *Difference between Actual and Budget* ($33.2 million surplus): Surpluses against budget of $1.0 million occurred for grants for libraries, seniors, tourism, heritage and environment. The balance of the surplus ($32.2 million) relates to non-budgeted capital government funding such as Public Transit Investment Fund (PTIF) and the Clean Water and Wastewater Fund (CWWF).

6. Development and Other Contributions
    - *What it is:* In the year, if capital-related expenses are incurred that correspond to deferred revenue - obligatory reserve 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 2018 and 2017* ($17.3 million decrease): Deferred Revenue-Obligatory Funds increased in 2018 from governmental contractual funding. More funding was received in relation to funding of capital projects in 2018 resulting in the decrease in revenue from prior year.
    - *Difference between Actual and Budget* ($73.3 million surplus): The entire amount in this category shows as surplus because this category is not included in the budget.

7. 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 2018 and 2017* ($2.3 million decrease): The reduction in investment income reflects a general decline in interest rates on available investment products.
    - *Difference between Actual and Budget* ($6.8 million surplus): There was a $6.8 million surplus in investment income from the Reserve Fund. The surplus relates to a higher rate of interest and higher Reserve Fund balances than projected.

8. 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 2018 and 2017* ($0.7 million increase): There was a modest increase in 2018 in penalty and interest revenues over those of 2017. Revenues are dependent on the timing of payment of property taxes.
    - *Difference between Actual and Budget* ($1.7 million surplus): There was a surplus of $1.7 million, a positive variance to the budget of 20.8 per cent.

9. 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 2018 and 2017* ($37.8 million increase): 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* ($49.6 million surplus): The entire amount in this category shows as surplus because this category is not included in the budget.

10. 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 2018 and 2017* ($14.1 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* ($18.8 million surplus): The surplus is mainly composed of unbudgeted sales of City capital assets for $11.0 million, and capital recoveries of $3.4 million. The balance relates to various City-wide miscellaneous revenue increases and decreases versus budget.

11. City Share of Net Income in 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 2018 and 2017* ($16.1 million increase)*:* The City has 90% ownership in Enersource Corporation and therefore applies 90% to Enersource's Shareholders Equity. The change in year over year shareholders equity is in the Investment in Enersource balance.
    - *Difference between Actual and Budget* ($30.3 million surplus): The entire amount shows as a variance because City share of net income in Enersource Corporation is not a budgeted item.

12. City Share of Equity in Gain on Exchange of Investment in Enersource Holdings Inc.
    - *What it is:* On January 31, 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. In 2017, Enersource earnings were less than this year due to financial costs relating the Alectra merger.
    - *Why it's important:* This transaction created a gain on the investments which is reflected in the financial statements.
    - *Difference between 2018 and 2017* ($202.7 million decrease)*:* Enersource Holdings Inc. merged into Alectra Inc. on January 31, 2017. There were no additional gains or losses on investment recognized in 2018.
    - *Difference between Actual and Budget* ($0.0 million surplus)*:* This is not a budgeted item.

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 2018 were $934.8 million (2017 $845.9 million), an increase of $88.9 million.

($000s)

Item	Ref. #	2018 Actual	2018 Adjusted Budget	2017 Actual	$ change vs Adjusted Budget	% change	$ change vs prior year	% change
Salaries, wages, and employee benefits	1	513,720	515,412	491,101	(1,692)	(0.3%)	22,619	5%
Long-term debt interest and fees	2	4,467	4,573	3,015	(106)	(2%)	1,452	48%
Materials and supplies	3	64,613	58,717	60,231	5,896	10%	4,382	7%
Contracted services	4	81,490	56,161	78,141	25,329	45%	3,349	4%
Rents and financial expenses	5	72,899	75,213	70,085	(2,314)	(3%)	2,814	4%
External transfers to others	6	7,194	10,854	6,814	(3,660)	(34%)	380	6%
Loss on disposal of tangible capital assets	7	49,994	0	2,544	49,994		47,450	
Amortization	8	140,468	135,136	133,942	5,332	4%	6,526	5%
Total Expenses		**934,845**	**856,066**	**845,873**	**78,779**		**88,972**	

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 2018 and 2017* ($22.6 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* ($1.7 million surplus): An operating surplus of $6.8 million occurred due to position vacancies and delays in new hires. This surplus was offset by non-budgeted costs such as Public Sector Accounting Board (PSAB) benefit adjustments ($3.2 million) and ineligible salaries for TCA ($2.3 million). The balance relates to various City-wide labour related expense increases and decreases versus budget.

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 three per cent in 2018.
   - *Difference between 2018 and 2017* ($1.5 million increase): Some debt principal was paid down in 2018 ($20.7 million) and some new debt was added ($46.3 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* ($0.1 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 2018 and 2017* ($4.4 million increase): There were a few key contributors to the net increase in 2018 over 2017. Higher per-litre diesel fuel costs ($3.7 million), vehicle maintenance costs ($1.7 million) and general operating materials across all departments ($1.9 million) were the main contributors to the increase. These increases were partially offset by the reduction of ineligible capital expenses for TCA of $2.6 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* ($5.9 million deficit): The deficit in this category is largely the result of two changes: increases in transportation-related costs, including higher-than-budgeted diesel fuel costs ($2.8 million) and non-budgeted ineligible materials, supplies and transportation for TCA ($3.3 million). The balance relates to various City-wide material related expense increases and decreases versus budget.

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 2018 and 2017* ($3.3 million increase): General increases and decreases in City-wide contracted services accounted for the growth. Sidewalk and walk way repair ($3.5 million) was the main contributor to the increase.
    - *Difference between Actual and Budget* ($25.3 million deficit): The deficit against budget is mainly due to the non-budgeted ineligible contracted services for TCA ($24.0 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 2018 and 2017* ($2.8 million increase): A net increase resulted from a combination of increases and decreases in this expense category. The main contributors to the increase were insurance related costs of $0.7 million, storm water adjustment of $3.2 million, TCA ineligible expense reclass of $0.7 million, equipment costs of $0.8 million, and PSAB liability expenses of $2.7 million. These increases were also offset by a property tax adjustments decrease of $6.4 million. Various increases and decreases in other City-wide categories accounted for the balance of the change.
    - *Difference between Actual and Budget* ($2.3 million surplus): A surplus against budget occurred due to lower-than-planned claim settlements and insurance premiums ($4.0 million) and the timing of tax appeals decisions rendered by the Assessment Review Board ($0.8 million). This was offset by lower spending on equipment and maintenance costs ($0.7 million); and non-budgeted non-capitalized expenses ($1.5 million). The balance relates to other City-wide increases and decreases.

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 2018 and 2017* ($0.4 million increase): The increase reflects a planned increase in spending.
    - *Difference between Actual and Budget* ($3.7 million surplus): The surplus showing in this category is attributable to arts and festival spending being lower than planned.

7. Loss on Disposal of Tangible Capital 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 2018 and 2017* ($47.4 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* ($50.0 million surplus): The full amount shows as a deficit against budget because loss on disposal of assets is not a budgeted item.

8. Amortization
   - *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 2018 and 2017* ($6.5 million increase): The total amortization amount increases as the City's capital assets grow.
   - *Difference between Actual and Budget* ($5.3 million deficit): 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 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 2018 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 2018 was $8.181 billion (2017 $8.114 billion). Refer to Note #9 in the financial statements for a detailed breakdown of tangible capital asset activity.

The annual amortization expense in 2018 was $140.5 million (2017 $133.9 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 2018 totalled $472.4 million (2017 $393.9 million), an increase of $78.5 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 2018 were $80.9 million (2017 $71.3 million), an increase of $9.6 million.

Reserve Funds

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

Total Reserve Funds in 2018 were $391.5 million (2017 $322.6 million), an increase of $68.9 million from the prior year.

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

This 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.